Significant progress

MATTHEW LESTER
Chairman

Dear shareholder

In the Governance section, we provide an overview of our corporate governance during the 2021 financial year including the principal activities of the Board and its committees and how we have applied the principles and complied with the provisions of, the UK Corporate Governance Code (2018 edition) (the Code). It is worth noting that Governance at Kier runs throughout the Group and it has been a key focus to embed the appropriate governance framework and systems through Performance Excellence and Kier's Operating Framework. In the Governance section we focus on Board governance, reflecting the Directors' responsibilities in the Code for leading and promoting the long-term success of the Company, generating value for shareholders and contributing to wider society.

Board composition and review

Following the appointment of Alison Atkinson in December 2020, I believe that we have the right balance on the Board in terms of diversity, skills and experience. In relation to our diversity, including gender and ethnicity, we note the recommendations of the Hampton-Alexander and Parker reviews and the Nomination Committee will consider these further in FY22. Further information is contained in the Nomination Committee report on pages 96 to 97. As noted in the Nomination Committee report, since the Board is still relatively new in post with the majority of both Executive and Non-executive Directors having been appointed in the last two to three years, our Board review, externally facilitated by Clare Chalmers and conducted in June-August 2021, was forward looking, focused on how we can improve further and deliver future good governance. Information on the Board review is on page 97.

Our culture

We agreed as a Board that, rather than have a designated Non-executive Director to have responsibility for engagement with the workforce, that each Director, through the Company's long-standing Visible Leadership Tours ('VLT'), would undertake to engage further with the workforce. In particular I wanted each Director to understand first-hand the culture and issues pertinent to the workforce at Kier, rather than have a single conduit to report to the Board. As a result of COVID-19, unfortunately Board members were unable to engage as much as we would have liked with a total of nine VLTs taking place in the period. To support the Board on understanding workforce issues, including culture in particular, the Group HR Director now also regularly attends Board meetings to provide updates and for the Board to monitor progress through various measures. Further information is provided on page 82.

Engaging with our stakeholders

This has been a key year for engaging with our shareholders, in particular with the sale of our Living business and the capital raise but also, for example, with our lenders, supply chain partners, customers and communities as the Company worked hard to improve its financial and operational positions. In addition, we as a Board were very conscious of the need to work alongside our stakeholders during the COVID-19 pandemic with the unprecedented challenges that this brought. We will continue to work with our stakeholders to capitalise on the opportunities for growth that we have as a business.

An overview of the Group's engagement with its key stakeholders and how we considered their views in our decision making is set out on pages 83 to 85.

Risk and internal controls

As well as opportunities for growth, we are mindful of the risks that we face and consider these as part of our governance. The Board recognises its role and responsibilities to establish procedures to manage risk, oversee the Group's internal control framework and determine the nature and extent of the principal risks the Group is willing to take in order to achieve its long-term strategic objectives. We also include information on the principal risks that the Board has recognised and the measures taken to mitigate these.

"Governance at Kier runs throughout the Group and it has been a key focus to embed the appropriate governance framework and systems through Performance Excellence and Kier's Operating Framework."

Remuneration

A key element of good governance is ensuring that the Executive Directors and senior team, who implement the Board's strategy, are appropriately motivated to focus on the key issues and deliver on these. If the long-term success of the Company is to be achieved, the executive team need to be appropriately rewarded to reflect the performance provided to the benefit of shareholders and wider stakeholders. Accordingly, the Board has, through the Remuneration Committee, oversight of the Executive Directors and members of the Executive Committee's performance and how this performance aligns with the long-term success of the Company. The Committee considers shareholders' and stakeholder views both through independent advice received and direct engagement. We acknowledged the significant vote against the Directors' Remuneration Report at the 2019 AGM and we listened during the discussions we had subsequently for the new Remuneration Policy, approved by shareholders at the 2020 AGM, a summary of which is provided on pages 110 to 117. Following the sale of the Living business and the capital raise, the Executive and All Employee share plans were adjusted in line with HMRC approved formulae. The Remuneration Committee also considered the appropriateness of the performance conditions of the Executive plans including LTIPs. Further information is provided in the Remuneration Report on pages 98 to 117.

Code compliance

In line with the Code, the following pages describe how the Company applied the Code's principles and our full compliance with the provisions, noting areas for further development in FY22. A detailed note on compliance and the application of the Principles is provided on page 74.

MATTHEW LESTER

Chairman

15 September 2021

The UK Corporate Governance Code – Compliance

The Company is subject to the UK Corporate Governance Code (July 2018 edition) (the Code). A full version of the Code can be found on the Financial Reporting Council's website: www.frc.org.uk.

During the 2021 financial year, the Company applied the Principles of the Code. Information on how the Company applied the Principles, what action has been taken and the resulting outcomes is provided in this Governance report (and for Remuneration, the Directors' Remuneration Report) as follows:.

Section 1 – Principles A to E	Where to find further information
Principle A: board's role and company's long-term sustainable success, purpose, strategy, value and culture	Pages 73 to 82
Principle B: company's purpose, values, strategy and culture	Pages 80 to 82
Principle C: resources, prudent and effective controls	Page 80 and 88
Principle D: shareholder and stakeholder engagement	Pages 83 and 84
Principle E: workforce policies and practice and workforce concerns	Page 82
Section 2 – Principles F to I	
Principle F: chair's role	Page 77
Principle G: board balance and division of responsibilities	Pages 76 and 77
Principle H: non-executive directors' time and role	Page 77
Principle I: information and resources	Page 77
Section 3 – Principles J to L	
Principle J: board appointments	Pages 96 and 97
Principle K: board and committee composition	Pages 78 and 79
Principle L: board evaluation	Pages 96 and 97
Section 4 – Principles M to O	
Principle M: policies and procedures for internal and external audit	Pages 88 to 92
Principle N: fair, balanced and understandable assessment	Page 92
Principle O: risk and internal control framework, principal risks and risk assessment and management	Page 88
Section 5 – Principles P to R	
Principle P: remuneration policies and practices and strategy and long-term sustainable success	Pages 98 to 117
Principle Q: director and senior management remuneration procedure	Pages 98 to 117
Principle R: independent judgement and discretion on remuneration	Pages 98 to 117

Provisions of the Code

The Company is required to state whether it has complied with the provisions in the Code or if not explain why, the actions it has taken to ensure good governance and timeframes for non-compliance.

The Board considers that it complied with the provisions in the Code but provides further information in relation to Provisions 5 and 17 as outlined below.

Provision 5 – Engagement with the workforce
Due to the COVID-19 pandemic, the Board's engagement system with the workforce via the Visible Leadership Programme was curtailed but further information was provided to the Board via the enhanced HR reports. This is an area of focus and the engagement, via Visible Leadership Tours, has recommenced in FY22 with a view to providing a full report in the FY22 Corporate Governance section.

Provision 17 – Succession planning
In the year, the Nomination Committee had a greater focus on the externally facilitated Board and Committee forward looking review and development opportunities. With such a relatively new Board and Executive Committee, further work on succession planning for the Board and senior management will take place in FY22 and be reported on in next year's Annual Report.

Board statements

The Board is required to make a number of statements on certain governance matters. These statements are set out in the following table:

Matters	Board statement	Where to find further information
Compliance with the Code	The Directors confirm that, throughout the 2021 financial year, the Company applied the principles of the Code and complied with the provisions of the Code.	'Compliance with the Provisions of the Code' on page 74. 'Application of the Principles of the Code' on page 74.
Going concern basis	The Directors are satisfied that the Group has sufficient financial resources to continue to operate for at least 12 months and, therefore, have adopted the going concern basis in preparing the Group's 2021 financial statements.	Strategic report on pages 1 to 71. 'Principal risks and uncertainties' on pages 37 to 40. 'Going concern' in 'Financial review' on pages 47 and 48. '2021 financial statements – significant issues and other accounting judgements' in the Risk Management and Audit Committee report on page 91.
Viability statement	The Directors have assessed the viability of the Group over a three-year period ending 30 June 2024, taking into account the Group's current position and the principal risks and uncertainties set out on pages 37 to 40. Following this assessment, the Directors have a reasonable expectation that the Group will continue to operate and to meet its liabilities as they fall due over this period.	'Principal risks and uncertainties' on pages 37 to 40. 'Viability statement' in 'Financial review' on pages 48 and 49.
Assessment of the principal risks facing the Group	The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Directors also assessed their appetite with respect to these risks and, via the Risk Management and Audit Committee, monitored the systems required to mitigate and manage them.	'Principal risks and uncertainties' on pages 37 to 40. 'Risk assessment and risk appetite' on page 34 to 36.
Annual review of systems of risk management and internal control	During the 2021 financial year, the Board monitored the Group's systems of risk management and internal control, via the Risk Management and Audit Committee, and carried out a review of their effectiveness. The conclusion was that, overall, these systems are effective.	'Systems of risk management and internal control – Effectiveness review' in the Risk Management and Audit Committee report on page 88.
Fair, balanced and understandable	The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.	'2021 Annual Report – fair, balanced and understandable statement' in the Risk Management and Audit Committee report on page 92.
Section 172 Companies Act 2006 statement	Please see 'Section 172 statement' on page 69.	

Leading the Company

The Governance Framework at Kier

Shareholders

Board

Accountable to shareholders and responsible for the long-term success of the Company

Board Committees

Nomination
see page 96

Remuneration
see page 98

Risk Management and Audit
see page 86

Safety, Health and Environment / ESG
see page 94

Executive Committee

- Reviews material operational matters
- Decides significant HR matters
- Discusses business units' performance

Group Risk Committee

- Reviews the management of operational risk
- Identifies areas for Internal Audit's review
- Provides a link between the business and the Risk Management and Audit Committee

Investment Committee

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

Group Tender Risk Committee

- Reviews material opportunities
- Reviews material tenders
- Advises on risks associated with tenders and opportunities

Quarterly Business Reviews

- Assess the financial and operational performance of the business
- Consider material risks faced by the business
- Review engagement with key stakeholders

Shareholders

Shareholders have the rights provided to them under the Articles of Association, under the Companies Act and common law. Shareholders may requisition meetings and resolutions and may vote at General Meetings, including the Annual General Meeting for ordinary business and such special business as the Board may seek shareholder approval. Following the capital raise, Kier's share register has more large UK focused long term institutional investors which the Company will look to engage with going forwards on matters pertinent to them.

The Board

The Board is responsible for effective leadership and the long-term success of the Group. The Board considers that it comprises an appropriate combination of Executive Directors and independent Non-executive Directors who together as a unitary Board provide leadership of the Group, establishing the purpose, values and strategy and satisfying itself that these and the culture are aligned. Directors are expected to display the values and lead by example. No one individual or small group of individuals dominates the Board's decision-making processes. The Chairman leads the Board. The Non-executive Directors provide constructive challenge and strategic guidance to the Executive Directors. In addition, they scrutinise and hold to account the performance of management and the Executive Directors.

The Board has delegated certain of its responsibilities to Board committees in order to provide focus on those matters and allow the Board sufficient time on it's agendas to consider strategic operational, financial and governance matters. The principal activities of each of these committees during the year are set out in their respective reports in this Annual Report. The decisions which can only be made by the Board are clearly defined in the schedule of matters reserved for the Board, which is available on the Company's website at www.kier.co.uk/corporategovernance.

The matters requiring Board approval include, amongst others:

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

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

The Executive Committee

The Executive Committee, chaired by the Chief Executive and which ordinarily meets monthly, oversees the implementation of the strategy and its operations, including, for example, consideration of business stream performance, risk, health and safety, Performance Excellence, the Operating Framework, corporate strategy, Government affairs and HR matters.

The three appointments made in the year further strengthen the Committee since they relate to key areas for the business – Property; strategy and corporate development, which includes investor relations; and corporate affairs, which includes relations with the key stakeholder and customer, HM Government, and corporate communications.

The Board was pleased to note that, in line with its policy on diversity, 27% (3 out of 11) of the Executive Committee are now women.

Group delegations

The businesses are led by the Group's managing directors, each of whom sits on the Executive Committee. They are responsible and accountable for the performance of those business streams, in line with the Operating Framework and the Group's Delegations of Authority schedules as well as contributing to the implementation of the strategy set by the Board. Within the business units, governance is delegated to business unit operating boards. In addition, the legal subsidiaries within the business units and their holding companies have their own boards of directors to oversee the operational performance of those companies, in line with their statutory duties.

Board of Directors

MATTHEW LESTER N R

Chairman, responsible for leading the Board

Tenure on Board: 1 year, 8 months

Independent: Yes (on appointment)

Relevant skills and experience:
- A chartered accountant, having trained and qualified at Arthur Andersen
- Substantial strategic and financial experience, through senior finance roles at Diageo and as Group Finance Director of ICAP (from 2006 to 2010) and Chief Financial Officer of Royal Mail (from 2010 to 2017)
- Significant non-executive director experience at Man Group (from 2011 to 2020) and Barclays (from 2017 to 2020)

Principal current external appointments:
- Non-Executive Director of Capita (since 2017) and Chair of the Audit and Risk Committee
- Non-Executive Director of Intermediate Capital Group (since April 2021)

ANDREW DAVIES

Chief Executive, responsible for day-to-day leadership of the Company

Tenure on Board: 2 years, 5 months

Independent: No

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

Principal current external appointments:
- Non-Executive Director of Chemring (since 17 May 2016) and Senior Independent Director

SIMON KESTERTON

Chief Financial Officer, responsible for finance and accounting, treasury, investor relations, IT and internal audit

Tenure on Board: 2 years

Independent: No

Relevant skills and experience:
- A member of the Chartered Institute of Management Accountants
- Broad range of financial, strategic and IT leadership experience in his former senior roles in the engineering and manufacturing industries
- Formerly Chief Financial Officer, Europe and Chief Strategic Officer at IAC Group and Group Finance Director of RPC Group (from 2013 to 2019)
- Significant experience in the implementation of cost reduction, M&A and profitability improvement programmes

JUSTIN ATKINSON N R RA S

Non-executive Director, Senior Independent Director

Tenure on Board: 5 years, 11 months

Independent: Yes

Relevant skills and experience:
- A chartered accountant, having trained and qualified at a predecessor firm of PwC
- Formerly Chief Executive of Keller (from 2004 to 2015) and previously Keller's Group Finance Director and Chief Operating Officer
- Significant operational, financial and strategic experience
- In-depth knowledge of the construction sector, both in the UK and internationally

Principal current external appointments:
- Chairman of Forterra (since May 2019 and formerly the Senior Independent Director and Chair of the Audit Committee from April 2016)
- Non-Executive Director of James Fisher (since February 2018) and Chairman of the Audit Committee (since May 2018)

ALISON ATKINSON

N R RA S

Non-executive Director

Tenure on Board: 9 months

Independent: Yes

- Appointed to the Board as an independent non-executive director in December 2020. Alison is Chief Executive Officer of AWE plc and has significant operational experience in large scale national infrastructure

Relevant skills and experience:
- She has senior experience of oversight of civil engineering and contracting through her roles at AWE plc, and previously at Halcrow.

Principal current external appointments:
- Chief Executive Officer of AWE plc

CLIVE WATSON

N R RA S

Non-executive Director

Tenure: 1 year, 5 months

Independent: Yes

Relevant skills and experience:
- Significant experience in financial matters, through senior finance positions both in the UK and overseas, latterly as the Group Finance Director of Spectris (from 2006 to 2019)
- Experience of the engineering sector through his roles at Borealis and as a Non-executive Director at Spirax-Sarco Engineering
- Detailed knowledge of systems of risk management and internal control

Principal current external appointments:
- Senior Independent Director and Chairman of the Audit Committee of Breedon Group (since April 2020)
- Chair of the Audit and Risk Committee of discoverIE Group (since September 2019)
- Senior Independent Director and Chairman of the Audit and Risk Committee of Trifast (since July 2020)

DAME HEATHER RABBATTS

N R RA S

Non-executive Director

Tenure on Board: 1 year, 5 months

Independent: Yes

Relevant skills and experience:
- Significant operational experience in the local government and the entertainment and sports sectors, in particular
- Experience of the contracting sector through her previous role as a Non-Executive Director of Crossrail
- Significant experience of remuneration matters, having served on a number of Remuneration Committees
- Experience of risk management through her previous role as the Chair of the Audit Committee of Grosvenor Great Britain & Ireland

Principal current external appointments:
- Non-Executive Director of Associated British Foods
- Chair of Soho Theatre Company

Board committees key

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

Kier's purpose, strategy and values

The Board is responsible for setting the Company's purpose 'to sustainably deliver infrastructure which is vital to the UK' and the strategy for achieving this. The purpose sets out why the Company exists, the market segments we are in and acts as a guide to everything we do, particularly in relation to sustainability and our market-leading businesses situated across the UK. Our strategic actions are set out on page 12. We continue to be guided by the Company's values in what we do and our culture for how we undertake our activities.

Board principal activities – 2021 financial year

The principal activities held by the Board during the financial year were as follows:

Principal activity	
Strategic actions	› Approved the sale of Kier Living › Approved the capital raise › Received regular updates on our strategic actions
Business/Operational	› Received updates on the progress of our key contracts and projects › Received regular updates on the progress of our Performance Excellence culture and framework › Received regular updates on our health and safety metrics › Received progress updates on our sustainability agenda › Received updates on our IT performance and initiatives and cyber security › Considered the potential impact of the COVID-19 pandemic on the safety of our people, the Group's operations and financial performance › Undertook deep dives into certain business units to understand their markets, customers and key growth drivers
Financial	› Approved the full-year results and the Annual Report and financial statements for the 2020 financial year › Approved the half-year results for the 2021 financial year › Agreed the viability statement as disclosed in the Annual Report › Approved the going concern basis of accounting in preparing the half- and full-year results › Approved the refinancing of the existing Revolving Credit Facility debt facilities › Approved the Group's tax strategy statement › Approved the budget for the 2021 financial year › Regularly reviewed the Group's financial performance and forecasts › Considered the financial position and liquidity headroom in light of the COVID-19 pandemic
Leadership and employees	› Approved the appointment of Alison Atkinson as a Non-executive Director › Reviewed the Group's people agenda including diversity and inclusion, employee engagement surveys, talent and succession planning. › Considered the impact of the COVID-19 pandemic on the health and wellbeing of our people
Internal control and risk management	› Considered and agreed the Group's risk appetite and principal risks › Assessed the effectiveness of our internal controls and risk management systems
Governance and stakeholders	› Considered the output and recommendations from the Board externally facilitated effectiveness review › Discussed feedback from institutional shareholders and analysts › Approved the Modern Slavery Act statement › Received updates on our whistleblowing programme and compliance matters such as anti-bribery and corruption › Received updates on BEIS's consultation on 'restoring trust in audit and corporate governance'

Board and Committee meeting attendance

Details of attendance by each Director at the principal Board and Board committee meetings during the year (shown as the number of meetings attended/potential number of meetings that could have been attended) are as follows:

Director	Board	Board Committee[3]	Remuneration Committee	Risk Management and Audit Committee	Safety, Health and Environment Committee
Matthew Lester	11/11	5/5	6/6	–	–
Alison Atkinson[1]	8/8	–	2/2	4/4	2/2
Justin Atkinson	11/11	–	6/6	5/5	3/3
Kirsty Bashforth[2]	3/4	–	3/4	1/1	1/1
Andrew Davies	11/11	5/5	–	–	–
Simon Kesterton	11/11	5/5	–	–	–
Dame Heather Rabbatts	11/11	–	6/6	5/5	3/3
Clive Watson	11/11	3/3	6/6	5/5	3/3

1 Alison Atkinson was appointed to the Board on 15 December 2020.

2 Kirsty Bashforth stood down from the Board on 17 December 2020.

3 The Board held additional meetings during the year to discuss, amongst other matters, the sale of the Living business and capital raise, and the effects of COVID-19 on the Group. The Board Committee considered the sale of the Living business and capital raise and results.

Culture

The Board recognises the important role that it plays in assessing and monitoring the Group's culture, so as to ensure that policy, practices and behaviour throughout the Group are aligned with its purpose, values and strategy.

The Operating Framework has further embedded the culture of Performance Excellence as we have reshaped the Group and refocused on our performance and delivery – this includes our pillars of People, Processes, Project Execution, Cash Management and Future of Work.

In relation to Processes and Project Execution, the Board and RMaC has received updates from the Commercial Director, Stuart Togwell and from the Group Managing Directors as to the implementation of Performance Excellence in their businesses including information on each of these pillars.

In addition, during the year at the request of the Chairman, the Group Human Resources Director, Helen Redfern, regularly attended Board meetings to inform the Board of People matters and assist the Board with its oversight of culture in the Company. The reports to the Board (via HR or in other reports such as the Chief Executive's reports) included matters relating to culture such as:

- Employee surveys
- Turnover and absenteeism rates
- Training data
- Senior recruitment, reward and promotion decisions
- Whistleblowing, grievance and 'speak-up' data
- Board interaction with senior management and workforce
- Health and safety data, including near misses
- Promptness of payments to suppliers
- Attitudes to regulators, internal and external auditors and compliance
- Information from internal audit on the impact of policies and processes.

The Board recognised that the direct interaction with employees through the VLTs had been made more difficult due to COVID-19 issues resulting in Board members not being able to visit as many sites and engage more directly with the workforce as had been intended. The Board was satisfied, through the interaction with the business unit managing directors, the Group Commercial Director and the Group HR Director, that the culture remained appropriate for the Company.

Whistleblowing helpline

In order that employees can report any matters of concern in confidence, the Group makes available an externally-hosted, confidential whistleblowing helpline. During the year, the Group Compliance function continued to take steps to raise awareness of the facility and the Board reviewed reports which provided details of the issues reported to the helpline and how management had investigated them. No issues which were material in the context of the Group were reported to the helpline or via other means during the year. The Chairman will personally be informed of any issues raised concerning any members of the Board or senior management, even if not ordinarily qualifying as being regarded as material, noting that there were no such cases to be advised of in FY21.

Conflicts of interest

The Board has a number of measures to manage conflicts of interest so as to ensure that the influence of third parties does not compromise or override its judgement. For example, the Board's agreement is required before a Director may accept any additional board commitments, whether paid or unpaid, so as to ensure that potential conflicts of interest are identified at an early stage and that the relevant Director will continue to be able to dedicate sufficient time to the Company. For example, during the year, the Board approved a part time mentoring role for the Chief Financial Officer since the engagement was for a small number of hours with an individual at an overseas company with no connection to Kier or its sector.

Stakeholder engagement

The following table provides examples of how the Board engaged with stakeholders during the year and how it took into account this engagement in its decision-making in accordance with s172 of the Companies Act and the requirement under s172 for the Directors to promote the success of the Company with regard to:

- The likely consequences of a decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

Further information on these are contained in the Strategic Report.

Key stakeholders and form of engagement with them	Resulting impact
Shareholders (members)	
› Roadshows held with investors following the release of the results announcements › The Chair of the Remuneration Committee engaged with shareholders on Executive pay and the new Policy › Engagement in relation to the sale of Living › Further engagement in relation to the capital raise with existing and potential new long term investors	› Feedback supported the Board's conclusion as to its principal area of focus – namely, to seek a reduction in net debt › Facilitated the Remuneration Committee's decision-making in relation to both the new remuneration policy and executive remuneration for the 2021 financial year › Helped shape the form and timing of the capital raise
Banks, lenders, sureties and insurers	
› The Chief Financial Officer had continued monthly engagement with lenders › The Chief Financial Officer engaged with the lenders in relation to the relaxations to the Group's principal finance facilities › Significant engagement relating to the sale of Living and the capital raise	› Engagement confirmed the need to continue to focus on reducing the Group's net debt and increasing its cash flows › Engagement shaped the progress of the sale of Living and the capital raise including the use of the funds
Clients	
› The Chief Executive met a number of the Group's key clients during the year › The Board received feedback on key client relationships via Board reports	› Feedback taken into account when planning future areas of focus for the Group › Informed management's approach to deploying the Group's resources
Government	
› The Chief Executive engaged regularly with representatives of the Cabinet Office › The Board oversaw the Group's engagement with the Cabinet Office via its Strategic Supplier programme › Following appointment of the Corporate Affairs Director, she attended the Board meetings and ongoing regular Board reports were received	› Supported the development of the relationship with one of the Group's key clients › Informed management and the Board about the strategic priorities of one of the Group's key clients

Key stakeholders and form of engagement with them	Resulting impact
Employees	
› Members of the Board undertook visible leadership tours to the Group's sites › The Group HR Director attended Board meetings during the year to brief the Board on key HR matters	› Enabled the Board to assess the Group's management of SHE risks › Briefings provided the Board with an insight into the Group's culture and the workforce's views
Joint venture partners	
› The Chief Executive developed relationships with the Group's joint venture partners including on the HS2 project and reported on these during regular updates	› Assisted in the development of working relationships and the plan to mitigate the risks associated with the project
Supply chain partners	
› The Board received updates on the Company's relationship with suppliers and how the Company engaged with suppliers in relation to payment terms › The Board oversaw management's engagement with trade credit insurers	› Assisted management in continuing to drive a reduction in the number of supply chain payment days › Enabled management to develop a strategy for engaging with these institutions, which support the Group's supply chain
Pension trustees	
› The Chief Financial Officer engaged with the Trustees of the Group's pension schemes in relation to the Group's performance › The Chief Financial Officer engaged with the Trustees in relation to a revised deficit recovery plan › The Chief Executive and Chief Financial Officer engaged extensively with the Trustees in relation to the sale of Living and the capital raise	› Assisted the Board in assessing the schemes' funding requirements prior to discussions relating to the revised deficit recovery plan › Enabled the Board to assess an appropriate level of funding for both the Group and the schemes › Enabled the sale of Living and capital raise to progress as proposed including agreement on the use of proceeds

Stakeholder engagement examples

Workforce engagement
During the year, the Board further discussed the methods for it to engage with the Group's workforce, as listed in Code Provision 5.

The Group comprises a number of different types of businesses, with locations throughout the UK, and its workforce comprises individuals with a wide range of skills and experience and different perspectives on issues. The Board had agreed, therefore, that it would be difficult for an individual appointed from the workforce or for a single, designated Non-executive Director to represent the views of the workforce to the Board. The Board decided that, in light of these factors, each member of the Board would have responsibility for engaging with the workforce and subsequently reporting back to the Board. The Board agreed that the focus of Directors' visible leadership tours would be extended to address wider employee engagement issues.

The measures implemented as a result of COVID-19 made it difficult for the Board to engage directly with the workforce. A total of nine separate visits were made by the Non-executive Directors, including the Chairman. One such visit was conducted by the Senior Independent Director, Justin Atkinson, to Castlepoint, at the end of June 2021. He had the opportunity to speak to employees directly both informally during the site visit and as part of a question and answer session.

Mr Atkinson reflected that "this was a really good way of carrying out employee engagement: spending an hour with this group of six engaged, responsive and enthusiastic employees was a very useful way of establishing what was on their minds. There was little talk of the past with the focus squarely on how we could improve things going forward".

Where possible, the Board has, in addition to HR and SHEA updates provided, met virtually with various members of staff during Board meetings and in the latter part of the FY21 year at Board meetings held, with a combination of virtually and in-person, appropriately socially distanced in line with Government requirements. The Board welcomes the return to face-to-face meetings with employees.

Shareholders
The Board took into account various stakeholder interests in its decision-making. The Chairman and the Board were kept appraised of the views of shareholders in particular during the sale of the Living business and the capital raise and an example follows of how the views of shareholders were considered by the Board in determining the appropriate course of action.

Managing stakeholder interests
For the capital raise, following discussions and engagement with existing and potential shareholders, it became clear that there were differing views held in relation to various matters including:

- The maximum amount of equity to be raised – some shareholders requesting it should be higher than the range provided by the Company as this would enable more debt to be paid off and allow new shareholders to obtain more shares but conversely some existing shareholders requesting that it be lower to avoid diluting existing long-term shareholders.
- The discount to the share price should be greater to ensure high levels of take up and conversely the discount should be lower to avoid existing shareholders having to invest further large amounts, having suffered losses in prior years.

These views were considered by the Board, as well as the interests of retail shareholders and other stakeholders, and advice received by the Board from its brokers and advisers and taken into account during the setting of the capital raise terms.

After the Board considered these views, the terms of the capital raise were set at a level that the Board thought would retain existing large institutional shareholders but also encourage significant new investment from high-quality, long-term equity investors.

The Board was pleased with the support shown for the capital raise and the strengthening of the share price that followed both the announcement and the capital raise itself.

Chair
Clive Watson

Other Committee members
Alison Atkinson
(from January 2021)
Justin Atkinson
Heather Rabbatts
Kirsty Bashforth
(to December 2020)

"During the year, the Committee has focused on continuing to develop the Group's core systems of risk management and internal control and has overseen the financial matters relating to the sale of the Living business and the capital raise."

CLIVE WATSON
Chair

Role
The role of the Committee includes:

- Monitoring the Group's financial reporting procedures and the external audit;
- Reviewing the integrity of the Group's financial statements and challenging significant financial and other judgements;
- Reviewing the adequacy and effectiveness of the Group's risk management and internal control systems;
- Advising the Board on the emerging and principal risks facing the Company (including those that would threaten its business model, future performance, solvency or liquidity), the identification of emerging risks and the management and mitigation of such risks;
- Reviewing the effectiveness of the Group's Internal Audit function, agreeing the list of audits to be conducted each year and reviewing the results of those audits; and
- Reviewing the independence and objectivity of the external auditor, assessing its effectiveness and approving the provision of non-audit services.

The Committee undertakes these significant tasks on behalf of the Board and provides independent oversight on financial matters. This also frees the Board's available time to focus on strategic matters in line with its duties and responsibilities and matters reserved.

Dear shareholder
I am pleased to present the 2021 Risk Management and Audit Committee ('RMaC') report.

The Group has experienced significant change over the past year: there have been a number of new appointments at senior management level, and, to support the delivery of its strategic actions, the Group has embedded a number of core processes and disciplines. In addition, the year saw the Committee oversee management's proposals and delivery of the sale of its Living business and the capital raise, both Class 1 transactions requiring shareholder approval and significant stakeholder engagement.

The Committee continued to focus on the internal control environment at Kier. Work has continued by management and the Committee to embed the improvements required as I outlined in my report last year. In addition, the Committee continues to work closely with the internal and external auditors, including the co-sourced internal auditors, Deloitte, to develop the overall effectiveness of the Group's internal controls and risk management systems as well as financial reporting processes.

Committee meetings
In line with UK Corporate Governance Code recommendations, the Committee is constituted with Independent Non-executive Directors to provide shareholders and other stakeholders with assurance that oversight, and where appropriate, challenge is appropriately provided. Accordingly, in order that the Independent Directors provide such oversight, an understanding of complex accounting and financial matters is required from at least one member of the Committee by having recent and relevant financial experience. As a chartered accountant, and having formerly been the Finance Director of a listed company and as a result of my experience as the Chair of the Audit Committees of other listed companies, I am considered by the Board to have such experience and competence in accounting and auditing. In addition, Justin Atkinson is also a qualified accountant and Heather Rabbatts has previously been Chair of the Audit Committee of Grosvenor, the property group.

The following also attended Committee meetings at the request of the Chair to assist the Committee:

- the Chairman, the Chief Executive, Chief Financial Officer and the Group Commercial Director;
- the Group Financial Controller and representatives from PwC; and
- the Group Head of Risk and Internal Audit, other members of the Risk and Internal Audit function and representatives from Deloitte, the Group's co-sourced internal audit services provider.

Deloitte became the co-source internal auditor during the year following a tender process overseen by the Committee.

Outside of the formal meetings, I had discussions with members of management (including the Chief Financial Officer and the Group Financial Controller) and with our external auditor.

Due to the significance of the matters considered, the Committee met five times during the year (primarily via video conference). Details of attendance at those meetings are set out on page 81. The Board was provided with an update on the principal matters arising at those meetings and part of the December Board meeting was devoted to discussing various RMaC matters. During the year, we determined to reinstate a fourth scheduled meeting in the year in line with the Company's financial calendar.

Principal activities – 2021 financial year

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

September 2020

Review of the Group's FY20 results, external audit findings and ancillary matters with particular focus on going concern and accounting for adjusting items

Review of the assessment of Group's systems of risk management and internal control

December 2020 – Board meeting

Evaluation of the effectiveness of the internal and external auditors

Progress against the FY21 internal audit plan

Risk management update (including review of corporate risk register)

Deloitte Risk Controls and Assurance Framework Assessment and development of roadmap of actions

Appointment of Deloitte as co-source internal audit partner as from 1 January 2021

March 2021

Review of the Group's FY21 interim results and findings from the external auditor review (and ancillary matters)

Progress against the FY21 internal audit plan

Progress against Deloitte Risk Controls and Assurance Framework actions

Risk management update (including review of corporate risk register)

June 2021

FY21 external audit strategy

2021 Annual Report timetable

Risk management update (including review of corporate risk register)

Progress against Deloitte Risk Controls and Assurance Framework actions

Progress against the FY21 internal audit plan, approval of FY22 internal audit plan and review of internal audit resources

Approving the non-audit services policy for FY22

Review of BEIS proposals on 'Restoring trust in audit and corporate governance'

Review of FRC letter enquiries for the 2020 accounts and management's response

Board statements

Information on the work to support the Board's statement on the Group's systems of risk management and internal control is set out under 'Systems of risk management and internal control – Effectiveness review' on page 88, information on the work to support the going concern statement is set out under 'Going concern' on pages 47 and 48 and information on the work to support the viability statement is set out under 'Viability statement' on pages 48 and 49.

Systems of risk management and internal control

General

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

The Group Head of Risk and Internal Audit, who has direct access to the RMaC and its Chair, reports to the RMaC on strategic risk issues and oversees the Group's risk management framework. The Group Risk Committee provides executive management leadership and oversight of the Group's risk management framework and to act as a link between the RMaC and the business in relation to the management of risk.

Information on how the Group identifies, manages and monitors risks, including a description of the principal aspects of the Group's systems of risk management and internal controls and the risk management framework, are set out on pages 32 to 36.

Effectiveness review

The Board conducted its formal annual review of the effectiveness of the Group's systems of risk management and internal control following management's assessment of the key elements of these systems, taking into account the FRC's Guidance. A summary of the review is as follows:

Area of review	Summary of the review's findings
The application of the Group's risk management processes in practice	Increased rigour has been introduced to the Group's management of contract risk and this is embedded into the business units' methodologies
The business units' approach to financial reporting	Greater accuracy over forecasting has been applied
The Group's approach to identifying and managing risk	Greater formality has been embedded
The application of the Group's framework of internal control	The introduction of the Operating Framework added resilience
The approach to reviewing the Group's systems of risk management and internal control	The internal audits undertaken during the year covered a number of key elements

One of the Committee's principal areas of focus for the 2022 financial year will be to oversee the continued development of the Group's systems of risk management and internal control and development of the Internal Audit function under the co-sourced model as described in the following section.

In addition, as we consider the BEIS proposals including the potential adoption of a 'UK Sarbanes-Oxley' regime, we will keep under review the potential changes and how the Company prepares for these changes.

Internal audit

Internal audits – 2021 financial year

During the year, the Committee monitored progress against the 2021 internal audit plan and the tender for the appointment of Deloitte as co-source provider. Results from these audits were discussed by the Committee, together with the follow-up actions taken by management.

During the year, seven internal audit assignments were completed by the in-house internal audit team and six by Deloitte. These audits covered a range of areas, including health & safety site operating procedures to maintain COVID-19 compliance, purchase to pay (including company purchasing cards) & order to cash financial controls, user access rights & segregation of duties and IT cyber security. Other elements of the Group's internal control environment were selected for review so as to assess the Group's exposure to its principal risks and uncertainties and develop ways to remedy any identified weaknesses in the Group's systems of risk management and internal control. Before each audit, the scope of review, timetable and resources required were agreed with management. Updates were provided to management and members of the Committee on the status of ongoing audits at Committee meetings during the year.

Internal audits – 2022 financial year

The internal audit plan for the 2022 financial year is designed to assist management, the Committee and the Board to manage or mitigate the principal risks and uncertainties relating to the Group. The Committee had agreed the internal audit plan in June 2021 and will monitor progress at each of its scheduled Committee meetings.

During the 2022 financial year, 16 internal audit assignments are expected to be conducted, including the following areas:

- Compliance with the Group's health & safety procedures;
- Compliance with the Group's commercial standards, including project life cycle management and Performance Excellence for a number of key commercial contracts;
- Climate change & sustainability;
- Certain aspects of the Group's financial controls; and
- Design, operation and monitoring of certain of the Group's compliance policies.

Further details of the audits conducted during the 2022 financial year will be included in the 2022 Annual Report.

Internal Audit and Group Finance have established a working group in order to manage the Group's readiness for implementing changes to the organisation's internal control environment arising from the BEIS report when finalised. Additionally, the Internal Audit Plan for the 2022 financial year includes advisory work to assist with design of methodology and validation of the Group's key financial controls self-assessments.

Internal Audit function effectiveness

To assess the effectiveness of the Internal Audit function, members of the Committee and senior management completed a questionnaire addressing various aspects of the Internal Audit function's performance. The feedback was reviewed by the Committee at its meeting in December 2020.

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

Strengths

- Risk-based audit approach, working efficiently to address the primary risks of the Group
- The function is independent of the business and has unfettered access to the Committee
- Insightful reports and value-added agreed management actions.

Future areas of focus

- Increasing investment in the Internal Audit function to make the Internal Audit Annual Plan more robust and less limited in scope
- Implementation of technological advances to support the delivery of audits
- Consider the Internal Audit staffing strategy
- Continue to build on industry sector knowledge.

Financial reporting

The Group has clear policies and procedures which are designed to ensure the reliability and accuracy of financial reporting, including the process for preparing the Group's interim and annual financial statements. The Group's financial reporting policies and procedures cover financial planning and reporting, preparation of financial information and monitoring and control of capital expenditure. The Group's financial statements preparation process includes reviews at business and Group levels. The Committee reviewed the accounting judgements, assumptions and estimates as set out in the papers prepared by management and determined, with the input from the external auditor, the appropriateness of these. The significant issues considered by the Committee in relation to this year's financial statements are listed on page 91.

Engagement with the FRC

In May 2021, the Company received a letter from the Financial Reporting Council ('FRC') requesting further information in three principal areas following a review of the Group's 2020 Annual Report and Accounts. The FRC requested further information in relation to deferred taxation, the cash flow statement and the presentation of Alternative Performance Measures in the Strategic report regarding free cashflow and movements in debt.

Following provision of the information requested, the FRC closed its enquiry in July 2021. Disclosure observations made by the FRC were given full consideration and additional disclosures are included in this Annual Report and Accounts where material or relevant to do so.

One observation made by the FRC was to highlight that in the 2020 Annual Report and Accounts, loan repayments from joint ventures were incorrectly classified as a financing activity as opposed to an investing activity in the Group's consolidated cash flow statement. This has been corrected in this Annual Report and Accounts, with prior year comparatives represented accordingly. Further detail on this is given in note 1 to the consolidated financial statements.

The FRC's review was based on the 2020 Annual Report and Accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was, however, conducted by FRC staff with an understanding of the relevant legal and accounting framework. The review carried out by the FRC provides no assurance that the Annual Report and Accounts were correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

External audit

The external auditor, PwC, informed the Committee that the Audit Quality Review function of the Financial Reporting Council (the FRC) which reviews the audits conducted by external auditors, had selected PwC's audit of the Company's 2019 financial statements for review. The report which was issued in December 2020, found certain aspects for improvement. The Company and PwC responded separately to the FRC and have worked closely on the matters raised by the FRC. PwC took into consideration the FRC's preliminary findings and incorporated these in the audit of the 2020 financial statements. The Committee is satisfied that the recommendations by the FRC have been reflected in the PwC audit process.

2021 audit

The following table summarises the key steps taken by the Committee in overseeing the 2021 external audit by PwC:

Event	Matter	Actions taken by the Board/the Committee
June 2021 Committee meeting	› PwC's 2021 audit plan › PwC's resources › PwC's audit risk assessment › Materiality level for the audit › Timetable for the Annual Report and audit plans, key areas of focus › BEIS proposals and potential impact on future audits	› Agreement in principle on the timetable and likely areas of focus › Confirmation that the Company would respond to the consultation (submitted in June 2021) and keep under review the BEIS proposals as they progress and implications for the Company
September 2021 Committee meeting	› Review the audit plan › 2021 audit fee › Going concern and viability statements › Audit findings, significant issues and other accounting judgements › Management representation letter › Independence	› Reviewed progress against the plan discussed in June › Agreed the final audit fee › Discussed the statements with PwC and management › Discussed the audit findings with PwC and management › Approved the representation letter, following a review by management › Noted PwC's independence

2021 Annual Report financial statements – significant issues and other accounting judgements

Following discussions with management and PwC, the Committee and the Board determined that the significant issues and other accounting judgements relating to the 2021 financial statements are as shown in the table below.

Significant issues and/or accounting judgements	Action undertaken by the Committee/the Board
Going concern	In conjunction with PwC, the Committee and the Board reviewed and assessed the work undertaken to support the adoption of the going concern basis for the 2021 financial statements. In particular, the Committee and the Board reviewed the Group's cash flow forecasts over the period ending 31 December 2022 which are included in the Group's three-year strategic plan and the assumptions on which such forecasts are based. The Committee and the Board also considered the stress-testing of these forecasts for severe but plausible downside scenarios that could have an impact on the Group and the availability of mitigating actions, in the event that such scenarios occurred. The Committee noted that the completion of corporate actions, together with the extension of the Group's RCF facility had significantly de-risked this assessment compared to the previous year. For further information on the work to support the going concern basis of preparation for the 2021 financial statements, please see 'Going concern' on pages 47 and 48.
Contract accounting	The Group has significant long-term contracts in the Infrastructure Services and Construction businesses. Accounting for long-term contracts has continued to be a key area of focus for the 2021 audit. An assessment of the likely profit on long-term contracts requires significant judgement because of the inherent uncertainty in preparing estimates of the forecast costs and revenue. Recoverability of work-in-progress on long-term contracts involves significant estimates, including an estimate of the end-of-life outcome of the projects. During the year, the Board reviewed management's latest assessment of the forecast costs of, and revenues from, certain of the Group's long-term contracts and the Committee and the Board discussed PwC's review of management's assessment of the performance of certain of the Group's contracts so as to satisfy themselves as to the positions taken in the 2021 financial statements.
Presentation of the Group's financial performance	As stated in its accounting policy, the Group has an alternative performance measure of 'adjusted operating profit' which is consistent with the measures used by management to assess the Group's financial performance and aid the understanding of the performance of the Group. The Committee and the Board (i) reviewed the individual items excluded from adjusted operating profit, and (ii) agreed the classification of, and disclosures relating to the adjusting items presented in the 2021 financial statements, ensuring that APMs are presented with equal or lesser prominence than statutory figures and on a consistent basis year-on-year.
Impairment of goodwill	The review of the carrying value of goodwill in Infrastructure Services was identified as a key area of focus for the 2021 audit. Having discussed the review with management and PwC, the Committee and the Board agreed that, although there was no requirement to take an impairment charge with respect to the Infrastructure Services business, specific disclosures would be included in the notes to the 2021 financial statements as to the potential sensitivity of the available headroom in the impairment model to changes in key assumptions.
Carrying value of development inventory	PwC reviewed and evaluated management's assessment of the net realisable value of inventory in the Property business at 30 June 21. In particular, PwC focused its work on the Group's £39.1m of commercial property development inventory on the Group's balance sheet and a further £172m of work in progress held in the Group's joint ventures. Following PwC's review of management's assessment of the inventory in the Property business, the Board and the Committee were satisfied with the carrying value of inventory at 30 June 2021.
COVID-19	The Group has continued to deal with the impact of COVID-19 throughout the period, although there has been less impact than the previous year. The Board and the Committee worked with PwC and management to ensure that its effects were appropriately reflected in the Group's financial statements; and also considered as part of the review of future forecasts that support the assessments for going concern, goodwill and the carrying value of deferred tax.
Carrying value of investments in Kier Limited	In light of the carrying value of the Company's investment in its principal operating subsidiary, Kier Limited, relative to the Company's market capitalisation, the carrying value of this investment was identified as a key area of focus for the 2021 audit. Following PwC's review, the Board and the Committee concluded that no impairment was required against the carrying value of the investment held by the Company in Kier Limited.

2021 Annual Report – fair, balanced and understandable statement

At its meetings in September 2021, the Board and the Committee discussed the 'fair, balanced and understandable' statement and the work undertaken to support it, which included:

Who?	How assurance was provided
Annual Report working group	The working group comprised individuals involved in the drafting of the Annual Report Material disclosure items were discussed by the working group The working group members reviewed the sections drafted by them in light of the 'fair, balanced and understandable' requirement
Key contributors to the Annual Report	Certain key contributors to sections of the Annual Report (for example, managing directors and finance directors within the business) were asked to confirm the accuracy of the information provided
External review	Feedback was provided by PwC, and Willis Towers Watson, who reviewed the Directors' Remuneration Report, to enhance the quality of our reporting
The Committee and the Board	Drafts of the Annual Report were circulated to individual members of the Board, the Committee and the full Board for review

2021 Annual Report – effectiveness and performance

External auditor effectiveness and audit quality

The UK Corporate Governance Code requires the Risk Management and Audit Committee to undertake an annual assessment of the effectiveness of the external audit. This was performed through the use of a questionnaire which was issued to key stakeholders, including members of the Committee and those involved in the FY20 audit.

The review and qualitative assessment focused on feedback and insights, planning and communication, and the quality and experience of the audit team. The Committee considered the feedback received and its wider knowledge and concluded that the external audit process for the FY20 financial year was effective and that PwC provided an appropriate independent challenge to management.

As part of this review, PwC and management jointly identified a number of areas of focus which have been used to develop an audit improvement plan for the 2021 financial year. It also recognised the importance of maintaining the continuity of the audit team, whilst recognising that in some instances, rotation of key individuals is required under independence rules.

The Committee will formally assess PwC's performance in relation to the 2021 audit following its completion. A resolution to re-appoint PwC as the external auditor will be proposed at the 2021 AGM on 19 November.

External auditor independence and non-audit services

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

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

The Company's non-audit services policy reflects the FRC's revised Ethical Standard for Auditors (2019). The policy, which was last reviewed by the Committee in June 2020, provides that the Committee expects that the level of non-audit fees in any one financial year will not exceed 15% of the audit fees payable in relation to the previous year. The Committee may approve non-audit fees of in excess of this figure, up to 70% of the average of audit fees paid in the previous three years, subject to the Committee being satisfied that (i) there is clear evidence that the auditor's skills and experience make it the most appropriate firm to provide the relevant services and (ii) the auditor's independence and objectivity would not be compromised by the appointment.

The total non-audit fees paid to PwC in FY2021 were £1,930,000. These non-audit fees related to PwC's work in relation to the review of the Group's 2021 half year results (£475,000) and its engagement as reporting accountants in relation to the sale process for the Group's Living business (£750,000) and the capital raise (£705,000). PwC was engaged as reporting accountants for the sale process because it had recently provided similar services to the Group. The total non-audit fees subject to the FRC's 70% non-audit fee cap, which excluded amounts attributable to public reporting workstreams required by legislation, was £1,710,000. This represented 64% of the average audit fees over the previous three years.

The Committee concluded that PwC's independence and objectivity were not compromised by the provision of these services.

PwC first audited the Group's financial statements in the 2015 financial year. Andrew Paynter was appointed as the lead audit partner in January 2019. As part of the FY21 audit, PwC confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account, and having considered the steps taken by PwC to preserve its independence, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

Committee performance

During 2021 the Committee continued to implement the areas of development identified in the prior year including providing oversight and challenge in relation to the following specific areas:

- Progress against the internal audit plan and resources required;
- The continued development of the Group's systems of risk management and internal control, applying the 'three lines of defence' model;
- The resilience of the Group's plans to manage Brexit-related issues; and
- The management of the risks associated with the effects of COVID-19.

As outlined earlier in the report, good progress was made in each of these areas in the year. In addition, the resourcing of the internal audit team and the strengthening of the systems of internal controls and risk management are areas that will continue to be reviewed by the Committee in the FY22 year.

2021 review

The external review was undertaken by Clare Chalmers, an expert practitioner in assessing and improving board effectiveness. She found that:

- The composition of the Committee was strong, with new independent Non-executive Directors and Chair having relevant financial experience.
- The number and intensity of meetings had increased in line with requirements and there was more time allowed for risk and internal audit matters on the agenda.

Recommendations were made to:

- Review the structure and rigour of the papers and make more use of pre-meetings to agree key areas of focus and themes for discussion;
- Encourage the members of the Committee to bring more of their experience from other companies to the discussions; and
- Further increase time allocated for Risk and Internal Audit matters and the development of the 'three lines of defence' model.

The Committee will report on progress in the 2022 Annual Report.

CLIVE WATSON

Chair of the Risk Management and Audit Committee

15 September 2021

Chair
Alison Atkinson

Other Committee members
Justin Atkinson
Heather Rabbatts
Clive Watson
(Kirsty Bashforth to December 2020)

"It is a credit to our SHE and HR teams that so many of the Group's people successfully adapted their working practices and operated safely during COVID-19, whether on site or working remotely."

ALISON ATKINSON
Chair

Role
The role of the Committee in the year included:

- Reviewing the Group's strategy with respect to SHE matters and challenging management to implement it;
- Encouraging management's commitment and accountability with respect to managing the Group's SHE risks; and
- Reviewing the Group's exposure to SHE risks and monitoring performance against SHE targets.

During the course of the year, the Committee has considered its role and recommended to the Board changes to the Terms of Reference such that the Committee be responsible on behalf of the Board for considering, and developing, the wider Environmental, Social and Governance framework for the Company, to include upcoming legislative and reporting requirements.

This is a significant development of the role of the Committee from previously being focused on health and safety and related matters. I would like to thank the previous Committee Chair and members and management for their work in this area noting that health and safety will always remain a key focus for the Committee and for the Group. Going forwards though this Report will therefore focus on ESG matters, reflecting its broader remit. It is expected that further meetings will be held by the Committee to allow it to fulfil this role.

Dear shareholder
I joined the Board in December 2020 and in the last six months have been focused on maintaining and improving the Group's long-term performance in safety; reflected by the exemplary performance the Group has managed given the impact of the COVID-19 pandemic during the financial year.

It is a matter of deep regret that an employee of one of our subcontractors suffered a fatality at one of our sites in our International business in UAE in August 2020. The Committee oversaw our response to the accident and our liaison with all its relevant local authorities and stakeholders to ensure that the teams were supported and that any lessons learned were embedded in the Group operations.

The Committee has maintained its focus on overseeing the consolidation of the Group's wider safety culture and performance, with employee health and wellbeing being a particular area of focus during the year. Safety has a clear foundation in the operating performance culture: and alongside this the updated sustainability strategy 'Building for a Sustainable World' has been launched to support the Group's ambition in positive environmental and societal impact as a good corporate citizen.

To enable the Group to continue to operate during the pandemic, the Committee oversaw management's implementation of the Group's site operating procedures, which were based on and reflected current Government guidelines. It is a credit to our SHE and site-based team that so many of the Group's projects have been able to adapt their working practices to continue to operate safely during COVID-19.

Committee composition and meeting attendance
The names of the members of the Committee are set out above. The Group Chairman, the Chief Executive and the Group SHEA Director also attended the Committee's meetings during the year.

The secretary of the Committee is the Company Secretary.

The Committee met three times during the year; details of attendance at those meetings are set out on page 81.

Principal activities – 2021 financial year
Safety
Health and safety remains our licence to operate and we continue to embed best practice and make conditions as safe as possible for our workforce.

- The Group's 12-month rolling Accident Incident Rate ('AIR') of 105 and 12-month rolling All Accident Incident Rate ('AAIR') of 332 represents increases of c.21% and c.9% respectively compared to FY20.
- Looking at the long-term trend, the Group's AIR and AAIR have both decreased by c.50% compared to five years ago.

The Group has introduced a new Severity Weighted Incidence Rate in 2021 which measures the impact of a wider number of safety measures as a leading indicator as a future benchmark.

The Committee oversaw management's response to the increase in the Group's AIR and the AAIR during the latter part of year, which included: requiring site teams to re-focus on the basics of safety management, emphasising the need to adopt appropriate behaviours, alongside processes, when managing safety risks and continuing to ensure the sharing of learnings from safety incidents. During the year, the Committee invited members of management to attend Committee meetings to review incidents and near misses.

Prior to the COVID-19 pandemic members of the Board and the Committee regularly undertook visible leadership tours ('VLTs') in order to gain an insight into operating practices, meet those working on site and further build their understanding of, and gain assurance about, the Group's SHE practices and culture. In the 2021 financial year due to the prevailing Government guidance, Non-executive members of the Board could only conduct limited visits, conducting nine such visits, including to the following projects: Pirbright, Huntingdon Crematorium, Jodrell Bank, RAF Lakenheath and NHS Golden Jubilee.

Health

The health, both physical and mental, of our employees remains a key area of focus for the Committee and management, particularly so during the COVID-19 pandemic. During the year, the Committee continued to monitor the reasons for sickness absence, including positive cases of COVID-19 and self-isolation due to close contact notifications. The Group introduced Occupational Health referral for suspected cases of long COVID and continue to monitor the potential impact of this on its employees.

During the 2021 financial year, the Committee has put an emphasis on the steps taken by management in relation to key health issues such as mental health, depression, anxiety and musculoskeletal disorders. The Committee also monitored the steps taken to manage the cost of sickness absence, overseeing a reduction in the average monthly cost during the year.

Environment

The Group launched its updated sustainability framework 'Building for a Sustainable World', the principal purpose of which is to create a strategy to embed a focus on environmental and sustainability issues within the Group. This strategy is expected to take up to five years to implement and the Committee proposes to monitor its progress over this time. Further information is set out on pages 50 and 68.

Committee meetings

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

Matters	Consideration
Key incidents	The Committee reviewed reports about material safety or environmental incidents The Managing Director for Middle East attended the Committee's meeting in September 2020 to report on a fall from height resulting in the fatality of a subcontractor
SHE performance	The Committee reviewed the Group's SHE performance against KPIs relating to the AIR and the AAIR, VLTs undertaken by management, high potential incidents, construction waste, carbon emissions, sickness absence and drugs and alcohol testing
VLTs	The Committee discussed feedback from Committee members' VLTs

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

Matters	Consideration
Health and wellbeing	The Committee discussed: › Steps taken by management to reduce the cost of sickness absence › The Group's management of mental health issues in the workplace › Drugs and alcohol testing, overseeing the appointment of a new, external provider of testing services › Various health and wellbeing initiatives implemented throughout the Group
Environmental	The Committee: › Oversaw progress against the Group's environmental strategy › Oversaw management's implementation of certain environmental campaigns
Safety	The Committee: › Oversaw management's implementation of measures to mitigate against COVID-19 › Reviewed the Group's safety performance against a series of leading indicators

Committee performance evaluation

2020 evaluation – progress made

In the 2020 financial year, and as summarised above, the Committee oversaw the approach to the management of mental health issues within the Group's workforce and the launch of the new 'Building for a Sustainable World' framework.

Areas of focus for the Committee in 2021

The Board agreed the following principal areas of focus for the Committee in the 2021 financial year:

- Oversee the operation of the Group's policies and practices relating to safety and the health and wellbeing of its workforce, in the light of COVID-19; and
- Oversee the implementation of the 'Building for a Sustainable World' framework.

The external evaluation in 2021 by Clare Chalmers noted that:

- Kier has driven forward its sustainability agenda in the last two years with the Committee being strengthened by the new Committee Chair and with a high level of interest, and good participation and questioning, from the Non-executive Directors.
- The change to the ESG Committee with a broader focus was welcomed but that health and safety issues should still retain the same level of emphasis within the Group.

It was suggested that:

- Internal and external messaging regarding the Committee be given consideration;
- Papers, particularly for health and safety matters, could include a forward look element and give a broader context to the issues; and
- Focus should remain on the cultural drivers needed around safety and sustainability, but also consider community related matters.

Conclusion

The Committee has in the last nine months progressed with its oversight of the key health and safety elements and is moving towards an integrated ESG platform for the Committee to have a broader remit to focus on the key environmental and social aspects of the Group, including health and safety. Health and safety will remain central to how the Company operates to achieve its purpose but that purpose also encapsulates the wider Environmental and Social aspects and the Governance of these that the Committee will oversee going forwards in its revised guise.

ALISON ATKINSON

Chair of the Safety, Health and Environment Committee

15 September 2021

Chairman
Matthew Lester

Other Committee members
Alison Atkinson
(from January 2021)
Justin Atkinson
Heather Rabbatts
Clive Watson
Kirsty Bashforth
(to December 2020)

> "As part of the diversity policy, Kier will develop and implement policies, programmes and initiatives designed to promote diversity and inclusion at all levels of the organisation, with a clear goal of having a workforce that is representative of society, including at a senior management level."

MATTHEW LESTER
Chairman

Role
The role of the Committee includes:

- to provide a formal, rigorous and transparent procedure for the appointment of new Directors to the Board;
- maintain an effective succession plan for the Board and senior management; and
- oversee the development of a diverse pipeline for succession to these bodies.

Dear shareholder
The Nomination Committee considered the appointment to the Board of Alison Atkinson in December 2020 and the independent external Board and Committee review by Clare Chalmers.

In relation to Board composition, as Board members had been appointed within the previous two years, no further changes were proposed. In the FY22 year, however, the size, composition and diversity, including skills, of the Board will be considered further.

In relation to senior management, the Committee noted the changes during the year to the Executive Committee including the appointment of Leigh Thomas as Group Managing Director, Property and the appointment of two new members: Sophie Timms, Corporate Affairs Director and Alpna Amar, Corporate Development Director. In addition to the welcome diversity of the appointments at senior management level, the Board believes that the appointments of Corporate Affairs Director and Corporate Development Director, will bring additional resource and perspective to the Executive Committee in particular for Government relations, internal and external communications aspects, strategy and corporate development.

Below is further information on our diversity policy and our induction programme for new Directors to gain an understanding of the Company, particularly of the business drivers and its culture, upon joining the Board.

Diversity policy
Policy
The Company has a Board diversity policy. Diversity includes diversity of skills, background, knowledge, experience and perspective, amongst a number of factors. In particular, the Board recognises the role that gender diversity has to play in contributing to the Board's perspective and decision-making. As part of the diversity policy, Kier will develop and implement policies, programmes and initiatives designed to promote diversity and inclusion at all levels of the organisation, with a clear goal of having a workforce that is representative of society, including at a senior management level.

The diversity policy has been implemented for example through consideration of shortlisting candidates and instructing search firms to take such diversity into account for shortlisting before putting candidates forwards. Accordingly, candidate lists reflected the benefits of diversity and priority was to be given to search firms which have signed up to the Voluntary Code of Conduct for Executive Search Firms.

Lygon, a signatory to the code, was instructed to identify a diverse list of potential candidates for the Non-executive role search in the year. Alison Atkinson was appointed from a wide pool of candidates.

In terms of senior executive roles, the Board is keen that this area is also developed and is committed to increasing the number of women in senior positions. The appointment to the Executive Committee of two women was welcomed.

The Board is conscious of the FTSE 350 target of 33% representation on boards and leadership teams. 29% of the Board, 27% of the Executive Committee and 37% of direct reports to the Executive Committee are women.

The Board's policy on diversity and inclusion requires the Company to develop and implement policies, programmes and initiatives which are designed to implement diversity and inclusion at all levels of the organisation, including at senior management level.

During the 2022 financial year, the Board aims to refresh its focus on diversity and inclusion, with one of its aims being to develop a diverse pool of internal candidates for future Board and Executive Committee roles.

Induction to the Board

Board induction for new Director

The Board has a tailored induction programme for new Directors, with the assistance of the Chairman, Executive Directors and Company Secretary. For Alison Atkinson, appointed in December 2020, although a key focus was on SHE matters as the incoming Chair of the SHE Committee, due to the pandemic, this meant that fewer physical visits than usual took place. However, meetings were held virtually with key individuals in the Company and advisers including on SHE matters. In addition to the meetings and video calls, the Company Secretary provided information of the particular requirements and sources of further information relevant to being a Director of a listed company, including legal and regulatory matters and corporate governance. Assistance was also offered for other areas that the Director may wish to obtain further information on.

Board review – 2020 progress against feedback

The 2020 internal Board evaluation highlighted a number of areas of focus for the Board as follows.

Area of feedback	Specific areas of focus for 2021	Progress made in 2021
Implement conclusions of strategic review	Reduce the Group's net debt	Proceeds of the capital raise used to repay debt and strengthen the balance sheet
Dispose of non-core businesses	Simplify the Group	Sale of Living concluded
Focus on cost reduction programme	Deliver the targeted headcount reductions	Headcount reductions successfully implemented
	Deliver the targeted cost reductions	Cost reductions through contract discipline continues to be embedded

2021 Board review

The process

The 2021 Board evaluation was led by the Chairman, with the assistance of the Company Secretary. It focused on the following areas:

- Board composition and culture
- Board oversight
- Stakeholders
- Board efficiency
- The Committees

The review was deliberately forward looking as to how the Board and Committees may improve further. To this end, interviews were conducted with Directors and key stakeholders who interacted with the Board, reviews were undertaken of Board and Committee papers and administration and attendance at Board and Committee meetings in June 2021 as observers.

Conclusions

The results of the Review were discussed with the Chairman and presented to the Board in person by Clare Chalmers at its meeting in August 2021. The Board discussed the key findings and suggestions and agreed to implement the majority of these but considered that certain suggestions were not appropriate for the Board at this time, such as Committee membership changes and workforce engagement methods. These would however, be kept under review.

The principal areas of focus that the Board would develop in FY22 included:

- Consideration of the appointment of a further Non-executive Director
- Continue to enhance diversity and inclusion, both on the Board and throughout the Company
- The Nomination Committee should formalise, with regular agenda items covering Board succession planning and Executive succession planning
- The Non-executive Directors should aim to make up for lost time with site visits, and should make sure they have had a thorough induction to different parts of the business.

Quote from Clare Chalmers:

"The overall impression is that the Board and Committees have made great strides forward since 2019. There is much greater focus on Risk Management, Internal Audit, HR and People topics, and performance oversight. The Board benefits from an engaged group of independent Non-executive Directors who bring diversity of thought and background, while changes of personnel throughout the organisation have ensured the Board is better supported by management."

"Overall, I was pleased with the Board review and discussions that resulted from it. There were no major surprises in the review and the forward looking focus had been appropriate and welcomed. Accordingly, the suggestions were ones that the Board, the Chairs of the Committees and management considered prudent and would adopt to continue improvement of the Board and its Committees' performance in FY22."

MATTHEW LESTER

Chair of the Nomination Committee

15 September 2021

Chair
Heather Rabbatts

Other Committee members
Alison Atkinson
Justin Atkinson
Matthew Lester
Clive Watson

"The Committee's approach to remuneration seeks to support the strategy and promote long term success, aligned to our purpose and values and clearly linked to the successful delivery of the company's long term strategy by the Executive Directors and Senior Management."

HEATHER RABBATTS
Chair

Role
The role of the Committee includes:

- Setting the remuneration policy relating to the Executive Directors and the Non-executive Directors;
- Setting the remuneration of the Chairman, the Executive Directors and senior management;
- Reviewing workforce remuneration and related policies;
- Approving the design of, and determining targets for, any annual bonus schemes applicable to the Executive Directors and senior management;
- Approving annual bonus payments made to the Executive Directors and senior management;
- Approving the design of, and determining the performance measures for, all share or share-based plans applicable to the Executive Directors and senior management;
- Reviewing the vesting of all share or share-based plans applicable to the Executive Directors and senior management;
- Considering payments to former Directors to ensure that they are within the terms of the remuneration policy;
- Engaging with our investors on remuneration matters and maintaining awareness of broader investor expectations and best practices; and
- Appointing remuneration consultants and setting their terms of reference.

Dear shareholder
On behalf of the Board, I am pleased to present the annual statement for the 2021 financial year.

The Directors' remuneration report for 2021 is divided into three principal sections:

- This annual statement, which summarises the Committee's activities and decisions taken during the year;
- The annual report on remuneration, which provides details of the remuneration paid to the Board in the 2021 financial year (FY21) and to be paid in the 2022 financial year (FY22); and.
- A summary of the remuneration policy, which was approved by 97.81% of our shareholders and subsequently adopted at the 2020 Annual General Meeting.

As always, the Remuneration Committee reviews executive pay in the context of Company results and pay across the business. For executives, the Committee remains committed to pay for performance.

In the context of a year where significant progress was made on the operational and financial turnaround strategy, the Remuneration Committee carefully considered the experiences of our key stakeholders, as well as overall Group performance, when making decisions on executive remuneration. We have outlined below the key drivers of our decisions.

Group performance
The Group delivered against its key milestones for FY21 as demonstrated by:

- The disposal of Kier Living for £110m which facilitated amongst other benefits a material reduction in the Group's net debt;
- A successful and fully subscribed capital raise of £241m that has further strengthened the balance sheet; and
- The Group's financial performance delivering an adjusted operating profit of £100.3m and a net cash position of £3m at the end of the financial year.

During the year the Group continued to deliver vital Infrastructure and Construction projects during the COVID-19 pandemic. We responded by investing quickly and extensively to ensure our people were able to work safely in line with site and office working procedures. The Group did not have any employees furloughed in FY21 and all our projects remained operational throughout the year.

Shareholder experience
Our share price is beginning to reflect the strong underlying performance of the business and with the aforementioned strategic achievements in FY21, having more than doubled since I reported last year. Whilst no dividend will be paid this year, the steps taken to strengthen the balance sheet will enable dividends to resume as set out in the medium-term objectives.

Employee experience
Our employees responded brilliantly during the pandemic and the Committee is full of admiration for the manner in which our people navigated the enduring challenges of COVID-19 and as we turnaround the business. All employees received a voucher at Christmas, as a gesture of thanks for the commitment shown over 2020.

To support our employees a new wellbeing strategy was launched to provide support for mental, physical and financial wellbeing. A new wellbeing hub has been established to ensure employees can easily access support they need. The Group also introduced 'Focus on Me'

The terms of reference for the Committee can be viewed on the Company's website at www.kier.co.uk/corporategovernance time, which encourages employees to take regular time out to focus on their wellbeing. We have also launched a mental wellbeing programme in the Construction business, which will be rolled out to other businesses during FY22. The Group also launched a digital GP service which all employees can access at any time.

The Group also recognises the importance of paying responsibly and introduced the Real Living Wage to all of the Group's direct employees from 1 April 2021. The Group is now developing its plan to gain Real Living Wage Accreditation in FY22.

Additionally, the Group extended its flexible benefits offering for all employees and improved the life assurance cover for 2,500 of its employees.

FY21 outcomes

Annual bonus

The annual bonus targets were adjusted operating profit (40%), the Group's year-end cash/net debt position (40%), health and safety targets (10%) and personal objectives (10%). The personal objectives related to the strategic imperatives of the sale of Kier Living and the execution of the capital raise, together with employee engagement. The Committee has regularly reviewed performance against the targets during year.

When assessing performance against the adjusted operating profit target, the Committee took into consideration a number of factors, including those set out in the section above. The stretch adjusted operating profit target had been set at £100m which compared with actual performance of £100.3m. The Committee considered this a strong level of performance taking into account also the quality of earnings during the year and that the formulaic outcome was a fair reflection of performance. The Committee therefore agreed that it would be appropriate to award a payment of 100% of the maximum opportunity for this element of the bonus.

As the sale of Kier Living and the capital raise occurred after the original target was set, the Committee adjusted the Group's year-end cash/net debt target to ensure that the impact of these one off events was excluded and that the annual targets continued to require stretching underlying business performance. The actual performance of £3.0m, was ahead of the stretch target of £2.3m. The Committee therefore agreed that it would be appropriate to award a payment of 100% of the maximum opportunity for this element of the bonus.

The target reduction in the Group's accident incidence rate ('AIR') and all accident incidence rate ('AAIR') had not been achieved and therefore no payment for this element of the bonus would be made. The number of accidents reportable under the RIDDOR Regulations was 28 in FY21, compared to 30 in FY20, with lost time accidents reducing from 75 to 63. However, the Group's AIR and AAIR at 30 June 2021 of 105 and 332 increased by c.21% and c.9% respectively, as compared to the equivalent figures at 30 June 2020; impacted by performance in February and April. It was noted that after adjusting for volumes, year over year AIR and AAIR remained broadly flat.

The Committee also reviewed the extent to which the Executive Directors had satisfied their personal objectives (see page 103 for further information). The Executive Directors were awarded 100% of the maximum opportunity of this element of the bonus.

The total bonus payment for the Chief Executive was 90% of the maximum opportunity. Having carefully considered the exceptional performance of the Chief Financial Officer during the year, the Committee decided to exercise its discretion to adjust the formulaic outcome from 90% to 100% of maximum opportunity by way of recognition of his outstanding performance during the year. The Committee is satisfied that these payments reflect the performance of the Group and the Executive Directors during the year and noted that the bonus outcome is consistent with that for the broader employee population that are eligible to receive a bonus. One-third of net bonus payment received by the Executive Directors will be shares with legal ownership deferred for three years.

Vesting of LTIP awards

All LTIP awards granted in October 2018 had previously been forfeited.

The first LTIP awards granted to Andrew Davies and Simon Kesterton are scheduled to vest in October 2022 subject to the performance targets being achieved.

Adjustment to in-flight LTIP performance targets

In line with the rules of the LTIP and the historic treatment of outstanding LTIP awards after a capital raising, the Committee has agreed to adjust the number of shares under award for LTIP grants made in 2019 and 2020 to reflect the increased number of shares in issue and dilution of award holders as a result of the capital raise.

In addition, the Committee has determined that in order to put participants in a no-loss, no-gain position in respect of the sale of Kier Living and the capital raise, the EPS target for the 2019 LTIP award would be adjusted to take account of changes to earnings, associated assumptions and net interest from the pre-grant earnings projections upon which the targets were set. The adjustment also takes account of the number of shares in issue. Further detail is provided on page 105.

The Committee reviewed in detail the Net Debt:EBITDA targets attaching to the 2019 and 2020 LTIP awards. The Committee concluded that due to the complexity of the underlying calculations and any adjustment being inherently reliant on projections and assumptions at this stage, a formulaic adjustment to the targets during the performance period would be inappropriate. Instead, the Committee intends to assess actual performance relative to the original performance targets set at the end of the performance period to ensure the outcome is fair and robust.

Looking forward – FY22

Remuneration across the Group

Our refreshed Remuneration Policy, which governs executive pay at Kier, was approved by 97.81% of our shareholders at the 2020 AGM and the Committee would like to thank shareholders for their support. We have also consulted with shareholders and proxy agencies in August 2021 to discuss our proposals for the coming year.

In determining the FY22 remuneration of the Executive Directors and senior management (being the members of the Executive Committee and the Company Secretary), the Committee reviewed the workforce's remuneration and took into account the approach to remuneration across the Group as a whole. In particular, the Committee reviewed:

- Salary information relating to the workforce, noting that increases of up to 4% will be awarded across the Group with effect from 1 October 2021;
- The other elements of remuneration payable to the workforce – for example, the bonus opportunities to be made available to certain levels of employee in FY22;
- The Group's latest gender pay gap statistics, which related to the year ended 5 April 2020, noting that both the salary gap and

bonus gap had increased as compared to the previous year. Whilst the temporary COVID-19 pay reductions and the strategic re-structure undertaken in 2019/2020 had impacted the statistics, the Group recognised that diversity and inclusion is critical in driving the business forward;
- Discretionary recognition payments being made to over 3,600 employees in the Group to recognise the contribution and sacrifices made over the last few years, especially during the pandemic; and
- The Real Living Wage was introduced during FY21 to all direct Group employees.

Base salaries
In the two years since his appointment, the Chief Executive has demonstrated his commitment to Kier and achieved several key milestones that were critical in the Group's turnaround journey. During that time the Chief Executive has not received a base salary increase (having been appointed on a salary lower than his predecessor) or annual bonus pay-out. Additionally, both the Chief Executive and Chief Financial Officer voluntarily took a 25% cut to their pay and pension contributions for 3 months' during the early phases of the pandemic which has not been repaid and had the quantum of the LTIP award adjusted downwards in FY21 to reflect the fall in share price that was a consequence of legacy decisions by previous management.

Against this challenging backdrop, the Chief Executive has successfully led on creating a strong operational platform for sustainable profitable growth and generating free cash flow, whilst simplifying the Group and strengthening the balance sheet. The disposal of Kier Living for £110m which facilitated amongst other benefits a material reduction in the Group's net debt, and the successful and fully subscribed capital raise of £241m has strengthened the Group's balance sheet and given Kier the capacity to invest. The Committee also recognises trading resilience resulting in the adjusted operating profit margin and adjusted operating cash flow achieved for FY21.

The Committee reviewed the Chief Executive's base salary during the year, taking into account pay levels at a range of other companies both in the sector, specifically key suppliers to government on large and complex construction and infrastructure projects and those in the general market with similar annual revenues and assets, size of operations and/or with a Chief Executive tasked with a performance turnaround. The Committee observed that the Chief Executive's current base salary was significantly behind the level seen at some of our key competitors for talent, and those tasked with a business turnaround.

It is in this context, that the Committee believe it critical the Chief Executive is fairly rewarded and incentivised to continue to deliver on the Group's strategy for the benefit of all stakeholders. Therefore, after very high levels of engagement with our shareholders, the Committee has decided to award the CEO an increase in base salary of 26% to £750,000 (FY20: £595,000) with effect from 1 July 2021. In return, the Committee makes a firm commitment that there will not be any further increase in the Chief Executive's base salary for the remainder of this policy period and the Chief Executive has voluntarily agreed to increase the deferral of any FY22 net bonus earned into shares to 50% as a signal of his commitment to the long-term prospects of Kier. Whilst the Committee considered potentially staggering the salary increase over several years it believes that it is in best interests of the business and stakeholders to act decisively this year to get the Chief Executive's salary up to a level that reflects the size of the job and is sufficient to retain and motivate him, rather than making incremental, less impactful increases.

The Committee decided that, in line with the increase in base salaries across the workforce, the base salary of the Chief Financial Officer will increase by 4% to £503,880 (FY20: £484,500) with effect from 1 October 2021.

Annual bonus
The maximum bonus opportunity for each of the Chief Executive and the Chief Financial Officer will remain 125% of base salary.

The 2022 bonus targets are expected to relate to adjusted operating profit, free cash flow, the Group's safety performance and personal objectives, with a maximum of 25% of the opportunity relating to the non-financial targets as permitted by approved policy. The actual targets, weightings, and performance against them will be disclosed in the 2022 Annual Report. As noted, the Chief Executive has voluntarily agreed to defer 50% of any FY22 net bonus he receives into Kier shares for three years, further aligning his personal remuneration with that of shareholders.

LTIP awards
In the 2022 financial year, the Chief Executive will receive an LTIP award of 200% of base salary and the Chief Financial Officer will also receive an LTIP award of 200% of base salary. The policy permits awards of up to 200% of salary to the extent that the rationale is explained.

The Committee considered that a 200% award for both the Chief Executive and for the Chief Financial Officer was justified to incentivise the ongoing turnaround of the Group and to continue to align with the interests of shareholders and taking into account the likelihood of existing LTIP awards vesting. Awards in FY23 and FY24 will revert to a maximum of 175% of base salary subject to commensurately stretching performance targets and continued positive improvement in the Kier share price.

Many of the shareholders I consulted with over the summer had strong and divergent views on appropriate performance targets for FY22 LTIP awards. The Committee wishes to ensure that these views are taken into account and so the FY22 performance targets remain subject to Committee approval at the time of publication of this annual report. However, it is the Committee's intention to announce the performance targets separately ahead of the 2021 AGM.

Pension contributions
The pension contributions payable by the Company to each of the Chief Executive and the Chief Financial Officer in FY22 will remain at 7.5% of their respective base salaries, which is aligned with Company pension contributions made available to the wider workforce.

DAME HEATHER RABBATTS

Chair of the Remuneration Committee

15 September 2021

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* Key sections only are listed

Background information

Approach to remuneration at Kier

Our remuneration policy aims to:

- **align with strategy and incentivise and reward performance:** over two-thirds of the Executive Directors' maximum remuneration opportunity is variable and relates to the Group's performance against its strategic priorities;
- **align Executive Directors' interests with those of shareholders:** approximately half of the Executive Directors' maximum remuneration opportunity is satisfied in shares and the Executive Directors' are encouraged to build up shareholdings in the Company of at least two years' base salary over a period of up to five years; and
- **support the delivery of the Group's strategy and promote its long-term success:** to achieve this aim, the Group needs to attract and retain talented management. The Committee therefore considers practices in comparable businesses so as to ensure that remuneration at Kier remains competitive, enabling it to attract and retain talented individuals, but without paying more than is necessary.

Remuneration framework

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

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

Summary of the Executive Directors' remuneration in 2021 and 2022

The tables below:

- summarise the Executive Directors' remuneration in 2021; and
- summarise the principal elements of the Executive Directors' remuneration in 2022.

Executive Directors' remuneration – 2021

The following table summarises the key elements of the Executive Directors' remuneration in 2021:

Director	Role	Fixed remuneration[1,2]	Variable remuneration[1,3]	Total remuneration[1]
Andrew Davies	Chief Executive	£654,000	£669,000	£1,323,000
Simon Kesterton	Chief Financial Officer	£532,000	£606,000	£1,138,000

1 All amounts expressed before deductions for income tax and national insurance contributions and rounded to the nearest £1,000.
2 Comprises base salary, taxable benefits and pension contributions. See page 102 for further details.
3 Comprises annual bonus, LTIP and share schemes. See page 102 for further details.

Executive Directors' remuneration – 2022

The following table summarises the key elements of the Executive Directors' remuneration in 2022:

Element	Chief Executive	Chief Financial Officer
Base salary	£750,000[1]	£503,880[2]
Pension	7.5% of salary	
Bonus	125% of salary	
Bonus targets[3]	Will relate to adjusted operating profit, free cash flow, the Group's safety performance and personal objectives, with a maximum of 25% of the opportunity relating to the non-financial targets	
Deferred shares[4]	One-third of any net bonus annual payment to be satisfied by an allocation of shares (legal ownership deferred for three years)	
LTIP	200% of salary	
LTIP performance conditions[3]	At the date of this Annual Report, the performance conditions relating to the LTIP awards to be granted in the 2022 financial year remain under consideration	
Holding period	Any vested LTIP shares must be held for two years after vesting (after payment of tax)	
Malus and clawback	Clawback will apply to any cash bonuses paid and to the post-vesting holding period for any LTIP shares Malus will apply to any deferred shares (in the three-year deferral period) and LTIP awards (prior to vesting)	

1 With effect from 1 July 2021.
2 With effect from 1 October 2021.
3 The actual bonus targets (and performance against them) and details of the LTIP awards will be disclosed in the 2022 Annual Report.
4 50% of any net bonus annual payment to the Chief Executive for the 2022 financial year.

Annual report on remuneration

Introduction

This section of the report sets out the annual report on remuneration for the 2021 financial year.

The following information contained in this section of the report has been audited: the table containing the total single figure of remuneration for Directors and accompanying notes on this page, the pension entitlements referred to on page 103, the incentive awards made during the 2021 financial year referred to on page 104, the payments for loss of office referred to on page 104, the payments to past Directors referred to on page 104 and the statement of Directors' shareholdings and share interests set out on page 105.

Directors' remuneration for the 2021 financial year

The following table provides details of the Directors' remuneration for the 2021 financial year, together with their remuneration for the 2020 financial year, in each case before deductions for income tax and national insurance contributions (where relevant):

	Fixed pay								Variable pay								Total	
	Salary/fee (£000)		Taxable benefits[1] (£000)		Pension (£000)[2]		Total – fixed pay (£000)		Bonus (£000)		LTIP vesting (£000)		Share schemes (£000)		Total – variable pay (£000)		Total (£000)	
	2021	2020[3]	**2021**	2020	**2021**	2020[3]	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Executive Directors																		
Andrew Davies	**595**	558	**14**	13	**45**	42	**654**	613	**669**	–	**–**	–	**–**	–	**669**	–	**1,323**	613
Simon Kesterton	**482**	375	**14**	11	**36**	27	**532**	413	**606**	–	**–**	–	**–**	–	**606**	–	**1,138**	413
Non-executive Directors																		
Alison Atkinson[4]	**34**	–	**–**	–	**–**	–	**34**	–	**–**	–	**–**	–	**–**	–	**–**	–	**34**	–
Justin Atkinson	**62**	58	**–**	–	**–**	–	**62**	58	**–**	–	**–**	–	**–**	–	**–**	–	**62**	58
Kirsty Bashforth[5]	**29**	58	**–**	–	**–**	–	**29**	58	**–**	–	**–**	–	**–**	–	**–**	–	**29**	58
Matthew Lester	**235**	106	**–**	–	**–**	–	**235**	106	**–**	–	**–**	–	**–**	–	**–**	–	**235**	106
Heather Rabbatts	**62**	13	**–**	–	**–**	–	**62**	13	**–**	–	**–**	–	**–**	–	**–**	–	**62**	13
Clive Watson	**62**	13	**–**	–	**–**	–	**62**	13	**–**	–	**–**	–	**–**	–	**–**	–	**62**	13
Total	**1,561**	1,181	**28**	24	**81**	69	**1,670**	1,274	**1,275**	–	**–**	–	**–**	–	**1,275**	–	**2,945**	1,274

1 Comprises private health insurance and a company car or a car allowance.
2 Comprises the payment of employer pension contributions and/or a cash allowance.
3 Includes the temporary reductions in base salaries, fees and employer pension contributions and/or a cash allowance which were taken in response to COVID-19.
4 Alison Atkinson joined the Board on 15 December 2020.
5 Kirsty Bashforth left the Board on 15 December 2020.

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

Notes to the single figure table

Pension entitlements

The Executive Directors are eligible to participate in the Kier Retirement Savings Plan, a defined contribution plan. The contributions payable to the Executive Directors are subject to the annual allowance, with the balance being payable as a cash allowance. Cash allowances are subject to tax and national insurance deductions and are excluded when determining annual bonus and long-term incentive arrangements.

The pension contributions paid on behalf of, and the cash allowances paid to, the Executive Directors in respect of the 2021 financial year were:

Director	Employer pension contribution	Pension contribution	Cash allowance	Total
Andrew Davies	7.5%	–	£44,625	£44,625
Simon Kesterton	7.5%	–	£36,159	£36,159

Annual bonus – 2021 financial year

The bonus payments to the Executive Directors in respect of the 2021 financial year, in each case before deductions for income tax and national insurance, were:

Financial performance (aggregate weighting: 80%)

Target	Opportunity	Threshold target	On target	Stretch target	Actual performance	Actual performance as a % of opportunity
Group adjusted operating profit[1]	40%	£77m	£95.6m	£100m	£100.3m	100%
Group year-end cash/net debt[1]	40%	£(30.7)m	£(15.7)m	£2.3m	£3.0m	100%

1 As the sale of Kier Living and the 2021 capital raise occurred after the original annual bonus targets were set, the Committee adjusted the targets to ensure the impact of these one off events was excluded and the annual targets continued to require stretching underlying business performance.

Non-financial performance (aggregate weighting: 20%)

Health and safety (maximum opportunity: 10%)

Target	Opportunity	Range	Actual performance	Actual performance as a % of opportunity
Reduction in the Group's average AIR[1]	5%	10% reduction	+21%	Nil
Reduction in the Group's average AAIR[2]	5%	10% reduction	+9%	Nil

1 The target related to a reduction in the Group's AIR calculated on the average 12-month performance for the 2021 financial year.

2 The target related to a reduction in the Group's AAIR calculated on the average 12-month performance for the 2021 financial year.

Personal objectives (maximum opportunity 10%)

A maximum of 10% of the total bonus opportunity related to the satisfaction of personal objectives. The Committee assessed performance against those objectives as follows:

	Summary of key performance indicators	Progress	% Payment
Andrew Davies Simon Kesterton	Completion of the strategic imperative of the sale of Kier Living for a net value in excess of £75m Successful execution of an equity raise Deliver an employee engagement index of no less than 50%	Sale completed May 2021 with net proceeds of c.£100m Firm Placing, Placing and Open Offer fully subscribed and completed June 2021 Through quarterly 'pulse' surveys that focus on measuring our culture of supporting our colleagues, offering career opportunity, navigating the pandemic, and monitoring progress in our commitment in creating an inspiring workplace, where everyone is empowered to achieve their goals. The employee engagement index for the quarterly pulse surveys were: July 2020 – 63%, November 2020 – 57%, March 2021 – 67% and May 2021 – 55%. Average employee engagement index of 62%	100%

Total outcome

Director	Bonus payable as % of opportunity	Opportunity as % of salary	Bonus payable as % of salary	Total bonus
Andrew Davies	90%	125%	112.5%	£669,375
Simon Kesterton	100%	125%	125%	£605,625

The Committee exercised its discretion to adjust the payment made to Simon Kesterton from 90% to 100% of maximum outcome in recognition of his outstanding performance during the 2021 financial year.

One-third of the total net bonus payment to the Executive Directors will be satisfied by an allocation of shares with legal ownership deferred for three years.

LTIP awards – performance period ended 30 June 2021

All awards granted under the 2018 financial year previously lapsed.
The first LTIP awards granted to Andrew Davies and Simon Kesterton are scheduled to vest in October 2022.

Incentive awards made during the 2021 financial year

The following incentive awards were made to those persons who, during the 2021 financial year, served as a Director:

Award[1]	Basis of award	Director	Face value[2,3]	Potential award for threshold performance	Performance period	Vesting date	Difference between exercise price and face value	Performance measures
LTIP	Percentage of base salary for the year ended 30 June 2021	Andrew Davies Simon Kesterton	£904,221 £736,294	25% of face value	1 July 2020 – 30 June 2023	18 December 2023	n/a	Awards are based 50% on AOP for financial year ending 30 June 2023, 25% on TSR performance against a comparator group and 25% on Net Debt:EBITDA. See table below for further detail

1 The awards made to Andrew Davies and Simon Kesterton were reduced to 130% of base salary and were at nil cost.
2 For the LTIP awards, 'face value' is calculated using the market price of a share in the capital of the Company on 17 December 2020 of 78.3p.
3 Calculated on the adjusted number of shares held under the LTIP award following the 2021 capital raise.

No persons who, during the 2021 financial year, served as a Director received awards of deferred shares or SIP.

The performance conditions (and respective weightings) and targets for the LTIP awards which were granted during the 2021 financial year are set out in the table below. The awards will, subject to the satisfaction of the performance conditions, vest on the third anniversary of the grant date (18 December 2023).

Performance condition	Weighting	Original targets
Adjusted operating profit[1]	50%	0% vesting for below £120.7m 25% vesting for £120.7m 100% vesting for £144.8m Straight-line vesting between these points
TSR outperformance[2]	25%	0% vesting for performance below median constituent of comparator group 25% vesting for performance in line with median constituent of comparator group 100% vesting for performance equal to upper quartile of comparator group Straight-line vesting between these points
Net Debt:EBITDA performance[3]	25%	0% vesting for above 2.86:1 25% vesting for 2.86:1 100% vesting for 1.84:1 Straight-line vesting between these points

1 For the financial year ending 30 June 2023.
2 The peer group comprises FTSE 250 Index excluding investment trusts.
3 Target measured by reference to the average (mean) of (i) the Group's net debt/cash position as at 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, 31 December 2022 and 30 June 2023 and (ii) the Group's EBITDA for each of the 2021, 2022 and 2023 financial years.

Payments for loss of office

No payments were made for loss of office during the 2021 financial year.

Payments to past Directors

Details of payments made to Claudio Veritiero during the 2020 financial year following the termination of his employment are set out on page 116 of the 2020 Annual Report.

During the period from 1 July 2020 to 19 November 2020, Mr. Veritiero received a payment in lieu of notice (PILON) of £186,499.06, paid in instalments, comprising aggregate base salary payments of £154,622.62, aggregate pension allowance payments of £27,393.89 and aggregate car allowance payments of £4,482.55.

All payments referred to above were subject to deductions for tax and national insurance contributions.

Directors' shareholdings and share interests

The Committee encourages the Executive Directors to build up a shareholding in the Company of at least two years' base salary, to be accumulated over a period of up to five years. Executive Directors are therefore encouraged to retain any shares allocated to them as part of the annual bonus arrangements and upon the vesting of LTIP awards until this shareholding has been reached. The Executive Directors are required to retain shares equal in value to 100% of base salary for a period of two years from the date on which employment is terminated (or if the number of shares owned at such date is less than such value, the shares then owned).

The following table sets out details, as at 30 June 2021 (or the date on which the relevant individual left the Board, as the case may be), of the shareholdings and share interests of those persons (together with, where relevant, the shareholdings and share interests of their connected persons) who, during the 2021 financial year, served as a Director:

	Shares held				Options held				
Director	Owned outright or vested[1,2]	Vested but subject to a holding period[3]	Unvested and subject to performance conditions[4]	Unvested and subject to continued employment[5]	Vested but not exercised	Unvested and subject to continued employment[6]	Shareholding guideline (% of salary)	Current shareholding (% of salary)[7]	Guideline met?
Alison Atkinson	–	–	–	–	–	–	n/a	n/a	n/a
Justin Atkinson	46,096	–	–	–	–	–	n/a	n/a	n/a
Andrew Davies	159,275	–	2,356,118	–	–	–	200	35.1%	No
Simon Kesterton	159,024	–	1,779,495	–	–	–	200	43.0%	No
Matthew Lester	117,531	–	–	–	–	–	n/a	n/a	n/a
Heather Rabbatts	–	–	–	–	–	–	n/a	n/a	n/a
Clive Watson	41,176	–	–	–	–	–	n/a	n/a	n/a
Kirsty Bashforth[8]	3,351	–	–	–	–	–	n/a	n/a	n/a

1 Comprising shares held legally or beneficially by the relevant Director or their connected persons.
2 Includes shares purchased under the 2021 capital raise.
3 Comprising deferred shares allocated to the relevant Director in connection with annual bonuses. See 'Deferred shares' below.
4 Comprising unvested LTIP awards.
5 Comprising matching shares purchased after 30 June 2018 (or the date that was three years prior to the date of leaving the Board, as the case may be) under the SIP. See 'Share Incentive Plan' on page 106.
6 Comprising options under the SAYE schemes. See 'Save As You Earn schemes' on page 106.
7 Calculated by reference to (i) shares owned outright or vested by the Director or his/her connected persons and (ii) deferred shares allocated in connection with annual bonuses, using the closing market price of a share in the capital of the Company on 30 June 2021 of £1.31 and (iii) the gross base salaries for the year ended 30 June 2021.
8 All figures are at the date of leaving the Board.

There have been no changes in the interests of the Directors (or their connected persons) in the ordinary shares in the capital of the Company since 30 June 2021.

Deferred shares

No persons who, during the 2021 financial year, served as a Director beneficially owned, at 30 June 2021, shares in the capital of the Company as a result of awards of deferred shares.

LTIP awards

Those persons who, during the year ended 30 June 2021, served as a Director held LTIP awards over the following maximum numbers of shares in the capital of the Company at 30 June 2021:

Director	2019 award	2020 award[1,3]	2021 award[1]	Cumulative total 30 June 2020	Cumulative total 30 June 2021
Andrew Davies	–	1,201,302	1,154,816	1,201,302	2,356,118
Simon Kesterton	–	839,145	940,350	839,145	1,779,495
Date of award	n/a	28 October 2019	18 December 2020	–	–
Share price used for award[2]	n/a	115.8 pence	78.3 pence	–	–
End of performance period	n/a	30 June 2022	30 June 2023	–	–

1 Adjusted to take account of the 2021 capital raise.
2 The market price of a share from the business day immediately prior to the date of the award.
3 Following completion of the sale of Kier Living and the 2021 capital raise, the EPS Performance condition was adjusted to take account of changes to earnings, associated assumptions, net interest and number of shares in issue to ensure the target was no more difficult or easier to satisfy. Target adjusted to: adjusted earnings and adjusted EPS of the continuing consolidated Group for the financial year ending 30 June 2022 with 0% vesting for below 9.8p, 25% of vesting for 9.8p, and 100% vesting for 14.8p with straight-line vesting between these points.

The performance conditions for the 2021 award are set out on page 104.

Share Incentive Plan

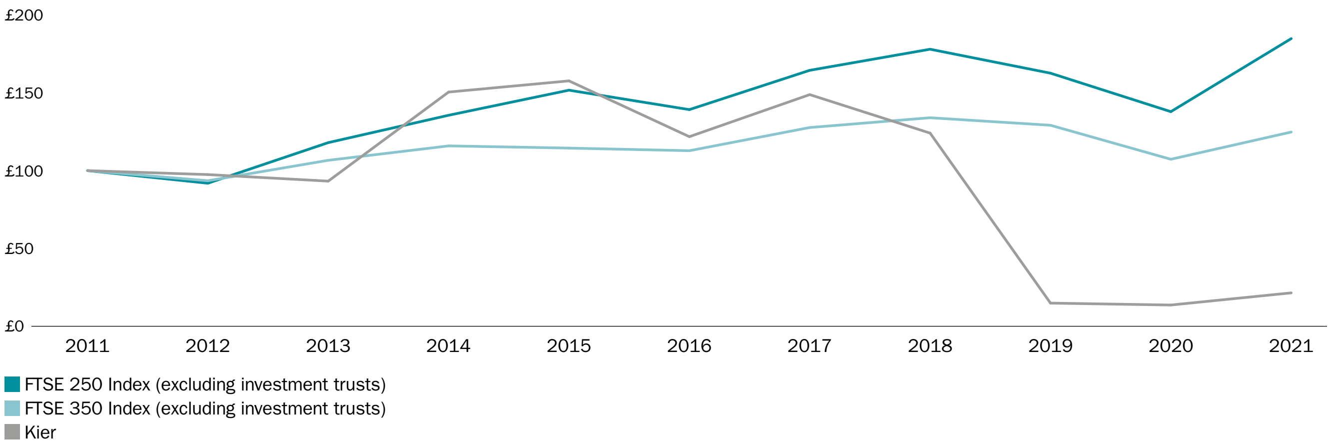
No persons who, during the 2021 financial year, served as a Director had options under the SIP at 30 June 2021.

Save As You Earn scheme

No persons who, during the 2021 financial year, served as a Director had options under the Kier Group plc 2016 Sharesave Scheme at 30 June 2021.

Total shareholder return

The graph below shows the value, at 30 June 2021, of £100 invested in shares in the capital of the Company on 30 June 2011, compared with the value of £100 invested in (i) the FTSE 250 (excluding Investment trusts) selected as the comparator group for the 2021 LTIP award (see page 104) and (ii) the FTSE 350 (excluding investment trusts). The LTIP comparator group was chosen because it includes companies of a similar size and complexity to the Group and the FTSE 350 was chosen to illustrate the Group's performance against a broad equity market index of the UK's leading companies. The other points plotted are the values at 30 June during the 10-year period.



Chief Executive's remuneration

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

Chief Executive	Year	Chief Executive single figure of remuneration (£000)[1]	Annual bonus payout against maximum opportunity (%)	LTIP vesting against maximum opportunity (%)
Paul Sheffield	2012	£1,273	75%	100%
	2013	£987	49%	31%
	2014	£1,099	68%	33%
Haydn Mursell	2015	£1,079	92%	–
	2016	£1,311	90%	34%
	2017	£1,199	48%	29%
	2018	£1,459	75%	24%
	2019[2]	£423	–	–
Andrew Davies	2019[2]	£140	–	–
	2020[3]	£613	–	–
	2021	£1,323	90%	–

1 All figures are rounded to the nearest £1,000.
2 Haydn Mursell stood down as Chief Executive on 22 January 2019 and Andrew Davies was appointed with effect from 15 April 2019.
3 Includes the temporary reduction in base salary and employer pension contributions and/or a cash allowance in response to COVID-19.

Percentage change in Directors' remuneration

The table below shows the percentage changes in base salary or fees, taxable benefits and annual bonus of each Director in the financial year indicated, as compared to the previous financial year, together with the approximate comparative average figures for those employees who were eligible for salary reviews on 1 October of each year and who were not subject to collective agreements. In respect of the 2021 financial year, this section of the employee population (comprising approximately 6,000 individuals across a number of levels) is considered to be the most appropriate group for comparison purposes, as its remuneration is controlled by the Group and is subject to similar external market forces as those that relate to the Executive Directors' remuneration. Approximately 750 employees are eligible to receive a bonus.

	Base salary/fee[1,2,3]		Taxable benefits[1]		Annual bonus[4]	
	2021	2020	**2021**	2020	**2021**	2020
Executive Directors						
Andrew Davies	**6.7%**	-6.2%	**7.7%**	8.3%	**n/a**	-%
Simon Kesterton	**8.2%**	-6.3%	**7.7%**	8.3%	**n/a**	-%
Chairman						
Matthew Lester	**4.9%**	-4.6%	**n/a**	n/a	**n/a**	n/a
Non-executive Directors						
Alison Atkinson	**-%**	-%	**n/a**	n/a	**n/a**	n/a
Justin Atkinson	**6.9%**	-6.5%	**n/a**	n/a	**n/a**	n/a
Kirsty Bashforth	**-%**	-6.5%	**n/a**	n/a	**n/a**	n/a
Heather Rabbatts	**6.9%**	-6.5%	**n/a**	n/a	**n/a**	n/a
Clive Watson	**6.9%**	-6.5%	**n/a**	n/a	**n/a**	n/a
Other employees	**4.73%**	2.35%	**-0.57%**	11.35%	**n/a**	-%

1 Base salary/fee and taxable benefits as shown in the table on page 102 and the 2020 Annual Report.
2 Calculated on an annualised basis where base salary/fee or taxable benefits paid for part of financial year.
3 Calculations include the temporary reductions in base salary/fee which were taken in response to COVID-19.
4 No bonus was paid in the 2020 financial year so comparison is not possible.

Pay ratio of Chief Executive to average employee

The table below shows the ratio of the Chief Executive's total remuneration for the year ended 30 June 2021, using the information set out in the single total figure table on page 102, to the total remuneration of a lower quartile, median and upper quartile employee.

	25th percentile pay ratio (Chief Executive: UK employees)	Median pay ratio (Chief Executive: UK employees)	75th percentile (Chief Executive: UK employees)
2021	50:1	36:1	22:1
2020	24:1	20:1	10:1

Further details of the remuneration of the Chief Executive in the 2021 financial year and those individuals whose remuneration in the 2021 financial year was at the median, 25th percentile and 75th percentile amongst UK-based employees are as follows:

	Chief Executive	25th percentile	Median	75th percentile
Salary	£595,000	£25,704	£35,018	£52,780
Total remuneration	£1,323,060	£26,553	£36,418	£60,191

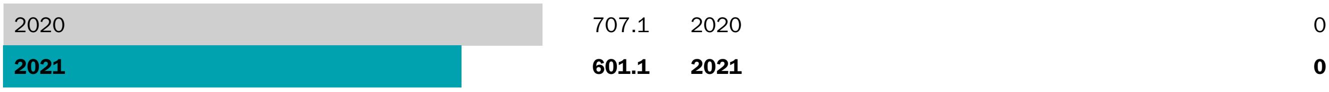
The median, lower and upper quartile figures used to determine the above ratios were calculated by reference to the full-time equivalent, annualised remuneration of the Group's UK-based employees (comprising salary, benefits, pension, annual bonus and share based and other incentives), based on the Group's gender pay gap data at April 2021, to determine 'best equivalents' in accordance with Option B in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Committee selected this calculation methodology as it was considered to produce the most accurate and representative result.

The Committee noted the increase in the median total pay CEO pay ratio was due to the annual bonus payment for the Chief Executive for the 2021 financial year. It considers that the median pay ratio for 2021 disclosed in the above table is consistent with the pay, reward and the progression opportunities available to UK-based employees across the business.

Relative importance of spend on pay

The graph below shows the percentage changes in the total employee remuneration and dividends paid between the 2020 and 2021 financial years:

Total employee remuneration (£m) **Dividend (£m)**



Employee remuneration is remuneration paid to or receivable by all employees of the Group (as stated in note 8 to the 2021 consolidated financial statements on page 155).

The dividend figures in the chart comprise any dividends paid in the 2020 and 2021 financial years (as stated in note 11 to the 2021 consolidated financial statements on page 165).

Implementation of the remuneration policy in 2022

Executive Directors’ base salary

The base salaries of the Executive Directors for the 2022 financial year are as follows:

Director	From 1 October 2020	From 1 October 2021	Percentage increase
Andrew Davies	£595,000	£750,000[1]	26%
Simon Kesterton	£484,500	£503,880	4%

[1] With effect from 1 July 2021.

Annual bonus

In the 2022 financial year, the maximum annual bonus opportunity for each of the Chief Executive and the Chief Financial Officer will be 125% of base salary.

The bonus targets will relate to profit, free cash flow, the Group’s safety performance and personal objectives. The actual bonus targets and performance against them will be disclosed in the 2022 Annual Report. 50% and 33% of net bonus payment for the Chief Executive and Chief Financial Officer respectively will be satisfied by an allocation of shares, deferred for three years. Clawback provisions will apply for a three-year period following any bonus payment.

LTIP awards

In the 2022 financial year, the Chief Executive and the Chief Financial Officer will be granted an LTIP award of 200% of base salary.

At the date of this Annual Report, the performance conditions for these awards remain under consideration. They will apply over the three-year period ending 30 June 2024. The actual performance conditions will be disclosed in the 2022 Annual Report. A two-year holding period will apply to any vested awards.

Pension and taxable benefits

The pension contributions or cash allowances payable on behalf of or to the Executive Directors in the 2022 financial year are:

Executive Director	Percentage of salary
Andrew Davies	7.5%
Simon Kesterton	7.5%

The Executive Directors will also continue to receive private health insurance and either a company car or a car allowance, which will be £13,900 per annum (2021: £13,900).

Non-executive Directors’ fees

Following a review, there will be an increase in the fees payable to the Non-executive Directors, other than the Chairman, for the 2022 financial year. The fees were previously increased in 2017. The base fee will increase from £51,500 to £57,000 (10.7% increase) and the Chair of Board committee/Senior Independent Director fee will increase from £10,000 to £12,000 (20% increase). The total fees payable to the Non-executive Directors with effect from 1 October 2021 are as follows:

Director	Base fee	Chair of Board committee fee	Senior Independent Director fee	Total fee
Alison Atkinson	£57,000	£12,000	–	£69,000
Justin Atkinson	£57,000	–	£12,000	£69,000
Matthew Lester[1]	£235,000	–	–	£235,000
Heather Rabbatts	£57,000	£12,000	–	£69,000
Clive Watson	£57,000	£12,000	–	£69,000

[1] Matthew Lester does not receive a fee for his work as the Chair of the Nomination Committee.

The Remuneration Committee

Membership and meeting attendance
The names of the members of the Committee are set out on page 98, together with an indication of the Committee's principal activities during the 2021 financial year. The Chief Executive (Andrew Davies) and the Group HR Director (Helen Redfern) are invited to attend Committee meetings. No individuals are involved in decisions relating to their own remuneration. Details of the Committee's meetings during the year are set out on page 81. The secretary of the Committee is the Company Secretary. The Committee's terms of reference can be viewed on the Company's website at www.kier.co.uk/corporategovernance.

Principal activities – 2021 financial year
The Annual Statement of the Chair of the Remuneration Committee on pages 98 to 100 provides a summary of the Committee's principal activities during the year.

When taking its decisions during the year, the Committee took into account the following factors:

- Clarity and simplicity: the Group's remuneration arrangements are clearly communicated to shareholders and the workforce, for example, through this Directors' remuneration report and the engagement process with shareholders;
- Risk: the Committee notes the reputational and other risks that may result from excessive rewards. The Committee has the discretion to adjust annual bonus payments and vesting levels of LTIPs to address this issue;
- Predictability and proportionality: the Committee has discretion in relation to variable remuneration to ensure that rewards reflect the long-term performance of the Group; and
- Alignment to culture: when setting remuneration, the Committee has sought to encourage behaviours from management which it would expect to see throughout the Group and which are consistent with the Group's purposes, values and strategy.

Committee performance

2020 evaluation
Please see the Annual Statement of the Chair of the Remuneration Committee on pages 98 to 100 for information on setting executive remuneration to align management's interests with those of shareholders in view of the circumstances in which the Group was operating in.

2021 evaluation
The external review was undertaken by Clare Chalmers. She found that the Committee operated effectively in a challenging environment. She observed that there was good identification of the issues and the Committee balanced the views of all stakeholders before coming to its conclusions. One recommendation was that to ensure sufficient time is scheduled into the agenda pre and post meeting for planning and actions.

Area of focus for the Committee in 2022
The Board has agreed that the Committee's principal area of focus in the 2022 financial year would be ensuring executive remuneration align management's interests with those of shareholders given the significant progress made in addressing the fundamental challenges the Group has faced. Please see the Annual Statement of the Chair of the Remuneration Committee on pages 98 to 100 for steps taken, or to be taken, by the Committee in this respect.

Advisers

During the 2021 financial year, the Committee undertook a review of its advisers and following a selection process appointed Willis Towers Watson ('WTW') as its independent advisers. During the year fees paid to WTW for advice to the Committee were £26,700 (excluding VAT). During the year, WTW also provided rewards and benefits advice to management. WTW is a signatory of and adheres to the Code of Conduct for Remuneration Consultants which has been developed by the Remuneration Consultants Group. There are no connections between WTW and either the Company or any of the Directors. The Committee was satisfied that the advice it received from WTW is objective and independent. The Committee also received support from the Group HR Director (Helen Redfern) and the Company Secretary.

Shareholder voting

The Directors' remuneration report and the Remuneration Policy were subject to shareholder votes at the 2020 AGM. The results of the vote on the resolutions were:

Directors' remuneration report

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
54,915,311	98.02%	1,111,637	1.98%	42,931

1 Includes those votes for which discretion was given to the Chairman.
2 Does not include votes withheld.

Remuneration Policy

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
54,809,976	97.81%	1,225,075	2.19%	34,828

1 Includes those votes for which discretion was given to the Chairman.
2 Does not include votes withheld.

Compliance statement

This Directors' remuneration report complies with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Listing Rules of the Financial Conduct Authority and applies the main principles relating to remuneration which are set out in the UK Corporate Governance Code (July 2018 edition).

Introduction

The Company's remuneration policy, which was approved at the AGM on 17 December 2020, will continue to apply in the 2022 financial year. The Committee has included the policy table and certain other extracts from the policy in this year's report for ease of reference and so as to provide context for the decisions taken by the Committee during the 2021 financial year. The full policy is set out on pages 105 to 112 (inclusive) of the 2020 Annual Report, which can be found on Kier's website at www.kier.co.uk/investors.

Remuneration policy table

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

Element and link to strategy	Operation	Opportunity	Performance measures
Base salary **To attract and retain Executive Directors of the calibre required to deliver the Group's strategy**	Salaries are reviewed annually by reference to a number of factors, including an individual's experience, performance and role within the Group, the external market (including FTSE companies of a similar size and sector peers) and any increase awarded to the wider employee population.	Any increase will typically be in line with those awarded to the wider employee population. The Committee has discretion to award higher increases in circumstances that it considers appropriate, such as a material change in the complexity of the business or an individual's responsibility. Details of salary changes will be disclosed in the Annual Report.	Continued strong performance.
Benefits **To provide benefits which are competitive with the market**	Benefits are reviewed from time to time and typically include, but are not limited to, a company car or car allowance, private health insurance and life assurance. Business-related expenses which are deemed to be taxable form part of the benefits provided. In certain circumstances, the Committee may also approve the provision of additional benefits or allowances – for example, the relocation of an Executive Director to perform his or her role.	Benefits are set at a level which the Committee considers appropriate in light of the market and an individual's circumstances.	None.
SAYE schemes **To encourage ownership of the Company's shares**	One or more HMRC-approved schemes allowing all employees, including Executive Directors, to save up to the maximum limit specified by HMRC rules. Options are granted at up to a 20% discount.	The maximum amount that may be saved is the limit prescribed by HMRC (or such other lower limit as determined by the Committee) at the time employees are invited to participate in a scheme. Typically, employees are invited to participate on an annual basis.	None.
Share Incentive Plan **To encourage ownership of the Company's shares**	An HMRC-approved scheme which is open to all UK tax resident employees of participating Group companies. Executive Directors are eligible to participate. The plan allows employees to purchase shares out of pre-tax income. The Company may match shares purchased with an award of free shares. Matching shares may be forfeited if employees leave within three years of their award, in accordance with the SIP rules. The plan trustees can reinvest cash dividends to acquire further shares on behalf of participants.	Participants can purchase shares up to the prevailing limit approved by HMRC (or such other lower limit as determined by the Company) at the time they are invited to participate. The Company currently offers to match purchases made through the plan at the rate of one free share for every two shares purchased, but may increase this to the prevailing limit approved by HMRC.	None.

Remuneration policy table (continued)

Element and link to strategy	Operation	Opportunity	Performance measures
Pension **To provide a retirement benefit which is competitive with the market**	Executive Directors participate in a defined contribution scheme.	The maximum employer contributions for the Executive Director will be aligned with those made available to the workforce, being, at the date of this policy, 7.5% of pensionable salary. Executive Directors may elect to receive all or part of the employer contribution as a taxable cash supplement.	None.
Annual bonus **To reward the delivery of near-term performance targets and business strategy**	The Company operates a discretionary bonus scheme. Whether a bonus is awarded and the amount (if any) of bonus awarded will be determined at the Committee's discretion. Payments under the bonus scheme are based on an assessment of performance against targets over the year. One-third of any net payment is satisfied by an allocation of Kier Group plc shares, which is deferred for three years (subject to early release for 'good leavers' and upon a takeover) and is subject to a malus provision. Dividend payments accrue on deferred bonus shares over the deferral period. Malus and, in the case of the cash element of a bonus, clawback will apply. See 'Malus and clawback' on page 113.	The maximum potential bonus for the Executive Directors in respect of the financial year ending 30 June 2021 is 125% of base salary. 'Threshold' performance, for which an element of bonus may become payable under each component of the annual bonus, is set by the Committee each financial year. The level of bonus for achieving threshold performance varies by performance target, and may vary for a target from year to year, to ensure that it is aligned with the Committee's assessment of the degree of difficulty (or 'stretch') in achieving it.	The Committee determines the bonus targets and their relative weightings each year. The weighting towards non-financial targets will be no higher than 25% of the maximum potential bonus. The bonus targets for the 2021 financial year will relate to profit, net debt, the Group's safety performance and personal objectives. Actual bonus targets (and performance against each of these targets), and any use by the Committee of its discretion with respect to bonus payments, will be disclosed in the Annual Report immediately following the end of the relevant performance period.

Remuneration policy table (continued)

Element and link to strategy	Operation	Opportunity	Performance measures
LTIP awards **To reward the sustained strong performance by the Group over the longer-term**	Awards are granted annually and will typically vest, subject to the achievement of performance conditions, on the third anniversary of the date of grant. A two-year post-vesting holding period applies. A malus provision applies to awards pre-vesting and a clawback provision applies to the post-vesting holding period. See 'Malus and clawback' on page 113. Dividend equivalents may apply to awards. The awards are subject to the LTIP rules and the Committee may adjust or amend the awards only in accordance with the LTIP rules. The LTIP rules permit the Committee to exercise its discretion to modify any performance condition(s) when it deems it fair and reasonable to do so. Any use of Committee discretion with respect to modifying any performance condition(s) will be disclosed in the relevant Annual Report. The Committee may adjust the number of shares which will vest if, in its discretion, it determines that it would be appropriate to do so in order to override the formulaic outcome of any performance condition, taking into account such factors as it considers relevant, including but not limited to: (i) the performance of the Company or of any member of the Group; (ii) the conduct or performance of a participant; and/or (iii) any circumstances or events which have occurred since the award was granted.	The maximum award is 200% of base salary. The Committee may grant awards of up to the maximum permitted when it considers it appropriate to do so. The reasons for an award in excess of 150% of salary will be disclosed in the relevant Annual Report. On achieving the threshold performance level for each element of the award, 25% of the relevant element of the award will vest. Vesting is on a straight-line basis between threshold and maximum levels of performance.	Prior to granting an award, the Committee sets performance conditions which it considers to be appropriately stretching. In line with the awards granted in recent years, the performance conditions for the LTIP awards to be granted in the 2021 financial year are expected to relate to EPS growth and/or TSR outperformance and/or the Group's Net Debt:EBITDA performance over the performance period. The performance conditions relating to an award, and their respective weightings, will be disclosed in the Annual Report immediately following its grant.

Payments from outstanding awards

The Company will honour any commitment entered into, and the Executive Directors will be eligible to receive payment from any award or arrangement made, either (i) before this policy came into effect or (ii) at a time when the relevant individual was not a Director and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director. For these purposes, 'payment' includes the satisfaction or vesting of awards of variable remuneration (including LTIP awards) and, in relation to awards of shares, upon the terms which were agreed when the award was granted. Any such award or arrangement will be subject to their existing terms, provided that such terms were permitted by the remuneration policy in force at the date on which the relevant award or arrangement was made, granted or entered into (as the case may be).

Notes to the policy table

Malus and clawback

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

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

- A material misstatement of the Group's financial statements;
- A material error in determining the level of satisfaction of a performance condition or target;
- A participant deliberately misleading the Company, the market and/or shareholders in relation to the financial performance of the Group;
- Any action or omission on the part of the participant which resulted in or which could reasonably be expected to have resulted in material reputational damage to the Group;
- A participant's employment being terminated in circumstances of gross misconduct and/or circumstances justifying summary dismissal; and
- Any other circumstances similar in nature to those set out above which the Company considers justifies the application of malus.

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

Clawback applies to (i) the cash element of the annual bonus and (ii) the two-year post-vesting holding period which applies to LTIP awards. The circumstances in which clawback apply are the same (or substantially the same) as for malus. The ways in which clawback may be effected are set out in the Company's bonus rules and the LTIP rules, as the case may be. They include requiring an individual to pay or repay cash to the Company, reducing the level of awards made to an individual and delaying the vesting of LTIP awards.

Executive Director shareholding guidelines

The Committee encourages Executive Directors to accumulate a shareholding in the Company of at least 200% of base salary over a period of up to five years. Executive Directors are therefore required to retain any shares allocated to them as part of the annual bonus plan and upon the vesting of LTIP awards until they reach this level of shareholding.

A post-employment shareholding requirement also applies, pursuant to which, for a period of two years after the date on which employment terminates, an Executive Director is required to retain shares in the Company allocated as part of the annual bonus plan and upon the vesting of LTIP awards which are equal in value to 200% of base salary (or, if the number of such shares owned at such date is less than such value, such shares then owned).

Selection of performance measures and approach to setting targets

The annual bonus targets are determined annually to reflect matters which the Committee considers to be areas of specific focus for the Executive Directors over the shorter-term. The Committee believes that using a number of targets provides a balanced incentive. The targets themselves are aligned to, and are designed to support the delivery of, the Group's strategic objectives.

The Committee sets performance conditions relating to the LTIP awards which are designed to align the interests of management and shareholders, incentivise management to deliver the Group's strategic objectives and reward performance over the longer-term.

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

Approach to setting the remuneration of other employees

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

Approach to remuneration on recruitment

External appointment

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

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, the experience and skills of the individual, internal relativities and the appointee's current base salary. Where a new appointee has an initial base salary set below the market median, any subsequent adjustment will be managed by the Committee, using (where appropriate) phased increases and subject to the individual's development in the role.
Benefits	New appointees will be eligible to receive benefits in line with the remuneration policy, which may also include (but are not limited to) any necessary expenses relating to expatriation or relocation on recruitment.
SAYE schemes	New appointees will be eligible to participate on the same terms as all other employees.
SIP	New appointees will be eligible to participate on the same terms as all other employees.
Pension	New appointees will receive employer pension contributions which are aligned with those available to the workforce, being, at the date of this policy, 7.5% of pensionable salary, into a defined contribution pension arrangement or an equivalent taxable cash supplement or a combination of both.
Annual bonus	The annual bonus structure described in the remuneration policy will apply to new appointees (including the maximum opportunity), pro rated in the year of joining to reflect the proportion of that year employed. One-third of any bonus earned will be deferred into shares.
LTIP	New appointees may be granted awards under the LTIP of up to 200% of salary.
'Buy-out' awards	The Committee may consider it appropriate to grant a 'buy-out' award (with respect to either a bonus or a share-based incentive scheme) using either an existing incentive scheme or arrangement or an alternative scheme or arrangement in order to facilitate recruitment. When doing so, the Committee may, to the extent required, implement an arrangement referred to in Listing Rule 9.4.2. Any such 'buy-out' award would have a fair value no higher than that of the award forfeited. In granting any such award, the Committee will consider relevant factors, including any performance conditions attached to the forfeited awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. When considering any performance conditions for any such award, the Committee will, where appropriate, take into account those used in the Company's existing incentive arrangements. Where appropriate, the Committee will also consider whether it is necessary to introduce further retention measures for an individual – for example, extended deferral periods.
Legal fees	The Company may agree to pay the reasonable legal fees incurred by a new appointee for advice received in relation to his/her contract of employment or service agreement.

In determining an appropriate remuneration package for a new Executive Director, the Committee will take into consideration such factors as it considers to be appropriate to ensure that the arrangements are in the best interests of the Company's shareholders.

Internal promotion

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

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

Service contracts

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

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

Please see 'Payments for loss of office' below for a summary of other entitlements which may be due upon termination (and which relate to remuneration).

The service agreements are available for Inspection at the Company's registered office.

Payments for loss of office

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

Component	Approach
Annual bonus	Individuals who are determined by the Committee to be 'good leavers' may be considered for an annual bonus in relation to the year in which their active employment ceases. When deciding whether to exercise its discretion to allow a payment in respect of an annual bonus (and, if so, its amount and the terms on which it may be paid), the Committee will consider such factors as it considers to be appropriate, including performance against bonus targets, the performance of the individual and the Group in general and the circumstances in which the individual is leaving office. Any payment to a 'good leaver' in respect of an annual bonus will typically be made at the same time as annual bonuses are paid to other employees. Clawback will continue to apply to the cash element of any payment made in respect of an annual bonus. Deferred shares allocated in part satisfaction of annual bonuses may be released upon cessation of employment if an individual is determined by the Committee to be a 'good leaver'. Otherwise, they will be released at the end of the three-year holding period (unless they are forfeited in the case of circumstances justifying summary dismissal).
LTIP	If an Executive Director ceases to be an employee or a director of a member of the Group for reasons of death, ill-health, injury, disability, redundancy (in relation to awards granted under the 2020 LTIP rules), retirement with the agreement of the Company, the sale or transfer of the business or part of the business of the Group in which the Executive Director is employed to a company which is not a member of the Group, his/her employing company ceasing to be a member of the Group or such other circumstances approved by the Committee, outstanding LTIP awards will be retained. If an Executive Director ceases to be an employee or a director of the Group for any other reason, his/her outstanding LTIP awards will lapse on the date of such cessation. Unvested LTIP awards will, subject to Committee discretion, normally be pro rated for length of service during the performance period and will, subject to performance, normally vest at the same time as all other awards in the LTIP award cycle. However, the Committee may also (at its discretion) permit unvested LTIP awards to vest on an accelerated basis to the extent determined by the Committee, having taken into account current and forecast progress against the performance condition(s), the proportion of the vesting period which has elapsed and any other factors considered by the Committee to be relevant. Any vested shares are subject to the two-year post-vesting holding period, irrespective of the date on which they vest. Please see 'Change of control' below for the policy which applies in the event of a change of control of the Company.
SIP and SAYE schemes	The Executive Directors are subject to the same 'leaver' provisions as all other participants, as prescribed by the rules of the relevant scheme or plan.

Component	Approach
Other	If the Company terminates an Executive Director's employment by reason of redundancy, the Company will make a redundancy payment to the Executive Director in line with his/her service agreement, any applicable collective bargaining agreement and applicable law and regulation. The Company may make a contribution towards an Executive Director's legal fees for advice relating to a compromise or settlement agreement and may also make other payments connected to the departure – for example, for outplacement services, tax advice and relocation costs. With respect to any such payments, the Committee will authorise what it considers to be reasonable in the circumstances.
Change of control	Deferred bonus shares will be released and, save as contemplated by the immediately following sentence, any outstanding LTIP awards will vest early to the extent determined by the Committee, having taken into account current and forecast progress against the performance condition(s), the proportion of the vesting period which has elapsed and any other factors considered by the Committee to be relevant; in such circumstances, no holding period will apply to the shares vesting and any holding period for previously vested LTIP awards will cease. Unless the Committee determines otherwise, if, following a change of control, the acquiring company has substantially the same shareholders and in approximately the same shareholdings as those of the Company prior to the change of control, the LTIP awards will be exchanged for equivalent awards over shares in the new holding company (and the holding period will continue to apply). Clawback will not apply to LTIP awards which vest as a result of a change in control or to any payments of cash bonuses made on a change of control. The rules of the SIP and the SAYE schemes will apply on a change of control. No payments are due under the Executive Directors' service agreements upon a change of control.

Where appropriate, the Committee will oblige the individual to mitigate his/her losses and may offset any alternative remuneration received by the individual against any notice or PILON payments made by the Company.

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

Consideration of employment conditions elsewhere in the Group

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

The Committee takes into account the overall pay and employment conditions of employees within the Group when making decisions on the Executive Directors' remuneration; for example, the Committee reviews the Group's latest gender pay gap information and, prior to setting the Executive Directors' remuneration, reviews detailed information relating to the workforce's remuneration. With respect to bonuses, the Committee encourages management to set targets which promote collaborative working practices across the Group so as to support the delivery of its strategy and promote its long-term sustainable success.

Consideration of shareholders' views

The views of shareholders, and guidance from shareholder representative bodies, are important to the Committee and provide the context for setting the remuneration of the Executive Directors. For example, when setting the 2020 remuneration policy, the Chair of the Remuneration Committee engaged with a number of major shareholders, whose feedback was reflected in the Committee's decision-making. Please see the Annual Statement of the Chair of the Remuneration Committee on pages 101 and 102 of the 2020 Annual Report.

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

Non-executive Director remuneration policy

General

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

Element and link to strategy	Operation	Opportunity	Performance measures
Fees To attract and retain Non-executive Directors of the calibre required and with appropriate skills and experience	Fee levels are reviewed annually with reference to individual experience, the external market and the expected time commitment required of the Director. Additional fees are payable to the Chairs of the Board's committees and to the Senior Independent Director.	Fees may be increased in line with the outcome of the annual review and will not normally exceed the increase awarded to the wider employee population. Higher increases may be awarded should there be a material change to the requirements of the role, such as additional time commitment. Any changes to fees will be disclosed in the annual report on remuneration for the relevant year.	None.
Benefits To reimburse Non-executive Directors for expenses	Reasonable and necessary expenses are reimbursed, together with any tax due on them.	Expenses (including, without limitation, travel and subsistence) incurred in connection with Kier business and any tax payable thereon.	None.

Recruiting Non-executive Directors

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

Non-executive Director letters of appointment

The Non-executive Directors do not have service contracts but have entered into letters of appointment with the Company which can be terminated by either party on one month's notice or, in the case of the Chairman, six months' notice. The letters of appointment do not include any provisions for the payment of pre-determined compensation upon termination of appointment and are available for inspection at the Company's registered office. The Non-executive Directors are subject to annual re-election at the AGM.

Introduction

This Directors' Report and the Strategic report on pages 1 to 71 (inclusive) together comprise the 'management report' for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R.

Information incorporated by reference

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

Information	Reported in	Pages
Corporate governance	Corporate Governance Statement	72 to 97 (inclusive)
	Statement of Directors' responsibilities	121
Directors	Board of Directors	78 and 79
	Directors' Remuneration Report – 'Directors' shareholdings and share interests'	105
Employee engagement	Social	63 to 67 (inclusive)
	Leading the Company – 'Stakeholder engagement'	83 to 85 (inclusive)
Employment of disabled persons	Social	67
Engagement with suppliers, customers and others	Social	64 and 68
	Leading the Company – 'Stakeholder engagement'	83 to 85 (inclusive)
Financial instruments	Financial statements – note 30	189 to 193 (inclusive)
Going concern	Board statements	75
Greenhouse gas emissions	Environment	57
Important events since the end of the financial year	Financial statements – note 35	203
Likely future developments	Chief Executive's review	8 to 11
Results and dividends	Financial review	42 to 49 (inclusive)

Disclosures required under Listing Rule 9.8.4R

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

Information required to be disclosed	Page(s)
(1) Amount of interest capitalised	n/a
(2) Publication of unaudited financial information	n/a
(4) Long-term incentive schemes	n/a
(5) – (11) Miscellaneous	n/a
(12) – (13) Waiver of dividends	119
(14) Agreement with controlling shareholders	n/a

Political donations

The Company made no political donations during the year (2020: nil).

Research and development

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

Share capital

As at 30 June 2021, the issued share capital of the Company consisted of 446,165,699 ordinary shares of 1 pence each. During the 2021 financial year, the Company issued 284,049,829 ordinary shares of 1 pence each pursuant to the capital raise, on 18 June 2021. Between 1 July 2021 and 15 September 2021, 11,924 ordinary shares of 1 pence each were issued in connection with the exercise of options under the Kier Group plc Sharesave Scheme 2016. Further details of changes to the ordinary shares issued and of options and awards granted during the year are set out in notes 27 and 28 to the consolidated financial statements.

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

Restrictions on transfer of securities in the Company

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

Substantial holdings

The table below is provided by our brokers, Numis, under the requests made to shareholders under section 793 of the Companies Act 2006 and information provided to the Company. As such this information is regarded by the Company as providing an up to date representation of our major shareholders' interests.

Shareholder	Interest
M&G Investments	9.10%
Aberdeen Standard Investments (Standard Life)	8.49%
Schroder Investment Management	6.75%
Hargreaves Lansdown Asset Management	5.53%
Jupiter Asset Management	5.42%
Aviva Investors	5.01%
JO Hambro Capital Management	4.26%
Lombard Odier Asset Management	3.87%
Polar Capital	3.28%
BlackRock Investment Management	3.03%

In addition, we have included below, the interests in the share capital of the Company which have been notified to the Company as at 15 September 2021 under Rule 5.1 of the Disclosure Guidance and Transparency Rules. The information in this table below is based on the latest notifications that have been made to the Company by the relevant shareholders; accordingly, it may not accurately represent the actual interests of the relevant shareholders in the share capital of the Company at the date of this Annual Report.

Shareholder[1]	Disclosed interest[2]
M&G Plc	9.93%
Standard Life Aberdeen plc	8.97%
Jupiter Fund Management PLC	5.10%
Brewin Dolphin Limited	5.01%
Charles Stanley Group plc	5.00%
BlackRock, Inc	Below 5%
Aviva plc	4.93%
Rathbone Investment Management Limited	4.93%
Schroders plc	4.75%
Norges Bank	3.03%

1 The most recent notification received by the Company from Woodford Investment Management Limited in July 2019 indicated a shareholding of 22,901,145 Shares, which would represent 5.13% of the Company's issued share capital as at 15 September 2021. Although the Company believes that the number of Shares held by Woodford Investment Management Limited has decreased significantly since that time, it has not received an updated notification of change in shareholding pursuant to the Disclosure Guidance and Transparency Rules.

2 Subject to rounding.

Securities carrying special rights

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

Rights under employee share schemes

As at 30 June 2021, JTC Employer Solutions Trustee Limited, as the trustee of the Kier Group 1999 Employee Benefit Trust, owned 156,985 shares (approximately 0.04% of the Company's issued share capital at that date). These shares are made available to satisfy share-based awards granted to senior management under the Group's remuneration arrangements.

As at 30 June 2021, Yorkshire Building Society (YBS) held 5,723,052 shares (approximately 1.28% of the Company's issued share capital at that date) on trust for the benefit of members of the SIP. At the same date, YBS also held 4,740 shares (approximately 0.001% of the issued share capital at that date) on trust for the benefit of members of the legacy May Gurney Share Incentive Plan. YBS does not exercise any voting rights in respect of the shares held by the trust. YBS distributes dividends received to beneficiaries under the trust (although beneficiaries may authorise YBS to vote in accordance with their instructions).

As at 30 June 2021, the trustee of the May Gurney Limited Employee Share Ownership Trust and the trustee of the May Gurney Integrated Services PLC Employee Benefit Trust held, respectively, 532,935 and 19,045 shares (in aggregate, approximately 0.12% of the Company's issued share capital at that date). These shares are made available to satisfy awards of shares under the Group's remuneration arrangements. Neither of the trustees exercises any voting rights in respect of shares held by its respective trust and each waives dividends payable with respect to such shares.

Restrictions on voting rights

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

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

Appointment and replacement of Directors

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

Each of the Directors will stand for election or re-election by shareholders at the 2021 AGM. Further information about the Directors' skills and experience can be found on pages 78 and 79.

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

Directors' insurance and indemnities

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

Amendment of Articles

The Articles may be amended by a special resolution of the Company's shareholders. A resolution to adopt new Articles is being proposed for the 2021 AGM. Please see the 2021 Notice of AGM for more information.

Powers of the Directors

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

Powers in relation to the Company issuing its shares

The Directors were granted authority at the AGM on 17 December 2020 to allot shares in the Company (i) up to an aggregate nominal amount of £540,386 and (ii) up to an aggregate nominal amount of £1,080,772 in connection with a rights issue. The Directors were also granted authority to allot shares (i) non-pre-emptively and wholly for cash up to an aggregate nominal amount of £81,057 and (ii) for the purposes of financing an acquisition or other capital investment up to a further nominal amount of £81,057.

In addition, at a general meeting held on 16 June 2021 (the GM), the Directors were granted authority to allot shares in the Company up to an aggregate nominal amount of £2,840,498.30 pursuant to or in connection with the capital raise.

Powers in relation to the Company buying back its shares

The Company may only buy back shares if the Articles do not prohibit it from doing so and it has received the requisite authority from shareholders in general meeting. The Articles do not contain any such prohibition and the Company does not propose to seek such authority at the 2021 AGM.

Change of control

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

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

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

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

Subsidiaries and branches

A list of the Group's subsidiaries and the branches through which the Group operates are listed in note 34 to the consolidated financial statements.

Auditors

The Board has decided that PricewaterhouseCoopers LLP will be proposed as the Group's auditors for the financial year ending 30 June 2022. A resolution relating to this re-appointment will be proposed at the forthcoming AGM.

AGM

The Company's 2021 AGM is scheduled to be held on 19 November 2021. Please see the Notice of AGM, for further information.

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

JAIME THAM

Company Secretary

15 September 2021

2nd Floor, Optimum House
Clippers Quay
Salford M50 3XP

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Annual Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Signed on behalf of the Board by:

ANDREW DAVIES
Chief Executive

SIMON KESTERTON
Chief Financial Officer

15 September 2021