

Winning new business that balances risk and reward



MATTHEW LESTER

Chairman

Dear shareholder

Introduction

I would like to welcome you to Kier's FY21 Annual Report, my second as Chairman.

A great deal has happened since my first report last year. As I stated then, I joined the business because I believe in our refreshed purpose: 'To sustainably deliver infrastructure which is vital to the UK'. I believe we have the leadership team, under our Chief Executive, Andrew Davies, to deliver on our vision: 'To be the UK's leading infrastructure services and construction company'.

The Board appointed Andrew and I to address the strategic and governance issues that had developed at Kier, to put in place the foundations for the future of Kier and to deliver its potential. The foundational elements of the strategy set out in 2019 are now complete.

The key elements are highlighted below:

- › addressed the excess indebtedness of the Group through the disposal of the Living business and the recent capital raise;
- › extended the Group's revolving credit facility to January 2025; and
- › reduced the cost base and introduced a new risk framework so Kier can tender competitively for new business and earn an appropriate return.

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Strategic actions

As set out in the Chief Executive's review on pages 8 to 11, we have successfully executed the strategic actions set out in 2019 to deleverage, simplify the business and generate cash. This has resulted in a business which is financially stronger, disciplined and with attractive positions in growing infrastructure markets.

To deliver on our potential, we will successfully deliver our contracts, supported by our risk management framework, Operating Framework and Performance Excellence processes, which are becoming embedded in the Group, whilst maintaining operational safety standards.

The key focus for FY22 is the continued delivery of the medium-term value creation plan. Details of the plan are set out in the Chief Executive's review on page 9. We plan to grow the business through new business awards and increasing our order book. The Board continues to monitor and oversee performance in these areas, providing appropriate KPIs and linking these to Executive remuneration.

The Group's FY21 financial performance was ahead of the Board's expectations, despite the challenges presented by COVID-19. This has been a year where there has been an increased focus on financial flexibility. The Board would like to thank our Chief Financial Officer, Simon Kesterton, as well as the wider finance team for their contribution and commitment.

Our people

Kier is a people business. When I joined the Board we agreed we were going to ensure the Board increased the amount of time it spends on reviewing people matters and each Board member would spend time engaging with our colleagues across the business. Details of this are set out on page 85. This year the Board has focused on how well people feel they are managed as well as issues of diversity.

On behalf of the Board I would like to thank all of our people for the tremendous resilience and adaptability they have shown throughout this year.

Our stakeholders

For a large part of the year, the Group has been impacted by COVID-19. This has stretched our employees and resulted in additional costs. It is testament to the strength and ability of Andrew and his senior leadership team that they have delivered on all of the strategic objectives in uncertain times.

Therefore, on behalf of the Board, I would like to thank everyone who has contributed to Kier's business performance in FY21 including our supply chain partners, and especially our hard working employees. It is their dedication and focus on operational excellence that has enabled us to overcome challenges. Further information on our stakeholders and how we have engaged with them is provided on pages 83 and 84.

Environmental, Social and Governance (ESG)

In December 2020, Alison Atkinson joined the Board and was appointed as Chair of the Safety, Health and Environment Committee. She brings significant operational experience in large-scale national infrastructure and provides valuable insights in our chosen markets. We have continued as a Board to receive regular reports via the Chief Executive and via the SHE Committee on health and safety matters.

ESG issues are fundamental to Kier's future. For example, from September 2021 UK Government contracts worth more than £5m now require a commitment to and publicly published pathway to net zero carbon in line with the UK Government's Procurement Policy Note 06/21.

The impact we have on local communities and the positive legacy we leave are important considerations for customers awarding business. Recognising this and the increased focus on ESG from all of our stakeholders, we updated the Terms of Reference of the Committee for it to become the ESG Committee to reflect its wider remit, in addition to health and safety. Alison's report on the Committee is on pages 94 and 95 and we have also updated how we report on these matters in the Annual Report (see page 50).

Conclusion

We are grateful for the support of our existing as well as our new shareholders. The Board believes that:

- › Kier has the technical capability and customer relationships to deliver our vision. We deliver high-quality projects for our clients and customers and operate to high safety standards;
- › Kier has an experienced management team with a track record of delivery; and
- › Kier is well-placed to benefit from the increase in UK Government infrastructure investment commitments.

In FY22 the Board is focused on operational execution and ESG. Given the operational and financial performance of the Group in FY21, I am confident we can deliver the medium-term plan and position Kier to have a sustainably successful future.

We anticipate that we will be able to hold the AGM in-person this year. Details will be provided in the Notice of Annual General Meeting.

MATTHEW LESTER

Chairman

15 September 2021