



RESPONSIBLE BUSINESS POSITIVE OUTCOMES

Corporate Responsibility Report 2017

At a glance

Kier is a leading property, residential, construction and services group. We operate across a broad range of sectors including defence, education, health, highways, housing, industrials, power, property, transport and utilities. We offer a breadth of capabilities enabling us to bring together the right skills from across the business to provide an integrated offer to our clients.

Our diverse capabilities...



Property

Our property development and financing business operates across the UK.

- › Regional player
- › Non-speculative focus
- › Top 3 trader developer in the UK
- › Occupier-led strategy
- › 10-year visibility of pipeline
- › Core scheme value £10m-£70m



Construction

Construction comprises UK building and UK infrastructure and international construction. Kier is a sector leader in the education and health markets.

- › UK regional focus with national coverage and complementary Middle Eastern operations
- › High-volume, modest value building projects
- › Diversified range of contracts
- › Track record on national and regional frameworks
- › Public and private sector balance



Residential

Kier Living, our residential business, includes affordable mixed tenure housing partnerships and private house building. Its partners and clients include local authorities, housing associations and the private rented sector. It is well positioned across all tenures of new home build.

- › Mixed tenure
 - › National coverage
 - › Broad capabilities – new build and maintenance services
- › Private
 - › Regional focus
 - › Modest sales price range



Services

Services comprises strategic and local authority highways maintenance, utilities, housing maintenance, facilities management and environmental services. Kier provides essential, everyday services to our clients and communities.

- › Specialist provider for the public and private sectors
- › Broad client base including Highways England, Anglian Water and Thames Water
- › No. 1 player in strategic highways
- › Top 3 player in the utilities sector

Our values

Collaborative

We work together: we consult to reach the right solution and as a team achieve more.

Enthusiastic

We make things happen: we are resourceful problem-solvers, who enjoy what we do and get the job done.

Forward-thinking

We look ahead: we positively challenge the way we do things to excel and we care about our customers and the service we provide.

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Business in the Community

91%
(2016: 87%)

See page 7 for more information



This report covers our performance for 2017 on Responsible Business, Positive Outcomes – Kier’s strategy for a sustainable business.

Accident incidence rate

130
(2016: 211)

See page 14 for more information



Customer satisfaction

91%
(2016: 90%)

See page 20 for more information



Carbon Disclosure Project rating

B
(2016: C)

See page 24 for more information



Positive progress on our strategy for a sustainable business

This report, for the year ended June 2017, comes midway through Vision 2020, Kier's strategy for growth. It is an appropriate time to check on our strategy for a sustainable business – Responsible Business, Positive Outcomes – which supports Vision 2020, including several performance areas where we have achieved our intentions or where changing market circumstances have had an impact.



Claudio Veritiero
Group Strategy and Corporate
Development Director

Q Why is being a sustainable business important to Kier?

A Operating a safe and sustainable business is one of the six strategic priorities in Vision 2020. We deliver this through our strategy for sustainable business, Responsible Business, Positive Outcomes (RBPO), which was developed in consultation with a range of stakeholders, including clients, shareholders and representatives from our business.

RBPO has built upon programmes we already had in place and also set some new aspirational goals for our business, based upon emerging issues. RBPO is not only a strategic priority in itself but enables other strategic priorities – for example, improved safety and environmental performance allows us to reduce harm, function more efficiently and reduce our operating costs. Cultivating a diverse workforce supports innovative thinking and our community projects help us to attract and retain high-calibre people.

Q How has Kier changed?

A Since we launched Vision 2020 Kier has grown significantly in size, organically and through acquisitions which have enabled us to develop our balanced and integrated proposition. The continued improving performance against elements of RBPO, such as safety, illustrates that we are creating an effective Group structure and culture that is integrated across a growing and diverse business. Creating the right culture is vital for our success. Six of our 20 performance targets in the original RBPO plan have been revised to better reflect our enlarged business and the early achievement of a number of our original objectives.

Q How does RBPO support business growth?

A The focus of many sustainability plans is often on compliance and improved efficiency. These will always be important, but there is an increasing emphasis on social value in public procurement contracts – in some cases accounting for 20% of bid submissions – which means that RBPO is both a prerequisite in Kier's core markets, and a competitive advantage that helps us to win new work and create value.

Introduction by Claudio Veritiero continued

Q What progress has Kier made?

A During the past 12 months we have continued to make good progress towards achieving our targets. We have already achieved six of the targets we set for 2020 in performance areas relating to supply chain, human rights and governance, and have therefore set revised targets to deliver further improvements.

I am delighted by the reduction in the potential for harm to people working for, and on behalf of, Kier. Over the past two years we've taken significant steps towards our aspiration of a target accident incidence rate (AIR) of zero; our Group AIR has reduced steadily year-on-year from 342 in 2014 to 130 at the end of June 2017. This is less than half the industry average published by the Health and Safety Executive.

We have also made good progress on our wellbeing programme, improving the health of our workforce and cutting time lost through mental health issues, sickness or musculoskeletal problems.

Last year we reported that we had already exceeded the 10% carbon reduction target that we set for 2020. We have now replaced this with a target to achieve a 30% reduction in energy use by 2030.

There is significant competition for employees in the sectors in which Kier operates. We work hard to retain our existing employees and to attract new recruits and have improved the range of benefits we offer and the learning and development opportunities available to them.

Q How do you address the increasing importance of employees wanting to have more of a connection to the purpose of the company they work for?

A The Kier Foundation is another way that we stay engaged with our employees. Established in 2011, the Kier Foundation – an independent charity – raises funds via the activities of our business and its employees to support good causes across the UK. Every two years, a charitable partner is chosen based on a poll of employees, with the Alzheimer's Society being the current incumbent. Over the year, the Kier Foundation donated nearly £200,000 to them directly, and through employee fundraising. Of particular note is the Kier 2020 Challenge, which saw Kier colleagues in our Building business make their way from our most Northerly site on Orkney to our most Southerly site in Cornwall, raising £236,000 along the way. I'd like to thank all our employees who participated in fundraising activities over the year.

This year, we are launching a major initiative to highlight the employment opportunities offered by our business to the next generation of employees. Our 'Shaping Your World' initiative has been launched to engage with Generation Z – children aged 11-15, who are currently in late primary education or just moving into senior education. This is the point when children start to form ideas about future careers.

With the skills gap in our sectors increasing over time, we have a need to demonstrate that working for Kier offers a huge range of exciting, rewarding and interesting jobs. We plan to engage 10,000 students over the next 12 months – and many thousands more in the years ahead – through a coordinated group of 200 Kier Ambassadors.

This report sets out our revised road map for RBPO. We will continue to review and set more demanding improvement targets as appropriate. I welcome your feedback on this report and its contents.



GOVERNANCE

Business in the Community

91%

(2016: 87%)



PEOPLE AND COMMUNITIES

Accident incidence rate

130

(2016: 211)



MARKETPLACE

Customer satisfaction

91%

(2016: 90%)



ENVIRONMENT

Carbon Disclosure Project rating

B

(2016: C)

 See page 7 for more information

 See page 14 for more information

 See page 20 for more information

 See page 24 for more information

The Kier business model

Our strategy and business model are intrinsically linked to deliver stakeholder value

Building on our strategic priorities

Deliver for our customers



Safe and Sustainable

Operate a safe and sustainable business



Growth

Accelerate growth to be a top 3 player in our chosen markets



Performance

Achieve top quartile performance and efficiency



Customers

Provide sector-leading customer experience



People

Attract and retain highly motivated, high-performing teams

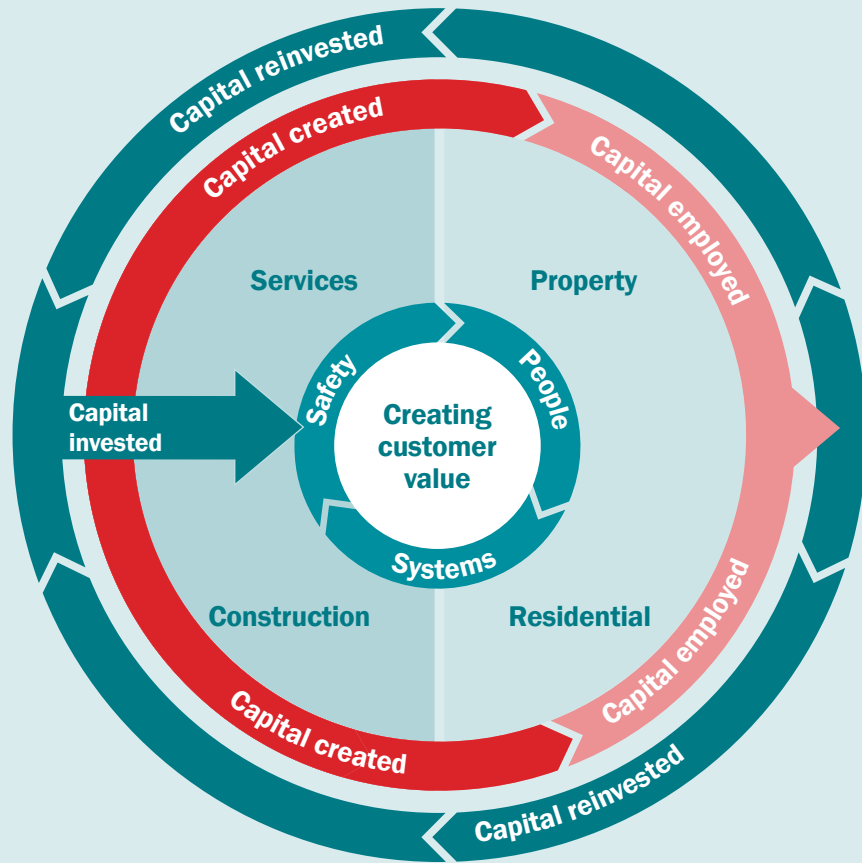


Innovation

Embracing innovation and technology across our business



For more information on how our strategy is advancing our business, see Annual Report pages 22-27

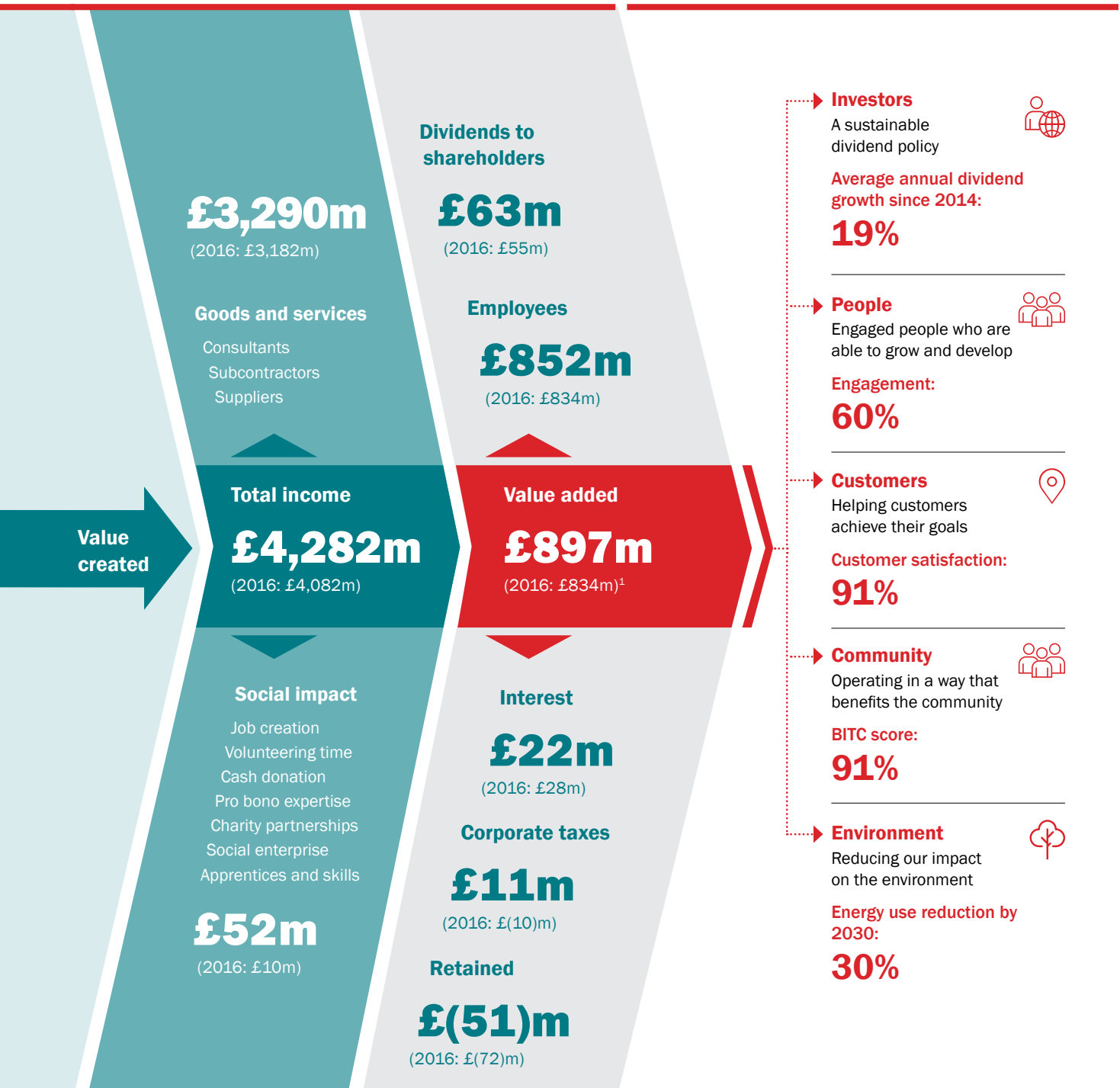


The Kier business model continued

We believe the strength of our process and execution gives us the versatility and agility to use our combined capabilities to deliver for our customers. This amended version of our business model illustrates how Kier makes a wider contribution to value creation within society, to our supply chain partners, and our investors.

Revenue flows

Create value for our stakeholders



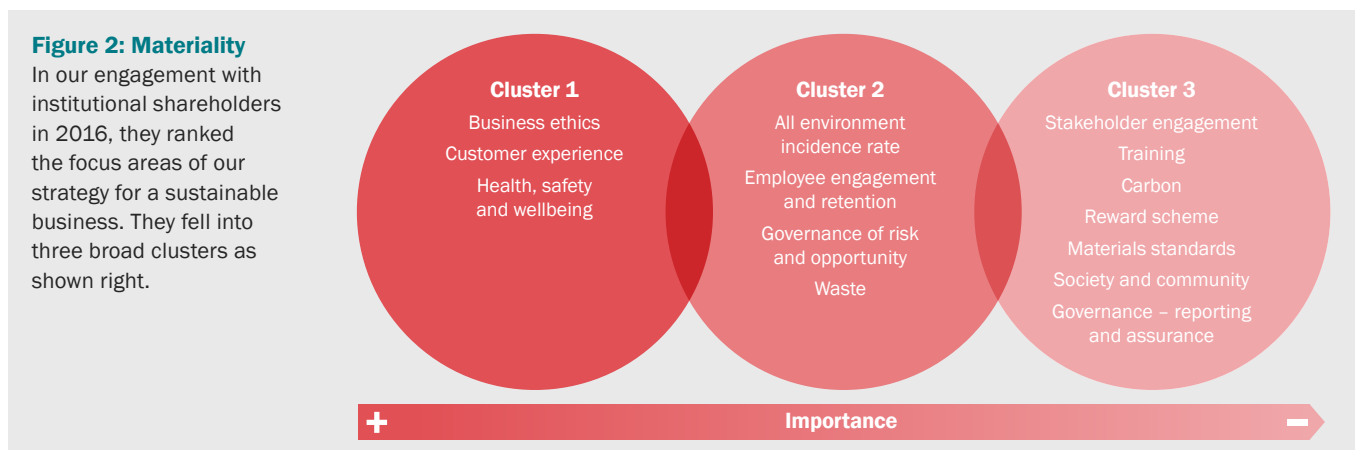
¹ 2016 numbers have been restated to reclassify the UK mining operations as continuing and Mouchel Consulting and Biogen as discontinued.

Stakeholder engagement and materiality assessment

Kier has an ongoing programme with our stakeholders to ensure we understand the relative importance of a range of non-financial issues to our business. This exercise is called a materiality assessment and we follow the Global Reporting Initiative Reporting Standards (see [page 24](#)).

GRI is an independent international organisation that has developed sustainability reporting standards (see [page 24](#) and www.kier.co.uk/corporate-responsibility/downloads). Figure 1 summarises the stakeholder engagement process we have undertaken as part of RBPO. This year we met institutional shareholders as they wanted more detail on the material issues. We commit to continuing this engagement with clients and shareholders in the coming year. Figures 1 and 2 summarise the materiality assessment.

We are confident that RBPO is covering the key areas and issues. Our programme of stakeholder engagement helps us track emerging issues and their changing priorities. We will hold engagement events with customers before the end of the financial year, and investors in late 2018. External experts are engaged to provide ongoing reviews and track emerging issues: Business in the Community (BITC) has undertaken an annual independent assessment since 2015, and Kier’s Corporate Responsibility (CR) Leadership Group invites expert external opinion at its quarterly meetings.



Benchmarking our performance

We use the BITC Corporate Responsibility Index to benchmark our performance (see figure 3). This year, we have increased our score to 91%, driven by improvements in the delivery and integration of our strategy for a sustainable business in day-to-day business, and community management.

FTSE4Good

73/100

(2016: 66/100)

See page 24 for more information

Carbon Disclosure Project rating 2016

B

(2015: C)

See page 24 for more information

BITC CR Index

2017	91%
2016	87%
2015	87%

Figure 3: BITC CR Index Performance

The diagram shows our performance over the last three years against the different elements that form the CR Index. Overall our performance has improved from 87% in 2016 to 91% in 2017.

Disclosure

100%

(2016: 100%)

Integration

89%

(2016: 87%)

Community management

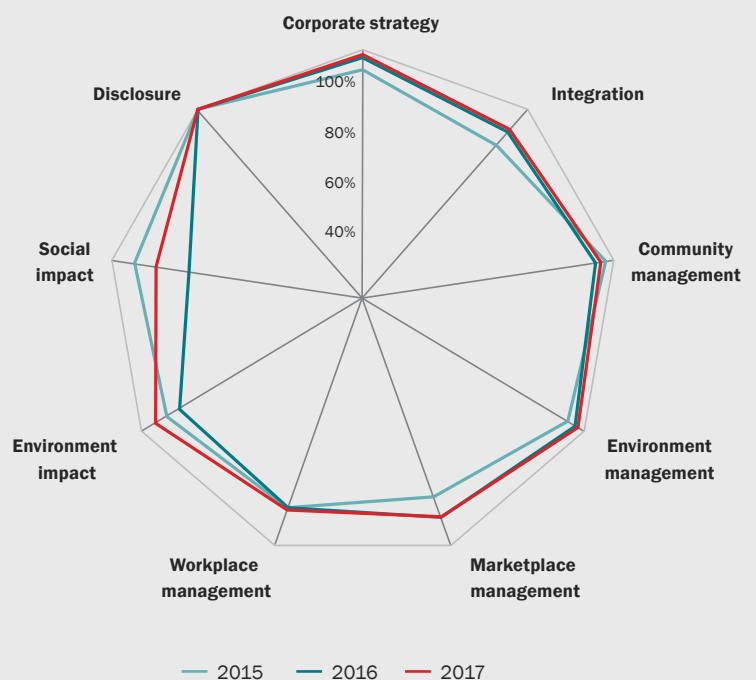
95%

(2016: 91%)

Corporate strategy

98%

(2016: 96%)



Our performance

Key

Relevant strategic priorities:



Operate a safe and sustainable business



Provide sector-leading customer experience, for clients and for their customers



Achieve top quartile performance and efficiency



Attract and retain highly motivated, high-performing teams

✓	Achieved 2020 target
↑	Improved performance from 2016
↕	On course to meet target
↔	Revised target
↓	Performance below target

	Our 20 performance areas	2020 target
Governance 	Business ethics	Revised target – train employees on the Code of Conduct
	Governance – risk and opportunity	Quantify risk across non-financial measures
	Stakeholder engagement	Annual independent review by BITC
	Reward scheme	Incorporate non-financial measures in remuneration
	Governance – reporting and assurance	Integrated reporting to GRI Reporting Standards
	People and communities 	Safety, health and wellbeing
Diversity		70:30 male: female ratio for graduate, trainee and apprentice recruits
Engagement and retention		75% employee engagement
Training, education and apprenticeships		Five training days per employee
Society and community		10% additional social value created
Marketplace 		Customer experience
	Citizenship and community engagement	Revised target to reflect structural change in the Group
	Sustainable supply chain	Partners engaged in the Supply Chain Sustainability School (SCSS)
	Labour standards and human rights	Meet core principles of UN Declaration of Human Rights
	Supply chain	100% compliance with Kier material standards
	Environment 	Carbon
Waste		30% relative reduction from 2014 baseline
Water		10% reduction from 2015 benchmark
Biodiversity		Revised target. With the structural changes in our business leading to a less construction-focused offering
Environmental incidents		20% reduction in the all environment incidence rate (AEIR) from a 2015 benchmark

Our performance continued

Progress

Governance	✓	When the Code of Conduct was launched in 2016, a copy, and awareness training, was made available to all employees.
	✓	The increasing importance of sustainability in the bidding process, coupled with greater stakeholder awareness, progressive legislation and enforcement activity sees this appear as a new principal risk and uncertainty for Kier. See page 13 for our analysis of potential impacts.
	✓	Kier achieved a score of 91% in the BITC CR Index this year. This is ahead of our 2020 target of 90%. We will continue to use the CR Index to check progress with Responsible Business, Positive Outcomes (RBPO), Kier's strategy for a sustainable business.
	✓	In 2017 a review of the remuneration policy for Kier's executive directors was undertaken with input from shareholders. The outcome is a revised policy to be introduced in the next financial year, based on a wider set of non-financial performance indicators.
	✓	Since 2012, Kier has structured its corporate responsibility reporting in accordance with the GRI Reporting Standards. As this guidance has evolved we have adapted our reporting to keep in step and will continue to do so. A summary is available on our website (www.kier.co.uk).
People and communities	↑	Kier reduced its AIR across the Group by 38% to 130. Visible leadership tours by directors and senior managers totalled 5,861 against a target of 3,600. Our Group all accident incidence rate (AAIR) reduced by 25% to 492.
	↕	Kier continues to build an inclusive workplace. We want employees to feel free to bring their whole selves to work. We supported Pride London and Manchester this year, and have launched an LGBTQ+ network. Graduate gender statistics improved to 32% female, 68% male.
	↓	Our full employee survey is conducted every two years, with the next due in 2018. In the last full survey employee engagement was 60%. We use interim pulse surveys to check on certain elements of our employee engagement and introduced a new approach this year. This resulted in 73% of our employees giving feedback – an increase from 71% in 2016. Our engagement rate fell to 56%. Retention improved slightly to 88%.
	↕	Kier continues to maintain its membership of, and commitment to, the '5% Club', with 5.2% of our employees being apprentices, graduates and trainees. During the year, Kier recorded 43,750 training days, or 2.4 days per employee. Our Taleo recruitment and people management system has now been introduced across our business, with better training and performance data expected in the next full reporting year.
	↕	During the year, Kier continued to refine its approach to measuring the direct and indirect social value it generates. Kier's new Social Impact Strategy was agreed and launched. Our 'Shaping Your World' initiative, launched in September 2017, is targeting schoolchildren to excite them about careers in our industry, with the aim of engaging 10,000 per annum.
Marketplace	↑	Customer satisfaction was measured across 589 surveys during the year, and Kier achieved a 91% satisfaction rate. This is 1% higher than last year and still ahead of our 2020 target. We continue to monitor our Net Promoter Score and had a continued strong performance at +48 (c.f. 49 last year).
	↔	In the year, Kier Group realigned its membership of the Considerate Constructors Scheme (CCS) to its building activities in the UK. Our Building business has now become a scheme partner and achieved a score of 40/50, against an industry average of 36/50. We will continue to report CCS scores, but this will not be a Group KPI.
	↑	The number of companies in Kier's supply chain who registered with the SCSS increased to 2,215 during the year. Our aim next year will be to increase membership by 10% by continuing to support the SCSS and the industry wide supplier events that it hosts. We will also continue to support its special interest working groups that create best practice advice and training.
	✓	Kier introduced revised procedures during the year for assessing the performance of our preferred supplier partners. This qualification process was designed to take account of the requirements of the core principles of the UN Declaration of Human Rights and Kier's commitments made under the Modern Slavery Act. We have audited a number of our own business units and preferred suppliers.
	↕	Kier's procurement strategy has adopted the existing material standards we introduced during the year. A further set of standards on the performance of site accommodation and plant has also been agreed and introduced.
Environment	✓	Kier achieved a 27% reduction in relative carbon dioxide emissions against a 2014 baseline last year, meeting our 2020 target of 10% ahead of plan. A new strategy for energy efficiency has now been agreed and published – 30 by 30 aims to reduce energy consumption by 30% over the period to 2030.
	↑	Kier has undertaken a significant project in the year to improve waste data, alongside our efforts to reduce waste production further. Kier produced 6.98m ³ of waste per £100k, meaning we have almost achieved the 30% reduction relative to our 2014 baseline. Diversion from landfill improved by 1% to 87%. A new waste strategy is currently being prepared.
	↑	Based on a sample of actual and estimated data, Kier's consumption of water fell by 5%. During this year we will continue to improve the quality of our consumption data and make further efforts towards reduction.
	↔	Kier made 27 Biodiversity Industry Group submissions during the year; this is equivalent to one submission per £156m of revenue (c.f. 1/£120m in 2016). We will continue to report the number of submissions but no longer have a formal target per £m of revenue.
	↓	Kier Group reduced its AEIR by 12%. While this is a significant reduction, it is behind our target of 20% year-on-year.

Our plans

The previous pages updated on progress against the commitments set out in Responsible Business, Positive Outcomes. Here we outline our key steps to 2020.



	Governance	People and communities
2018	<ul style="list-style-type: none"> Complete the roll-out of our Code of Conduct across the Group, including new acquisitions such as McNicholas by March 2018. Drive awareness amongst employees of the different mechanisms available to raise any concerns. Introduction of the revised remuneration policy for Executive Directors to include non-financial performance measures. Maintain performance in the BITC CR Index and undertake an annual 'Best in Class' analysis to compare Kier performance to market peers. Continue to integrate CR reporting to the Kier Annual Report. Incorporate recommendations from Modern Slavery Audits to Group procurement and commercial processes. Undertake compliance audit programme to include business units, subcontractors and preferred suppliers. 	<ul style="list-style-type: none"> Continue our drive towards a zero AIR by enabling our supply chain partners to better understand Kier standards and safe systems of work through enhanced training. Commence our health risk surveillance and sickness absence programme. Extend our flexible benefits offer. Gender pay gap report to be published in 2018. Introduce career mapping and training matrices for core skills for specific roles. Undertake full employee engagement survey – report on progress against 75% engagement rate. Publish training data, including e-learning courses. Through Shaping Your World, train 200+ Kier Ambassadors and engage with 10,000 secondary schoolchildren per annum. Launch Kier's 'Social Impact Strategy' and commence Group-wide awareness and training programme. Extend and embed our balanced business priorities.
2019	<ul style="list-style-type: none"> Complete a review of the Code of Conduct and its implementation, update as necessary and review and update associated training. Maintain performance in the BITC CR Index. Incorporate recommendations from Modern Slavery Audits to Group procurement and commercial processes. Develop compliance audit programme to include Kier business units and preferred subcontractors. 60% of preferred suppliers to be audited on sustainable procurement standards on renewal of status. 80% of newly approved suppliers to be audited on sustainable procurement standards. 	<ul style="list-style-type: none"> Introduce 'clash' avoidance technology to reduce the chance of mobile construction equipment colliding with people. Continue to review and improve frontline manager training for employees, and further extend this to our supply chain partners. Use our AAIR to identify trends for action. Develop a Kier suite of leading indicators for safety. Visible Leadership programme maintained. Review health risk surveillance and sickness absence programme with the aim of a 10% reduction in absence by 2020. Undertake an interim employee pulse survey. Review and revise rewards programme as appropriate. Establish Kier policy on social enterprise and other third-sector organisations. Increase the scope of Kier's offender rehabilitation programme – Making Ground.
2020	<ul style="list-style-type: none"> Continued review of the Code of Conduct and mechanisms available to raise concerns. Maintain performance in the BITC CR Index. 80% of preferred suppliers to be audited on sustainable procurement standards on renewal of status. 90% of newly approved suppliers to be audited on sustainable procurement standards. 	<ul style="list-style-type: none"> Leading indicators for health and safety used as standard. Visible leadership programme maintained. Undertake full employee engagement survey – report on progress against 75% engagement rate.

Our plans continued



Marketplace

- › Continue our programme of delivering high levels of customer satisfaction to achieve a rate of 90% or greater.
- › Develop a Kier alternative to the Considerate Constructors Scheme which is appropriate for all parts of the Group. This will set Kier's minimum social and environmental standards.
- › Continue to develop Kier's sustainable procurement standards for new categories: M&E; aggregates; concrete; cabling; and electrical consumables.
- › Identify process to apply material standards to subcontractors and audit process.

- › Continue our programme of delivering high levels of customer satisfaction to achieve a rate of 90% or greater.
- › Kier's standards for social and environmental performance to be implemented on Kier projects and subject to internal assurance.
- › Monitor marketplace for any further material standards as required; 80% of Group-procured materials required to comply.

- › Continue our programme of delivering high levels of customer satisfaction and achieve a rate of 90% or greater.
- › Kier's standards for social and environmental performance to be in place on 90% of projects and subject to internal assurance.

Environment

- › Implement and develop 30 by 30, Kier's energy efficiency strategy. Introduce and deliver fully costed business cases for site accommodation, generators and fleet standards.
- › Publish a revised waste strategy as part of a comprehensive resource management action plan.
- › Continue to engage with the Supply Chain Sustainability School on work to provide solutions to waste in our sector, through manufacturer initiatives on packing and packaging.
- › Continue to target zero prosecutions and a 20% year-on-year reduction in the AEIR.

- › Report on the effectiveness of the energy efficiency programme and identify further opportunities to deliver cost-effective energy efficiency measures, such as driving behavioural change.
- › Phased introduction of resource management plans across the Group – 50% of all projects to have them in place.
- › Work with our supply chain to improve storage and handling of materials on site.
- › Engage with pre-construction teams to identify and implement opportunities to reduce waste at the design stage.
- › Continue to target zero prosecutions and a 20% year-on-year reduction in the AEIR. Track trends to inform relevant training programmes and standards.

- › Continue to report on the effectiveness of the energy efficiency programme and identify further opportunities to deliver cost-effective energy efficiency measures.
- › Report on the effectiveness of resource management plans and other initiatives in reducing waste, looking at both the environmental and economic benefits – 75% of all projects to have plans in place.
- › Move towards biodiversity net gain position by 2020 – where practicable, our projects should have more biodiversity than was present at commencement.
- › Continue to target zero prosecutions and a 20% year-on-year reduction in the AEIR.

2018

2019

2020



Governance and business ethics



Kier has embedded RBPO into the way we do business. We have done this by developing governance processes that support our values and culture.

Governance

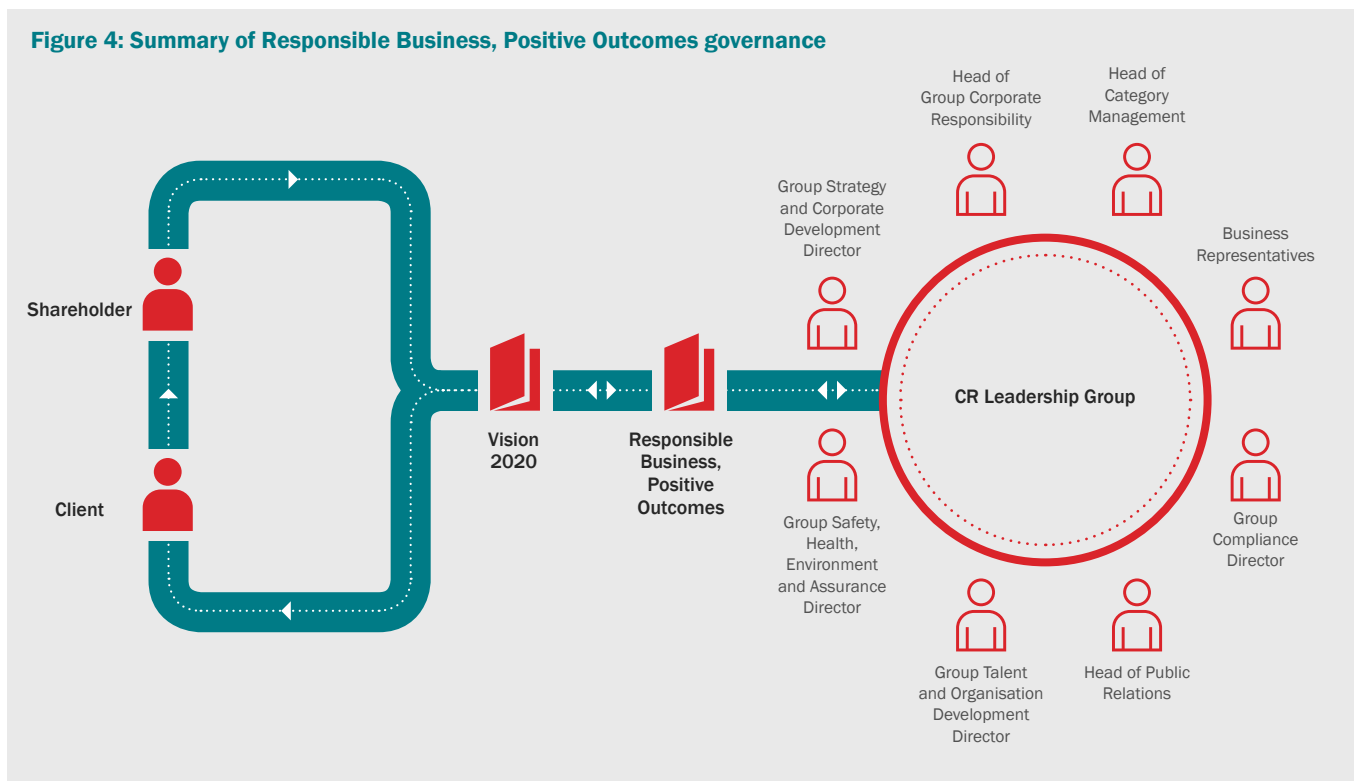
The Corporate Responsibility (CR) Leadership Group meets quarterly to review progress of RBPO and set appropriate policies and processes for Kier that support Vision 2020 (see figure 4). Each business unit has a dedicated RBPO lead. Kier also establishes Specialist Topic Groups that work across the business to address particular issues, these include:

- › Balanced Business Network, which promotes diversity and inclusion
- › Social value and impact
- › 30 by 30, which looks at energy and carbon footprint
- › Human Rights, which includes looking at modern slavery
- › Business Ethics, responsible for the publication of the Code of Conduct

Business ethics was identified as a material issue for Kier. The definition we used with our stakeholders was a broad one which covered ethical business, good corporate governance and legal compliance. At Kier we want to create a culture that doesn't treat this as tick-box compliance but something that is essential to being a 'good' business. Governance is something that supports creating the 'right' culture – this is illustrated by the approach we took last year to simplify and then communicate our Code of Conduct (see page 13) which governs 'how we do business' at Kier and is a key element of delivering the targets identified in Responsible Business, Positive Outcomes.

The Kier website (www.kier.co.uk) provides details of our strategy, policies and governance arrangements.

Figure 4: Summary of Responsible Business, Positive Outcomes governance





Governance and business ethics continued

Business ethics

All new employees receive a copy of the Code of Conduct prior to joining. Since April this year new employees must have completed their training in order to have their probation period signed off. Our target is that circa 90% of our employees will have completed their training by mid-2018, just 18 months after its launch. To date, more than 6,000 employees have completed their training.

We continue to encourage our employees to report concerns. Updated posters (see right) have been distributed to our sites, offices and depots. Whistleblowing statistics show 78 new cases in 2017 (c.f. 136 in 2016).

Reporting and assurance

We have developed robust processes for tracking KPI data and we have this independently assured – the auditor’s statement is on [page 25](#). We provide a detailed explanation of each KPI, and data used in this report, on the group website in our Reporting Guidelines available at www.kier.co.uk.

Risk management – breadth of sustainability

Increasingly, we are seeing customers asking for positive social impacts to be delivered in the contracts that we win, and a renewed scrutiny of safety with the introduction of the new sentencing guidelines. These, along with ethical business, were flagged by our stakeholder engagement exercise as the most material considerations. With the increasing importance of sustainability and social value in clients’ evaluation of contract awards – and the emergence of greater stakeholder awareness, progressive legislation, and enforcement activity – this risk is included as a new principal risk and uncertainty (see figure 5).

If the Group was unable to meet its sustainability requirements, the following risks may occur:

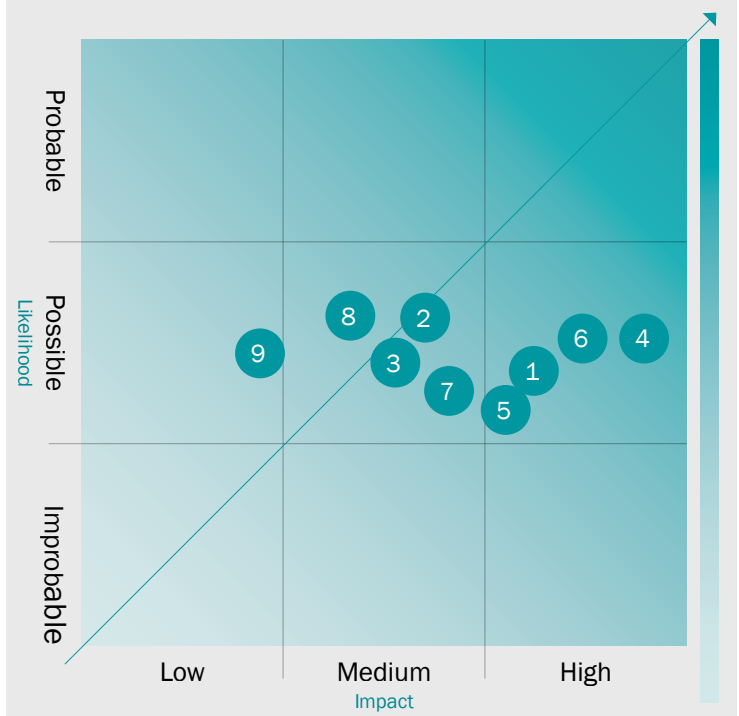
- › Non-compliance with legislation
- › Bid exclusion
- › Reputational damage
- › Failure to meet customer expectations
- › Significant financial penalties/loss of contracts
- › Significant failure to meet investor expectations

Kier believes that breadth of issues covered in Responsible Business, Positive Outcomes addresses the risk that this poses for us in the wider marketplace.



Figure 5: Analysing our principal risks

- 1 Health and safety
- 2 Sustainability requirements
- 3 Availability of funding
- 4 Market and sector performance
- 5 Operating model inefficiency
- 6 Ineffective contract management
- 7 Loss of key customer relationships
- 8 Availability and retention of the right people
- 9 Insufficient innovation





People and communities



Healthy people and communities are vital to the success of our business. This section describes how we are working to protect and develop our workforce, and our efforts to deliver social value.

Safety, health and wellbeing

Safety

Safety is a major priority for Kier and is one of our material issues, which is why we set a target to achieve a zero accident incidence rate (AIR) by 2020. We continue to make good progress towards this target.

Across the Group the AIR improved to 130 from 211, a 38% decrease. This is less than half the industry average figure published by the Health and Safety Executive (HSE). This is significant given the growth in our business, and the efforts to harmonise the process and practices across the enlarged group.

During the past year, we have also reduced the number of reportable incidents (only applicable to UK) from 82 to 57. Reportable incidents are those that have had to be reported under the HSE's Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, known as RIDDOR.

The all accident incidence rate (AAIR) is a measure we use that records all incidents resulting in more than one day's absence from work. This indicator allows more detailed understanding of the causes of harm within our business and allows us to analyse trends with much more granularity. The insight we gain into the causes of more serious incidents allows us to put into place more effective control measures to prevent these occurring again. We have set a target to reduce AAIR by 20% per annum against a benchmark of 656 for the Group in 2016. This year, our figure was 492 – a 25% reduction.

Figure 6: Accident incidence rate

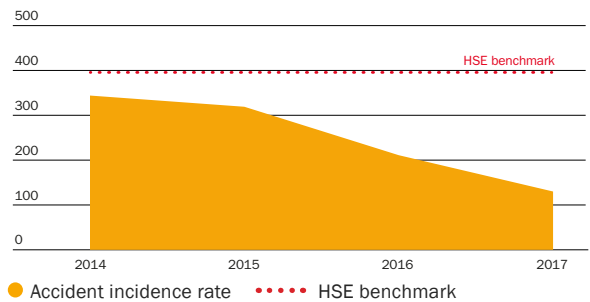
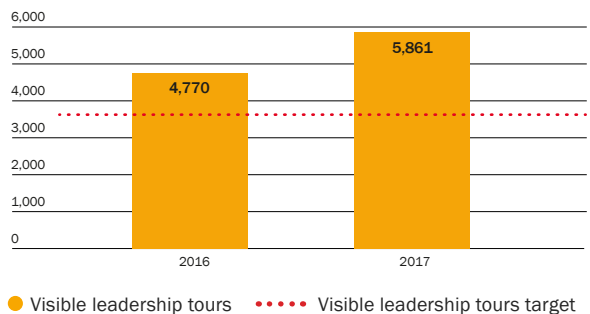


Figure 7: Visible leadership tours



Our improved safety performance has been achieved through:

- 1

An improved safety, health and environment management system which focuses on operational safety.
- 2

A visible leadership programme that is designed to ensure our directors and leaders 'get their boots on' and visit the front line to demonstrate their commitment to safety.
- 3

Behavioural change programmes developed for each business to enhance our existing culture and encourage everyone to take responsibility for safety.

Reportable Incidents

57
(2016: 82)

Within PwC's limited assurance scope. Please see page 25 for further details.



People and communities continued

Safety, health and environment basics

Five basic points that will help reduce accidents and boost safety:

- 1 **Induction** – for every worker
- 2 **Risk assessment** – for every task
- 3 **Safe system of work/method statement** – for every medium- and high-risk task
- 4 **Point of work risk assessment** – the last chance to reassess
- 5 **Competence** – our licence to operate

Robocut

Sometimes an innovative approach to one problem can have many positive benefits. Kier is number one in the management of strategic highways in the UK, and a leader in maintaining local highways. One element of this role is the upkeep of the roadside verges, while keeping the roads open to users, and disruption to a minimum. This can place our employees close to vehicles moving at speed. Robocut is a remote controlled solution that allows the operator to be some distance from moving traffic while still getting the job done. It is also more time and fuel efficient than traditional approaches using strimmers.



Health and wellbeing

Keeping people safe is only part of the Kier approach to being responsible for our employees, and those working on our behalf.

We provide pre-employment health screening to make sure we recruit people who are fit and healthy for the roles they will undertake, and have regular screening for a range of issues while people are employed. For example, the health kiosk that toured Kier offices during the year gave employees an opportunity to have an automatic and confidential assessment of their general health. For Kier the anonymised results gave us the opportunity to get an insight into the overall health of our workforce and to better target future interventions.

Our current focus is to keep people healthy and pay attention to their physical and mental wellbeing. It is more cost-effective to use regular monitoring to identify issues before they become problems and to offer intervention early, so that employees avoid a period of absence due to ill health or other conditions.

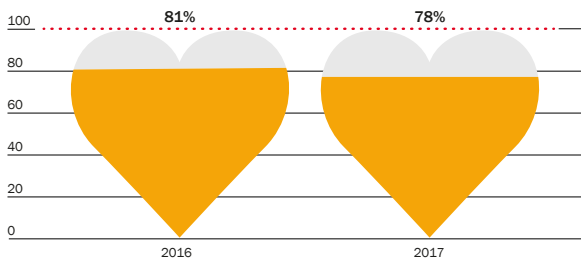
Improving how we track and report absences in a consistent manner also gives us an understanding of trends that we can target; these may be related to particular management roles or where greater physical activity is a part of the job. Musculoskeletal issues are one of our main causes of absence and we have introduced a rapid-referral system to physiotherapy to help people back to work. Tackling these trends effectively will help to reduce the costs associated with sickness absence, and the aim for 2020 is a 10% relative reduction.

During the year, Kier appointed an external partner to help improve our wellbeing process, leading to a significant increase in the number of referrals. This, coupled with the integration of Mouchel, meant that the number of employees seen within 10 days fell from 81% to 78%. This is against an aspiration of 100% by 2020.

Over the same period, our wellbeing campaign focused on six areas that can have dramatic impacts on, or benefits to, employees:



Figure 8: Wellbeing – employees seen within 10 days of referral



● Referrals seen within 10 days 2020 target

Kier will also be focusing on preventing people from missing work due to sickness and other health-related issues. Over the next three years, the focus will be on three key areas:

Focus area	Outcome
Pre-employment fitness for work standards	Delivery of the Kier standard of certified fitness for work and baseline health surveillance.
Health surveillance programme	Commence health surveillance programme. Establish reporting process for identified health conditions.
Reduction of sickness absence	Aim for a 10% reduction in sickness.



People and communities continued

Employee engagement and retention

Employee engagement helps create the right culture and ensures we can deliver great customer service. Our Vision 2020 target is 75% and we measure this using data we collect in our biennial employee engagement survey, next due in 2018. Between each full survey we undertake shorter pulse surveys. This year the response rate was 73%, an increase from 71% in the last survey. The engagement rate in the pulse survey fell to 56% from 60% in last year's full survey. The survey indicated that this was driven by the level of change in the business, and the need to continue to offer development opportunities. Our retention rate has remained stable from last year in a competitive environment.

Diversity and inclusion

The future success for Kier depends on recruiting and retaining the best talent. We operate in sectors where there is strong competition for skilled workers, and which are likely to be disrupted by new technology. A balanced business with a truly inclusive culture, which makes the most of the diversity of talent and experience available to us, ensures that we have the agility and resilience to continue to innovate and grow. In Vision 2020, we set a goal to improve the diversity of our graduates, apprentices and trainees, and to better reflect the mix in the communities in which we operate.

Kier's Balanced Business Network

At Kier we have established a Balanced Business Network to raise awareness and take action on promoting a more inclusive culture and a more diverse workforce. Claudio Veritiero, Group Strategy and Corporate Development Director, provides leadership as our Balanced Business Board Champion.

The network now has more than 100 members across Kier and is delivering a number of actions which will begin to make a positive impact on our retention, and recruitment of talented people. Having a positive impact on early recruitment is particularly important.

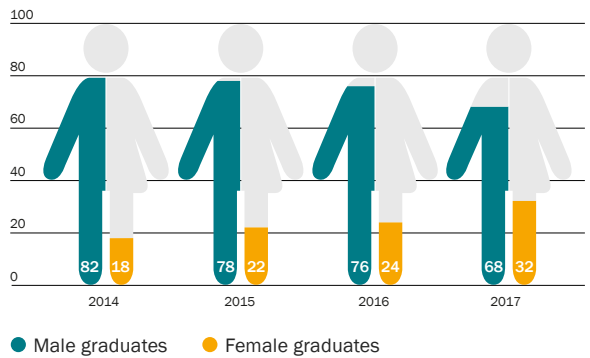
Network outcomes

- › Enhanced family friendly policy
- › Protective clothing designed to fit women
- › Piloting the Women in Science and Engineering core skills training
- › Introducing unconscious bias training for recruiting managers
- › LGBTQ+ network launched

Balanced Business Network members

>100

Figure 9: Graduate recruitment % by gender

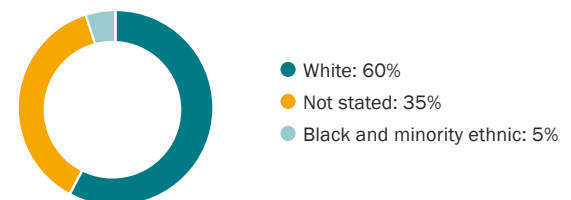


Our graduate gender diversity has continued to improve year on year.

Figure 10: Diversity of employees¹



Figure 11: Ethnicity of employees



¹Data is based on a spot audit at year end, and excludes locally employed overseas and McNicholas data.

Plans for 2017

A review of our reward strategy is in place. This includes checking everyone is paid fairly for the job they do – a gender pay gap report is due for publication in 2018.

Employee retention

88%
(2016: 87%)

Pulse survey participation rate

73%
(2016: 71%)

We have created an online employee engagement toolkit for managers, and 'Heartbeat' to promote better employee participation in our engagement surveys, which rose to 73% this year.



People and communities continued



Training, education and apprenticeships

Investing in the development of our people matters. That is why, in Vision 2020, we have committed to providing a minimum of five days development per year/per employee. We have a Kier Academy to ensure our employees – at every level – have the skills required to support the growth of our business, and to progress in line with their aspirations.

Training days

43,750

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

5.2%

(2016: 5.4%)

S-Skills for Highways in Surrey

The Background

S-Skills for Highways is an innovative partnership between Surrey County Council and Kier that brings vulnerable people furthest from employment into the workplace through a supported programme. Formed as a Social Enterprise, S-Skills for Highways engages candidates who are not in education, employment or training (NEETs) or those with special educational needs, to carry out basic highway works in the community.

Our current model supports 24 candidates per year, in three cohorts, engaging them in meaningful work, giving the right balance of sustainability and benefit to the local authority.

These candidates will generally be in the care of SCC Youth Support Service, Adult Social Care and Surrey Choices. During the candidates' time working within S-Skills for Highways, case workers and managers can prioritise and support their highest-need individuals. This is a high social value initiative, with a target of 50% of participants entering mainstream employment. Social value is created within the individual, the local authority and wider society.

The 20-week programme consists of a two-week induction phase offering full health and safety training including use of tools and equipment, team-building activities and training on basic skills, such as pothole repair, patching and grass cutting. During this period, candidates are eased into a full working day, depending on their capability and attitude.

The aim of the skills development initiative

Surrey Highways started in 2011. In 2015, a business transformation programme was initiated as part of contract extension discussions, including an education and social value workstream. The objectives were:

- › Reducing dependency culture within communities
- › Balancing regional skills supply and demand
- › Meeting Surrey's pledge on apprentices
- › Addressing highway management skills and ageing workforce issues
- › Creating a skilled, work-ready generation to build tomorrow's infrastructure
- › Making Surrey Highways an attractive place to work

The S-Skills initiative was developed by Kier and Surrey Children's Services team and built on their Community Skills Model. This model introduced the concept of an "Eduprise" – a trading organisation that offers training and development opportunities, and provides positive social impact through training and education, and also helps to plug the skills gap in infrastructure.

Each year, the S-Skills Social Enterprise will generate a social value of £420,000





People and communities continued

Society and community

Social value is playing an increasingly important part of public sector bidding as clients implement requirements of UK legislation.

This year we agreed our Social Impact Strategy and further developed our approach to creating and measuring positive social value, building on the launch of our first social value handbook in 2014. We extended our methodology to measure indirect social value impacts and improved the depth of data captured at contract level in parts of our business.

We create social value benefit on the projects and contracts we deliver – both directly and indirectly – because of the ‘Kier effect’ within our supply chain and communities; we aim to report this wider view of the social value Kier generates. From 2017, we break down our reporting between direct and indirect impacts and this has resulted in a re-categorisation of some of our support for apprenticeship schemes from direct to indirect social value.

An example of the indirect social value impact is the Shared Apprenticeship Scheme in Kier Living – our residential business – through which Kier creates and financially supports apprenticeships. These are rotated around sub-contractors in our supply chain, with 70 currently in place. They allow apprentices to have long-term job security with Kier as their employer while completing placements within our supply chain.

During the year, we also undertook a detailed study, supported by independent research data, of more than 200 projects through an innovation programme on the Scape Minor Works Framework; this study identified significant indirect social value from new employment, and existing roles being sustained. We plan to extend this methodology across our projects as part of the launch of our Social Impact Strategy.

Direct impacts	2015	2016	2017
Cash donated and spent	£662,828	£1,128,847	£688,913
Value of community, employment and skills hours	£2,221,548	£5,238,643	£4,392,885 [▲]
Kier apprentices and work experience*	Not measured	£3,222,184	£1,405,251 [▲]
Indirect impacts			
Apprentices supported by Kier in the supply chain and third-party donations*	Not measured	Not measured	£1,054,682
New and sustained employment	Not measured	Not measured	£44,698,442 [▲]
Total	£2,884,376	£9,589,674	£52,240,173

*In previous years Kier did not report these items individually. This represents advances in our reporting methodology.

Kier in the regions

Kier is a leading property, residential, construction and services group. We have a strong regional presence and, through this, we can have a significant and positive impact on the communities where we operate.

We undertook a more detailed analysis of how we have influenced and impacted on the physical and social infrastructure of the area referred to as the Northern Powerhouse.

Over the past decade, Kier has delivered many billions of pounds of economic activity, resulting in enhanced and improved services, plus new schools and hospitals. All this creates job opportunities in our business, supply chain and the wider community.

Kier in the Northern Powerhouse

...statistics

- £4bn** of education projects built in the last decade
- £2.5bn** of wider economic activity generated
- £1bn** of revenue in the last financial year
- £3m** of corporate responsibility value provided in 2016
- £1.3bn** of healthcare facilities built in last decade

...job creation

- Over **5,500** directly employed with many more in the supply chain
- Over **4,460** direct and indirect jobs created through the Mersey Gateway project
- Over **440** graduates, trainees and apprentices directly employed
- Over **1,800** training days provided at our Kier Academy sites
- 45** undergraduate students are supported through universities

...industry recognised

- Over **800,000** hours worked without a safety incident on our north west Highways England contract
- British Most Admired Company
- Won Management Today's Construction category in Britain's Most Admired Company awards twice in the last three years
- Won four major Green Apple industry awards for protecting the environment in and around our sites
- Won three regional construction awards during the last year

...services

- 5,360** of street lighting columns maintained
- Over **25,000** school places are delivered every year
- Over **480,000** incoming telephone calls handled by us on behalf of our local authority clients
- Over **400km** of motorways and all purpose trunk roads maintained

...construction

- Over **127,415** cubic metres of concrete used constructing the Mersey Gateway project – equivalent to using over 1.5m bags of cement
- Over **1.2m sq ft** of commercial space built or received planning in the last year
- Over **1,400** of additional NHS beds provided through completed hospital projects
- 2,300** new homes aimed to be built by 2020

...in the community

- Led and project managed the biggest BBC DY SOS ever undertaken, renovating 62 houses on two streets in Manchester as part of the Veterans Village Special
- Over **£425,000** equivalent in hours has been given back to the northern community in 2016
- Over **1,800** of our employees are supporting local community employment and skills initiatives
- Over **100** days per year of adult work based learning provided at the Mersey Gateway project
- Over **13,800** hours given by colleagues to support community projects in 2016
- Over **£7,200** donated to support the Cumbrian Air Ambulance over the last three years

[▲] Within PwC's limited assurance scope. Please see page 25 for further details.



People and communities continued



Kier Foundation

The Kier Foundation was set up to support Kier Group employees and the charitable organisations that are close to their hearts. Employee engagement and making a positive impact on society is at the centre of everything we do. Employees are encouraged to support The Kier Foundation and other charitable causes within the workplace. Last year Kier Group invested more than £200,000 in employee time and other costs associated with running and administering The Kier Foundation's three main areas of activity, which are:



Match funding

Employee match-funding: Kier employees can request match-funding of up to £200, twice in any financial year, in support of an event they are undertaking on their own initiative to benefit the charity of their choice.



Business match-funding – helping Kier directly engage with the local community: We match funds up to £5,000 to increase the level of investment a Kier business makes to community projects, which, in turn, helps make our impact on society greater. During the year, nearly £200,000 was donated to more than 130 separate charities via match-funding initiatives.



Corporate charity partnership management

Every two years, Kier chooses a charity partner from a list that employees have supported over the previous two years. Our current charity partner is the Alzheimer's Society and our partnership has three aims:

1. Engage and inspire Kier colleagues to raise funds for 'care for today' and 'cure for tomorrow'.
2. Increase awareness of dementia amongst Kier colleagues and provide access to information, advice and services.
3. Work together to deliver dementia-friendly environments across the UK.



In our first year, we have achieved the following:

- Donated £112,000 directly, and received employee fundraising of £77,000, which has funded 4,500 Dementia Support Worker hours and vital research into the treatment and prevention of dementia
- Trained 250 members of our workforce to become Dementia Friends
- Sponsored the 'Doing Dementia Design' Conference, which promotes dementia-friendly principles in the design of external and internal spaces



Creating campaigns that benefit our employees

Winners' Club: This employee-only lottery is drawn each month. It costs £1 per week to participate and the first prize is £5,000 each month. Total prizewinnings to employees since the club started are £239,000 and an equal amount directly benefits good causes through the Foundation.



10k Board Challenge: Each Kier business is asked to raise £10,000 for The Kier Foundation each financial year. This challenge comes straight from Kier's CEO. These challenges also present the opportunity for team-building exercises with wider community benefits.

Charity Champions: Employees are encouraged to become Charity Champions. The Champions are ambassadors for the Foundation and the charities we support. They raise funds within the workplace and increase awareness of what we do.



Marketplace



Kier works with a large and diverse range of sub-contractors and suppliers on projects that have significant socio-economic benefits. We have achieved our initial targets that ensure we maximise the impact from our investment in the regions we serve.

Customer satisfaction rate

Customers are at the heart of our business model (see page 4). Not surprisingly, our stakeholders consider this to be one of our material issues, and this is true for Kier, with customer satisfaction being one of our strategic priorities in Vision 2020.

This year, we have achieved a customer satisfaction score of 91% as measured across 589 individual surveys (see figure 13), an improvement on last year, and ahead of our 2020 target of 90%.

We also measure customer satisfaction using the net promoter score (NPS) method. NPS scores performance on a scale of -100 to +100. A score above +40 is considered high for the business-to-business sector in which we predominantly operate. This year, our score dropped slightly to +48.

Contributing to our performance was the establishment of regional forums, allowing us to share information on how we could better meet our customers' needs across the range of services we deliver. The continued roll-out of our enhanced client relationship management system also allows Kier to share information to enhance our understanding of – and delivery against – customer expectations.

Figure 13: Customer satisfaction rate (%)



Watford Riverwell Public/Private Partnership

WATFORD
RIVERWELL

A partnership between Watford Borough Council and Kier Property working closely with West Hertfordshire Hospitals NHS Trust

The vision

Through the public/private partnership Kier has helped to:

- › Deliver a flexible and sustainable masterplan
- › Transform a brownfield site
- › Build high-quality homes, creating a new integrated community
- › Create employment opportunities and regeneration within West Watford
- › Provide an enhanced hospital patient, staff and visitor experience

Added value from this partnership has been recognised by Watford Borough Council:

£31k

of support to Prince's Trust 'Get into Construction' programme – eight young people (NEETs); Dragons' Apprentice scheme (schools); and YMCA support (staff volunteering hours)

Land value:
Increased land value of zones served by infrastructure

16,335

person days of local employment used in the delivery of the highway infrastructure project alone

Hospital journey times:
Improved journey times for patients, staff and visitors

88 days

of skills training provided

Central government grants:
>£15m of interest-free loans and government grants secured to deliver road skills and training

Within PwC's limited assurance scope. Please see page 25 for further details.



Marketplace continued

Citizenship and community engagement

The measure we originally used for being a thoughtful neighbour was based on the Considerate Constructors Scheme (CCS). However, since setting our 2020 target to achieve a score of 80% in CCS, Kier has grown in size and the proportion of our business now based on construction is lower. This means the measure is not appropriate as a Group-wide target. Our Building UK business will continue as a partner, as this is valued by their client base. In 2017 Building UK registered 135 schemes and won 41 awards, including 10 golds, and hit its target of 80% or 40/50 compared with an industry average of 72% (36/50).

By the end of 2018 Kier will consider how we develop a new metric or process that is applicable across the Group.

Sustainable supply chain

Our original 2020 target included implementing new processes for managing the supply chain, human rights and material standards. We have already achieved these.

We will review and report on our progress against our new supply chain targets detailed in this report, which initially focus on the direct procurement activities where we have most control. Processes that govern how we interact with our subcontractors have also been updated. Our Responsible Procurement and Anti-Slavery and Human Trafficking policies are subject to an annual review process too.

- › We will develop additional material standards and train our procurement team on their application
- › Undertake audits on our own business units, of our suppliers and subcontractors with regard to the application of our processes and standards
- › We will look for independent review and support for our approach to responsible and ethical procurement and have set an aspiration to achieve the Chartered Institute of Procurement & Supply (CIPS) Corporate Ethics Mark



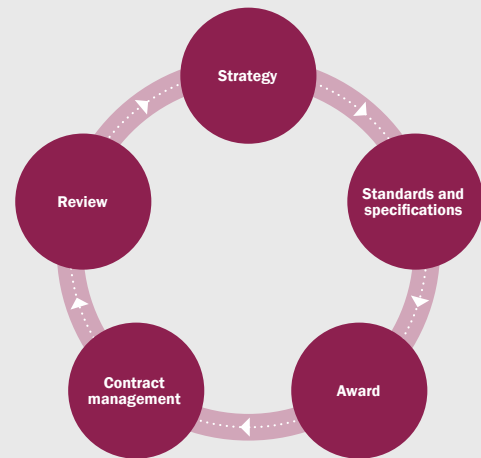
As a founder member we will continue to support the Supply Chain Sustainability School (SCSS), and look to increase the number of our supply chain partners who participate by 10%. Last year the number of our supply chain partners which signed up to the school, and then gained access to the free advice and training, increased from 1,876 to 2,215. This is an increase of 18%. Individual users totalled 2,460.

Kier also supports a number of the SCSS special interest working groups (SIWG). The purpose of the SIWG is to translate new and emerging issues into easily understood advice, guidance and training, free at the point of use.

During the year, Kier supported SIWGs that looked at:

- › Collaboration between academia and the construction sector on innovative research
- › Material standards
- › Modern slavery
- › Supply chain mapping
- › Social value by design

Figure 14: Managing responsible procurement



Strategy

80% of our supplier spend is with preferred suppliers, all of whom will have been subject to some form of audit – either by Kier or recognised independent schemes. We have a risk-based approach to auditing new suppliers and our 2020 target is 90%, recognising that some preferred suppliers present a very low risk of causing environmental or social harm. Existing suppliers that renew their relationship with Kier will also be subject to audits – with a target of 80% for 2020.

Standards and specifications

Kier has seven material standards that cover categories where we make significant purchases, or where the risk profile is high. We committed to developing new standards. We are well on the way to having agreement on site-based equipment such as plant, generators and accommodation being subject to minimum standards. We will introduce standards for categories where we identify social, ethical and environmental risk.

Award

Suppliers able to meet our requirements across a range of social, environmental and economic criteria can become preferred suppliers.

Relationship management

Category managers are being trained on material standards and audit processes. This supports our minimum standards giving us a comprehensive approach to social, ethical and environmental issues. Ongoing supplier management includes a review of relevant issues.

Audits

Robust management processes help to run an effective business. Our integrated quality and environmental management system will include audits against our minimum standards in the Group audit schedule. Our category managers will cross-audit and support their colleagues.



Environment



Minimising the negative impact we have on the environment can deliver efficiency benefits that improve our operations and stimulate innovative solutions.

Carbon

Kier has achieved its 2020 target of a 10% reduction in our operational carbon footprint (CO₂e emissions per £m revenue) ahead of plan.

This led to the creation and launch of Kier's new and ambitious energy strategy – 30 by 30 – which is designed to reduce our energy consumption by 30% by the year 2030.

The new strategy is based on energy efficiency rather than emissions, owing to the changing nature of power supply in the UK. Increasingly, we are moving to lower carbon fuels, such as nuclear and gas, or emission free renewable technology, such as wind or solar. The uncertainty on the speed of this change makes predicting emissions difficult, but we can predict energy consumption with a little more certainty.

In 2016 our total or absolute emissions reduced by 6,546 tCO₂e, or 5% year-on-year, to 123,298 tCO₂e [▲]. In the same period relative emissions declined from 36.6 tCO₂e to 31.4 tCO₂e per £m revenue [▲], a 14% reduction. The main contributors have been:

- › Reduction in the carbon intensity of our Build business stream
- › The impact of divestments, including the closure of our Caribbean operation and the disposal of Fleet & Passenger Services
- › A continuing drive for energy efficiency

30 by 30

This year we held a three-day event, as part of Environment Week to support our new ambitious energy strategy, 30 by 30. The event gave Kier colleagues the opportunity to meet key suppliers of energy-saving products. Supply chain partners demonstrated their new energy-efficient site accommodation, plant, generators and vehicles. This gave our operational and procurement teams a chance to see and feel how well this equipment performs in real life. A number of our fleet partners were on hand to demonstrate the next generation of hybrids that are now available to our company car drivers.



Figure 15: Carbon intensity

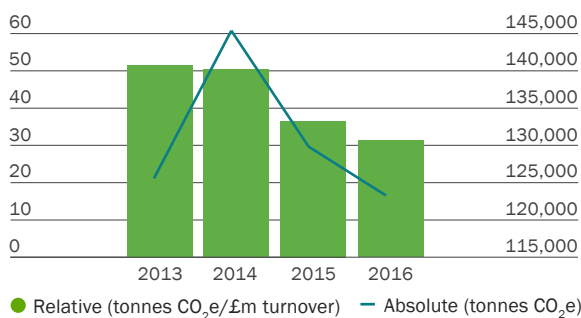


Figure 16: Carbon emissions

Emission type		2015	2016
Scope 1	Operation of facilities	0	0
	Combustion	112,651	108,831
Total Scope 1		112,651	108,831
Scope 2	Purchased energy	17,189	14,467
	Total Scope 2	17,189	14,467
Total emissions		129,839	123,298

Greenhouse gas emissions		
Intensity ratio (tonnes CO ₂ e/£m)	36.6	31.4
Revenue (£m)	3,552	3,928

Our reporting of greenhouse gas emissions is for the calendar year 2016, to mirror our reporting to the Carbon Disclosure Project. Our dataset covers 94% of Kier's operations by revenue, excluding Scope 1 fugitive emissions and joint ventures/joint operations where we are not in financial control. Reporting follows the requirements of the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, is in line with ISAE 3410, and uses conversion factors published by DEFRA.

Carbon Disclosure Project rating:

B

(2016: C)

[▲] Within PwC's limited assurance scope. Please see page 25 for further details.



Environment continued

Reducing waste, improving efficiency

At Broadmoor Hospital, Kier used our Building Information Management (BIM) systems with supply chain partners to identify where to form openings for ductwork in pre-cast units. This had a significant cost benefit by reducing the time on site needed for specialist diamond-drilling contractors, and the creation and disposal of waste. Savings running to circa £300,000 were realised. New technology can help improve efficiency, safety and environmental performance.

Figure 17: Construction material waste m³/£100k

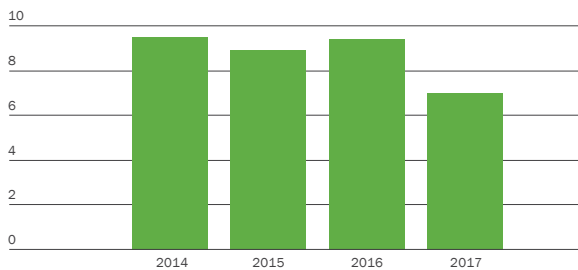
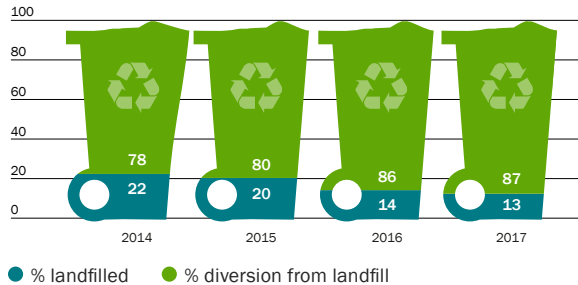


Figure 18: Construction material waste diversion (%)



Our waste reporting for this year comes from a sample representing >45% based on revenue. These are the major construction-based activities in housebuilding, infrastructure and building. The totals are for non-hazardous construction material waste.

Kier Living is promoting a 'greener way of living'

This unique programme sees Kier Living as the first housebuilder partner with Forest Carbon.

Over the next three years, 45,000 trees will be planted to offset the carbon dioxide emissions from new home construction, as well as creating valuable wildlife habitat and amenity areas for people.

In addition, Kier Living is looking at how it uses energy, disposes of waste, as well as giving support to house buyers on everyday energy-saving ideas.



A GREENER way of living

Waste

Reducing waste is important as it decreases the impact on the environment and helps make our business more efficient. Our goal is a 30% reduction in non-hazardous construction material waste through reduced purchasing, better material efficiency and more repurposing of surplus materials by 2020. Total non-hazardous construction material waste was 6.98m³ per £100,000 revenue [▲], a significant decrease from the previous year and a 27% reduction from our 2014 baseline.

This means we have almost achieved our target of a 30% reduction by 2020. This is down to a range of contributing factors, including the continued focus on better materials management, structural change in the business and significantly more robust waste data thanks to improved data management systems, which resulted in our data being independently assured. We will now recast our target in line with our energy efficiency strategy and look to a 30% reduction in construction material waste by 2030 with 2017 as our benchmark year.

There was a small increase in the construction material waste diverted from landfill to 87%. While recycling and diversion is an important part of dealing with waste appropriately, it is far better and more cost-efficient to have never produced it in the first place.

Water

Last year Kier estimated, from a sample of 28%, that the consumption of water ran to 486,000m³. This year, consumption fell by more than 20,000m³ to 463,074m³ from a larger sample, representing 74% of Kier sites. This decrease in consumption of 5% reduces our impact on the environment and also has a cost saving for Kier. The process of examining our consumption also identified a number of billing irregularities that have now been rectified, leading to a modest saving.

Biodiversity

In 2014 we set ourselves a target to report on the number of biodiversity projects we supported in relation to our turnover. The projects were developed with the Biodiversity Interest Group (BIG), of which we are a founding partner, which is run by the Construction Industry Research and Information Association. While biodiversity is an important issue for our construction operations, the changes to the services offered by Kier mean that this is not appropriate as a Group metric. However, we will continue to report on the number of BIG challenges with 27 being submitted in 2016, compared with 35 in 2015. We were shortlisted in seven of the nine big award categories, and walked away with three awards. This included BIG Biodiversity Champion for Victoria Pollard, environmental manager on the Mersey Gateway project.

All environment incidence rate (AEIR)

There were no environmental prosecutions or enforcement actions of Kier during the period.

This year the AEIR for the Group was 119, a 12% reduction from the previous period. While this is significant, it is below our target of a 20% reduction year-on-year. Our approach to environmental incidents covers the activities that may be in breach of legal requirements, such as unauthorised discharges to waters, air or ground, breach of permits on noise or dust, damage to archaeology or cultural heritage or impact on biodiversity. We also include the breach of our own standard for sustainable timber.

Further information on our progress on environmental matters can be found on pages 79/80 in our annual report.

[▲] Within PwC's limited assurance scope. Please see page 25 for further details.

External benchmarks

Global Reporting Initiative (GRI)

What is it?

Kier has chosen to structure its reporting to align with the GRI Reporting Standards. The standards have evolved over many years with the input of many independent stakeholders, and set out what is thought to be best practice criteria in reporting on economic, social and environmental themes. To aid comparability between reports from different sectors each criterion set out by GRI is clearly defined.

Why do we use it?

Using the GRI standards allows us to communicate relevant, clear, balanced and accurate information, giving greater transparency on our performance, as well as benchmarking against past performance. Kier recognises the value of using the GRI standards, as it assists in the process of improved reporting and disclosure by identifying issues in a standardised way.

Kier's Reporting Guidelines available on the website (www.kier.co.uk) contain a full disclosure of how we report against the GRI Reporting Standards.

FTSE4Good

What is it?

The FTSE4Good Index is a series of ethical investment stock market indices launched in 2001. Inclusion is based on a range of issues covering the environmental and social performance of a business, and also its commitment to good and transparent governance. Kier, as a constituent of the FTSE group of companies, is assessed against the qualifying criteria each year, and we have seen our performance improve from a score of 2.7/5 last year to 3/5 this year. FTSE4Good also conducts an assessment of our performance against our peers in a 'supersector' of related companies. Again, our performance shows an improvement, from 66/100 in 2016 to 73/100 in 2017.

Carbon Disclosure Project (CDP)

What is it?

CDP is an organisation that collects and reports environmental data – including greenhouse gas emissions and action to reduce or mitigate these – from many thousands of companies. The data supplied by Kier and others is then made available by CDP to interested parties, including existing and potential investors in Kier.

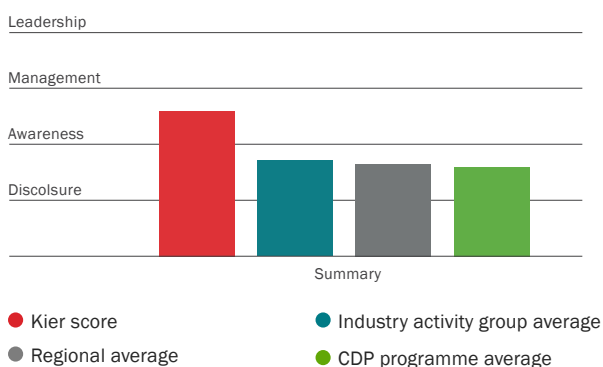
Why do we use it?

During the year, Kier engaged with a range of institutional shareholders on the value of reporting to CDP. The detailed submission made by Kier requires a significant input of management time, and is in addition to mandatory disclosures we already make as part of our annual reporting cycle. The view from institutional shareholders, who responded to our query, was that CDP gave them a quick overview of our performance, and enabled them to compare us with our peer companies.

There is also an inherent value for Kier, as it allows us to gain insight into how our plans to manage and reduce our greenhouse gas emissions, and improve our efficient use of energy, compare to the wider action being taken.

In 2016, Kier achieved a CDP rating of B, in recognition of our coordinated action on climate change issues. This is an improvement from our C rating in the previous year.

Figure 19: Overall score comparison



Assurance

Independent Limited Assurance Report to the Directors of Kier Group plc


The Board of Directors of Kier Group plc (Kier) engaged us to provide limited assurance on the information described below and set out in Kier's Corporate Responsibility Report 2017 for the year ended 30 June 2017.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 30 June 2017 has not been prepared, in all material respects, in accordance with the reporting criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over the information marked with the symbol  in Kier's Corporate Responsibility (CR) Report 2017 (the "Selected Information").

The Selected Information and the reporting criteria against which it was assessed are summarised below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Kier CR Report 2017.

The Selected Information consists of:

- › value of community, employment and skills hours;
- › social value generated through new and sustained employment, Kier apprentices and work experience;
- › UK RIDDOR total;
- › total non-hazardous construction material waste per £100,000 of revenue;
- › scope 1 and 2 greenhouse gas emissions (absolute and relative per £m revenue); and
- › client satisfaction score.

We assessed the Selected Information using Kier's reporting criteria as set out at www.kier.co.uk/corporate-responsibility/downloads¹

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our independence and quality control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Our work was carried out by an independent team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the reporting criteria, which Kier is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure nonfinancial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The reporting criteria used for the reporting of the Selected Information are as at 30 June 2017.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- › made enquiries of Kier's management, including the CR team and those with responsibility for CR management and group CR reporting;
- › evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information.
- › performed limited substantive testing on a selective basis of the Selected Information at Kier's corporate head office to check that data had been appropriately measured, recorded, collated and reported; and
- › considered the disclosure and presentation of the Selected Information.

Kier's responsibilities

The Directors of Kier are responsible for:

- › designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- › establishing objective reporting criteria for preparing the Selected Information;
- › measuring and reporting the Selected Information based on the reporting criteria; and
- › the content of the Kier CR Report 2017.

Our responsibilities

We are responsible for:

- › planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- › forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- › reporting our conclusion to the Directors of Kier.

This report, including our conclusions, has been prepared solely for the Board of Directors of Kier in accordance with the agreement between us, to assist the Directors in reporting Kier's corporate responsibility performance and activities. We permit this report to be disclosed in the Kier CR Report 2017 for the year ended 30 June 2017 to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Kier for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
Embankment Place
22 September 2017

¹ The maintenance and integrity of Kier's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on Kier's website.

Gareth Rondel
Head of Group Corporate Responsibility

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