

Kier Group plc (the “Company”)

Risk Management and Audit Committee (the “Committee”)

Terms of Reference

Role

The role of the Committee is to assist the board of directors of the Company (the “Board”) to establish formal and transparent arrangements for considering how it should apply corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company’s auditors.

Membership/Secretary

The Committee shall consist of a minimum of three (3) members including at least one member of the Remuneration Committee. The members shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chair of the Committee.

All members of the Committee shall be independent non-executive directors of the Company. At least one (1) member of the Committee shall have recent and relevant financial experience and competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sectors in which the Company operates. The Chair of the Board shall not be a member of the Committee.

The Chair of the Committee will be appointed by the Board. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the relevant meeting.

Outside of the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company’s governance, including the Chair of the Board, the Chief Executive, the Chief Financial Officer, the Lead External Audit Partner and the Head of Risk and Internal Audit.

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

Meetings

The Committee shall meet at least four (4) times per annum at appropriate times in the reporting and audit cycle and at such other times as it sees fit. Meetings may be held by conference call. The quorum for meetings of the Committee shall be two (2) members. Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer, the Head of Risk and Internal Audit and the Lead External Audit Partner will be invited to attend meetings of the Committee on a regular basis and other individuals, such as the Chair of the Board, the Chief Executive, any other Executive Directors of the Company, the Head of Risk and Head of Internal Audit and other representatives from the Group finance function may also be invited to attend meetings of the Committee. Representatives from the external audit firm or any co-sourced internal audit firm may be invited to attend all or part of any meeting.

Notice of meetings

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair of the Committee or any of its members or at the request of either of the Company’s audit firms or the Head of Risk and Internal Audit.

Notice of each meeting confirming the venue, time and date of the meeting, an agenda of items to be discussed at the meeting and supporting papers shall be sent to each member of the Committee and any other person required to attend at least five (5) business days in advance of the meeting.

Minutes of meetings

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

Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

Engagement with shareholders

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

Duties

The Committee shall carry out the following duties:

Financial reporting

The Committee will (taking into account the views of the external or internal auditors):

- monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and, any other formal announcement relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements contained in them;
- in particular, review and challenge and make recommendations to the Board where necessary;
 - the consistency of application of accounting policies, both on a year-on-year basis and across the Group, and any changes to such policies;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
 - whether it is appropriate for the Company to adopt the going concern basis of accounting including consideration of any material uncertainties to the Company's ability to do so over a period of at least 12 months from the date of approval of the financial statements; and
- where requested by the Board, review the content of the annual report and accounts and advise the Board on whether, taken as a whole, the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code (the Code).

Risk management and internal control systems

The Committee will:

- keep under review the adequacy and effectiveness of the Company's risk management and internal control systems including the policies and procedures that identify, assess, manage, mitigate and monitor financial and other principal and emerging risks, and other internal control and risk management systems;
- where required, support or advise the Board in relation to its obligation to monitor and, at least annually, review, the effectiveness of all material risk management and internal controls (including financial, operational and compliance controls); and
- review and approve the statements to be included in the annual report relating to the Company's risk management and internal control systems

Risk/long-term viability

The Committee will:

- advise the Board on the principal and emerging risks facing the Company (including those that would threaten its business model, future performance, prospects, solvency or liquidity), the identification of emerging risks and the management and mitigation of such risks
- reviewing and assessing the Company's overall risk appetite and associated stress testing;
- assist the Board in relation to the Board's confirmation in the annual report that it has carried out a robust assessment of such risks, such disclosure to include a description of the principal and emerging risks, the procedures in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- assist the Board in relation to the Board's (i) explanation in the annual report as to how it has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate and (ii) statement as to whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment (the 'viability statement'), reviewing and challenging such explanation and statement where necessary; and
- oversee and seek suitable assurance including regarding:
 - the risk exposures of the Company;
 - the efficacy of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary; and
 - the appropriateness of the Company's values and culture and reward systems for managing risk and internal controls.

Internal Audit

The Committee will:

- consider the policies and procedures to ensure the independence and effectiveness of the internal audit function including that it has (i) adequate resources, (ii) appropriate access to information, (iii) adequate standing and is free from management or other restrictions and (iv) direct access to the Chair of the Board and the Chair of the Committee;
- review and assess the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on work carried out;
- monitor and assess and annually review the effectiveness of the internal audit function and the appropriateness of the internal audit charter in light of the current needs of the Group;
- review reports addressed to the Committee from the Head of Risk and Internal Audit on risk management and internal control matters; and determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
- meet the Head of Risk and Internal Audit at least once a year, without management being present, to discuss the effectiveness of the internal audit function;
- consider whether an independent, third-party review of processes is appropriate; and
- make recommendations to the Board as to the appointment or termination of appointment of the Head of Risk and Internal Audit.

External Audit

The Committee will:

- consider the policies and procedures to ensure the independence and effectiveness of the external auditor including considering and making recommendations to the Board to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee will develop and oversee the selection process for a new auditor ensuring that all tendering firms have access to necessary information and individuals during the tender process. If an external

auditor resigns, the Committee will investigate the issues leading to this and decide whether any action is required;

- evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee;
- oversee the relationship with the external auditor including (but not limited to):
 - approving the terms of engagement, including any engagement letter issued in connection with each audit and the scope of the audit;
 - assessing annually the auditor's effectiveness, independence and objectivity;
 - assessing the qualifications, expertise, resources and independence of the external auditor, which shall include a report from the external auditor on their own internal quality procedures;
 - develop, recommend to the Board, and implement the Company's formal policy on the provision of non-audit services by the auditor to ensuring that there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard and reporting to the Board on any improvement or action required by it in this respect;
 - reviewing and approving the annual audit plan, and ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
 - reviewing any representation letter(s) requested by the external auditor before they are signed by management and management's response to the external auditor's findings and recommendations;
 - approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - meeting regularly with the external auditor and at least once annually without management present to, for example, discuss the auditor's remit and audit findings.

Fraud

The Committee will:

- review the Company's procedures for detecting and preventing fraud; and
- review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

Working with other Board Committees

The Committee will:

work and liaise as necessary with all other Board Committees, ensuring interaction between committees and with the Board is reviewed regularly;

work with other Board Committees where their work has risk management implications; and

- provide support to the Remuneration Committee on the assessment of the financial-related performance conditions that are to be applied to executive remuneration and to highlight any significant risk which may impact assessment of the remuneration outcome.

Reporting responsibilities

The Chair of the Committee shall formally report to the Board on the Committee's proceedings after each Committee meeting and shall also formally report to the Board on how it has discharged its responsibilities.

The Committee shall produce a report on its activities during the preceding financial year to be included as a separate section in the Company's annual report, addressing the issues referred to in section 4 of the UK Corporate Governance Code.

Other matters

The Committee will:

- have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance, as required;
- have access to training to assist members of the Committee to discharge their obligations, both in the form of an induction programme for new members and on an ongoing basis for all members;
- give due consideration to the provisions of the Companies Act 2006, the Code and published guidance, the FRC's Guidance on Board Effectiveness, the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation and any other applicable laws, regulations and guidance/recommendations (for example, the FRC's Guidance on (i) Audit Committees and (ii) Risk Management, Internal Control and Related Financial and Business Reporting); and
- arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

Authority

The Committee is authorised to

- seek any information it requires from any employee of the company in order to perform its duties;
- obtain, at the Company's expense, legal or other professional advice on any matter within its terms of reference;
- call any employee to be questioned at a meeting of the Committee as and when required; and
- to publish in the company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

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