



Enabling sustainable business

Kier Group plc Corporate Responsibility Report 2015

Kier is a leading property, residential, construction and services group. We operate across a range of sectors including defence, education, health, housing, industrials, power, property, transport and utilities.

The Group employs over 24,000 people in its operations in the UK, the Caribbean, the Middle East, Hong Kong and Australia.

Our vision

Our vision is to be a world-class, customer-focused company that invests in, builds, maintains and renews the places where we live, work and play.

Our values

Enthusiastic

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

Collaborative

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

Forward-thinking

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

Cover photograph: Victoria Embankment – VIEW 58

Through our joint venture with FORE Partnership, the pan-European real estate investment club for family offices and private investors, we are constructing, jointly funding and developing VIEW 58, a highly sustainable office building in central London. The project draws on capabilities from Kier's Property and Construction divisions. Sustainability is at the heart of the strategy being developed for the building. VIEW 58 is sensitive to the local area, being on the River Thames Embankment in London. The development is retaining the existing façade while creating highly functional contemporary offices behind it, diverting 99% of the demolition waste from landfill and recycling it. The building is designed to exceed a BREEAM Excellent rating and incorporates green technologies such as a sophisticated building management system and solar photovoltaic panels that generate power from both their tops and undersides.

Contents

Introduction

- 1 Introduction from the Group Strategy and Corporate Development Director
- 2 Kier at a glance
- 4 A strategy based on sustainable growth
- 6 Resources and relationships
- 8 People and communities
- 11 Environment
- 14 Marketplace
- 17 Governance
- 19 Benchmarking our performance
- 22 The Kier Foundation and Macmillan Cancer Support
- 24 Case study: Glasgow Fort
- 25 PwC Assurance Report

Essential read



2015 Annual Report

Please find our full 2015 Annual Report and Accounts at www.kier.co.uk/annualreport2015

Introduction from the Kier Group Board



In response to the changing dynamics of our growing business and the various impacts it now has on society and the environment, our existing sustainability strategy has required significant re-evaluation.

In response to the changing dynamics of our markets and the Group's increasing breadth of offering, our sustainability strategy has been re-evaluated, refreshed and re-launched this year to better reflect our wider interaction with society and the environment.

This new strategy, 'Responsible business, positive outcomes', sets out the Group's aims and intentions for its sustainability priorities, addressing 20 non-financial indicators. These cover social, environmental, marketplace and governance issues, all of which play a key part in the long-term economic sustainability and success of the Group.

'Responsible business, positive outcomes' is focused on driving the efficiency of the business and sets out our unique value proposition to all our stakeholders, whilst Kier maintains its licence to operate wherever we do business in the world. It is aligned to our five-year strategy for growth, Vision 2020, and addresses the challenges and risks we may face. How it supports the business strategy can be seen on pages 4 to 7 of this review.

I am pleased to report that in developing this approach we have consulted and collaborated with a wide range of stakeholders, including shareholders, clients and employees.

Our continued success as a business, our economic sustainability and our ability to grow rely on us:

- Behaving and acting in the right way;
- Demonstrating our core values (enthusiastic, collaborative and forward-thinking) as the standard;
- Building the best and most motivated teams; and
- Finding and working with the best qualified suppliers and subcontractors.

During the year we have continued to engage with our supply chain leading to the creation of a new responsible procurement policy and further definition of the standards we expect when we purchase goods and services.

This strategy for a sustainable business will bring together into a single narrative our entire Group and divisional plans and progress on the implementation across the 20 issues being addressed. This will be monitored quarterly by the Kier Group Board as will our core Vision 2020 indicators.

I look forward to updating you on our progress in the future.

A copy of 'Responsible business, positive outcomes' can be found at www.kier.co.uk/RBPO.

Claudio Veritiero
Group Strategy and Corporate Development Director

£3,276m

Group revenue

£85.9m

Underlying profit before tax

£9.3bn

Order book

Kier at a glance

Kier offers a breadth of capabilities enabling us to bring together the right skills from across the business to provide an integrated offer to our clients.

Property

The Property division encompasses property development and structured project finance. The division operates across a number of sectors but particularly the industrial, commercial, retail and leisure sectors as well as the public sector.

£22.7_m

Underlying operating profit^{1,4}
(2014: £16.0m)

£(82.9)_m

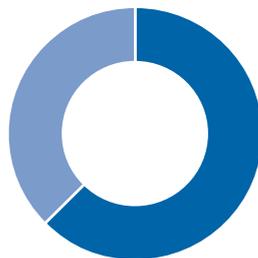
Average capital³
(2014: £(61)m)

81

No. of employees
(2014: 63)

Revenue

- Property development
- Structured finance



Our capabilities

- Asset management
- Bespoke occupier solutions
- Joint ventures
- Owner occupiers
- Partnerships
- Project development
- Property development
- Project investment
- Regeneration
- Structured finance

Residential

Kier Living, our residential business, includes private house building and affordable mixed tenure housing partnerships. Its clients include local authorities, housing associations and the private rented sector.

£11.2_m

Underlying operating profit^{1,4}
(2014: £7.7m)

£(262.7)_m

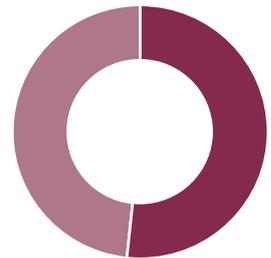
Average capital³
(2014: £(233)m)

613

No. of employees
(2014: 348)

Revenue

- Private house building
- Mixed tenure housing



Our capabilities

- Affordable housing
- Living space
- Mixed-use communities
- Private residential housing
- Regeneration

¹ Stated before non-underlying items.
² Continuing operations. Prior year comparatives related to reflect the reclassification of the UK mining activities as discontinued operations.
³ Equates to average net debt.
⁴ Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.

Where we operate
The Group operates internationally in the following geographies:

- UK & Ireland
- Middle East
- Australia
- Hong Kong
- Caribbean



Construction

The Construction division comprises the UK building and civil engineering businesses and the international business. The division has an established position on strategic frameworks supported by its regional building presence and strong local supply chain partners. Kier is a sector leader in the education, healthcare and transport markets.

£37.7m

Underlying operating profit^{1,2,4}
(2014: £30.2m)

£3.3bn

Order book
(2014: £2.5bn)

2.2%

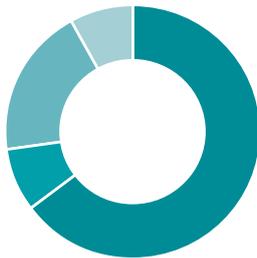
Underlying operating margin^{1,2,4}
(2014: 2.0%)

5,856

No. of employees
(2014: 3,720)

Revenue

- Building
- Major projects
- Infrastructure
- International



Our capabilities

- Building
- Civil engineering
- Construction management
- Engineering design
- Interiors and refurbishment
- Mechanical and electrical
- Rail services
- Technical services

Services

The Services division comprises capabilities in highways maintenance (both local authority and strategic highways), utilities, housing maintenance, facilities management and environmental services. The recently acquired activities of Mouchel's consulting and local authority business processing operations, recently renamed Kier Business Services, are also included.

£58.0m

Underlying operating profit¹
(2014: £53.3m)

£6.0bn

Order book
(2014: £3.7bn)

4.7%

Underlying operating margin¹
(2014: 4.8%)

17,021

No. of employees
(2014: 10,813)

Revenue

- Highways
- Utilities
- Housing maintenance
- Facilities management
- Consulting
- Other



Our capabilities

- Design consultancy
- Energy management services
- Environmental services
- Facilities management
- Highway maintenance and management
- Housing maintenance
- ICT and back-office services
- Utilities services
- Waterway services

A strategy based on sustainable growth



For Kier to achieve the ambitious growth plans it has set out in its Vision 2020 business strategy, it is essential for us to identify and mitigate any risk that could compromise these aims and to maintain strong, collaborative relationships with all our stakeholders.

During the year Kier has made great strides in evolving its strategy for a sustainable business to better address and support the changing dynamics of our broader, growing operations. Anchoring this evolution has been the integration and alignment of all our sustainability measures and performance indicators for the coming five years with the non-financial strategic priorities, principal risks/opportunities and key performance indicators ('KPIs') that underpin Kier's stated financial growth ambitions (see diagram below). These are now being embedded within, and customised by, our individual business streams for consistent, measurable delivery with positive outcomes across the Group.

In parallel, we have ensured that the issues being addressed by our corporate responsibility programme over the next five years are of material importance to

The Kier Group Vision 2020 business strategy

Strategic priorities

Vision 2020

Principal risks and opportunities

Driving our plan



KPIs

Measuring our progress

Core elements for a sustainable business

Strategic priorities

- Operate a safe and sustainable business
- Accelerate growth to be a top three player in our chosen markets
- Achieve top quartile performance and efficiency
- Provide sector-leading customer experience
- Attract and retain highly motivated, high-performing teams
- Ensure we have investment in technology and back-office systems

Principal risks and opportunities

- Funding
- The market
- Tender pricing
- Contract delivery
- Reputation
- People
- Systems
- Compliance
- Safety
- Change

Key performance indicators (financial)

- Revenue growth
- Underlying operating profit
- Underlying earnings per share
- Return on capital employed
- Underlying economic profit
- Debt cover
- Shareholder return

Key performance indicators (non-financial)

- Safety – accident incidence rate ('AIR')
- Customer experience
- Employee engagement
- Employee retention
- Sustainability

our main stakeholders, particularly employees, clients and shareholders with whom we have engaged closely over the past two years. Such open, collaborative relationships with all our stakeholders, including our supply chain partners, will enable us to deliver both resource efficiencies and sustainable growth in our chosen markets, globally and ethically.

Our overriding intention is to provide in this and subsequent corporate responsibility reports a clear and transparent review of our performance across the 20 KPIs identified as being of most material importance to our business strategy and our stakeholders in their relationships with Kier. In this way, all of our stakeholders, especially existing and potential shareholders including both institutional and socially responsible investment investors, can better consider and evaluate the full and tangible value that our non-financial strategic priorities, KPIs and risk mitigation deliver in support of our long-term financial performance.

In order to enhance that clarity and to better quantify the wider economic benefits that this strategy for a sustainable business will bring to both the business itself and wider society, we are currently striving to

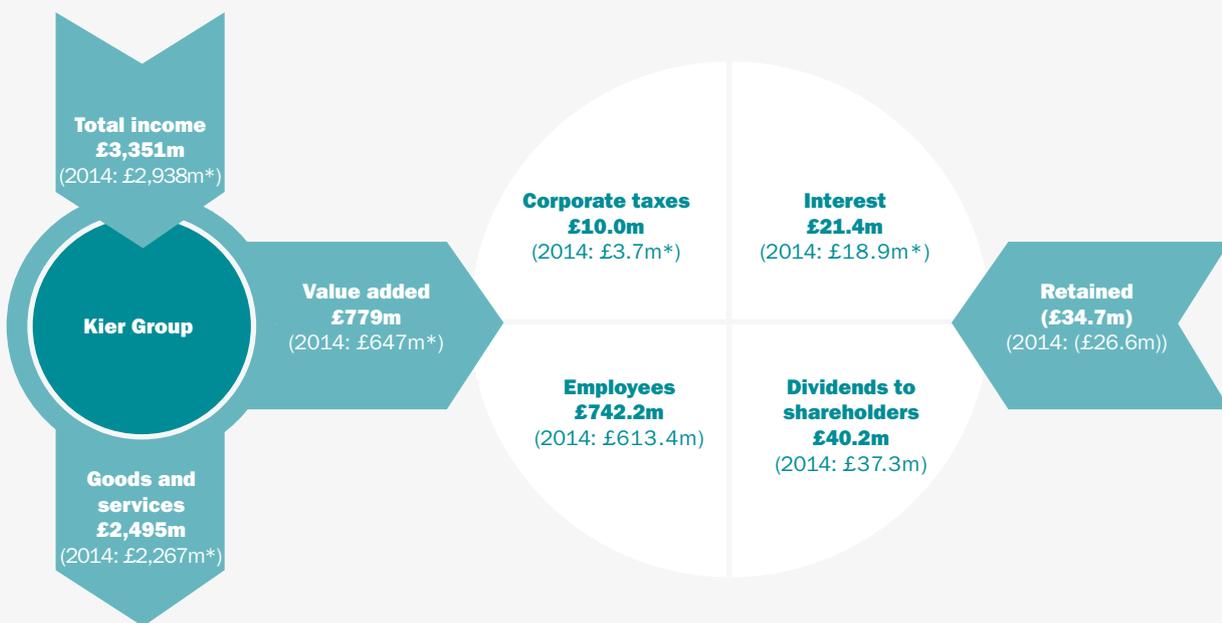
create more robust and detailed methods and processes to identify and measure the direct economic value we add to society (see diagram below). This means really breaking apart and interpreting how the £2,495m of 'Goods and services' that we provide out of our total turnover of £3,351m creates quantifiable value, both social and economic, amongst the communities in which we work.

This will range from local employment, providing skills training, including work experience and apprenticeships, and investing in the resources and people of local small and medium sized enterprises within our local supply chain, to delivering a better infrastructure and environment to local communities. It is when we can convert these intangibles into real value that we will truly succeed in demonstrating how Kier adds genuine social, environmental and economic value to local communities directly through our day-to-day operations and services provided.

Alan Smith
Director of Group Corporate Responsibility

Direct economic value added

In order to enhance and better quantify the wider economic benefits that this strategy for a sustainable business will bring to both the business itself and wider society, we are currently striving to create more robust processes to identify and measure the direct economic value we add to society, particularly through the 'goods and services' we provide.



* These 2014 figures are re-presented to classify the UK Mining business as discontinued operations.

Resources and relationships

Our vision for Kier is to double in size by 2020, and to be delivering against a strong set of financial KPIs including enhanced profitability and returns to shareholders. But to achieve these ambitious outcomes there are some fundamentally important things we need to achieve throughout our operations:

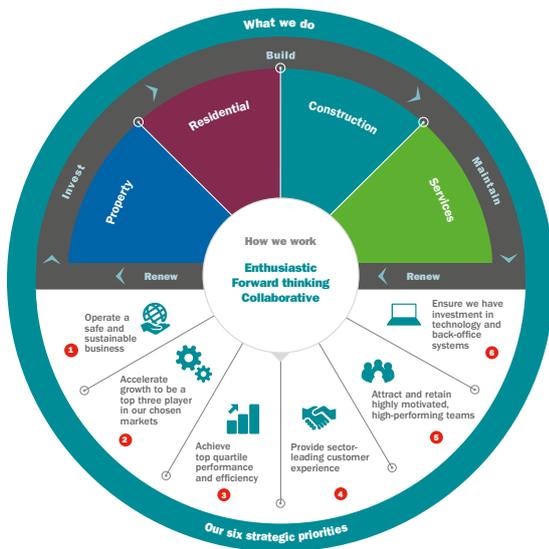
- Ensure the safety and wellbeing of everyone;
- Treat employees and supply chain partners fairly;
- Conduct our business ethically and honestly;
- Attract, develop and retain great, motivated people;
- Respect the environment and communities; and
- Meet or exceed customer and shareholder expectations.

To develop our strategic approach to these items our corporate responsibility team was tasked to work with all our stakeholders in our business. This involved an extensive engagement programme that looked at our existing business plans, considered the views of employees and business leaders alike and asked a broad range of customers, shareholders and non-governmental organisations for their views.

The result of this exercise is our strategy for a sustainable business: 'Responsible business, positive outcomes', which we launched in March 2015, and its 20 focus areas shown below. We take a long-term view but have identified six immediate priority areas shown on the right.

Strategy for a sustainable business

Vision 2020



Focus area



People and communities

- Safety, health and wellbeing
- Employee engagement and retention
- Diversity
- Training, education and apprenticeships
- Society and community



Environment

- Carbon
- Waste
- Water
- Biodiversity
- Environmental incidents



Marketplace

- Customer experience
- Citizenship and community engagement
- Sustainable supply chain
- Labour standards and human rights



Governance

- Material standards
- Stakeholder engagement
- Governance – Reporting and assurance
- Governance – Risk and opportunity
- Business ethics
- Reward scheme

* Data related to non-financial performance does not include Mouchel for the period being reported.

Our core sustainability priorities for 2015/16

Safety, health and wellbeing

A target accident incidence rate of zero is Kier's top priority. The 'Visible Leadership' programme launched in July 2015 will challenge our business leaders to ensure they create an environment where everybody working on our behalf is safe.

Sustainable supply chain

We will develop relationships that satisfy our requirement for social and ethical procurement and to meet or exceed our clients' expectations. Social and ethical procurement lets us achieve our ambitions to respect the human rights of everyone connected to our business either directly or through the supply chain.

Customer experience

Our stakeholders identified their overall experience of dealing with Kier as being the most important issue to them. Delivering high levels of satisfaction to all of our customers is fundamental to our success as a business. Our 'Listen, Act, Measure' programme enables us to test, review and improve our performance to drive increased loyalty from our clients.

Mouchel

We are carefully integrating Mouchel into Kier's Strategy for a Sustainable Business – 'Responsible business, positive outcomes'. The integration will have a minimal impact on our day-to-day operations, but ensure we are all able to deliver our common goals as part of the Group's overarching strategy, Vision 2020.

Emerging legislation and regulations

The operating landscape constantly changes. Recent examples of new responsibilities include the Social Value and Modern Slavery Acts which we have responded to in our Strategy for a Sustainable Business – 'Responsible business, positive outcomes'.

Citizenship and community engagement

The reputations of Kier, our clients and our supply chain depend on how we deliver our services and engage with our stakeholders. We are in the process of developing a new code of conduct to help guide how we can make a positive contribution to the communities where we work.

2020 target	2014/15 progress*	Comments
Zero AIR	AIR of 319 (2014: 342). Introduction of All Accident Incidence Rate as a leading metric	This leading measure will help us identify the contributing factors and avoid the occurrence of serious accidents, creating a safer working culture
75% employee engagement rate	Pulse survey introduced to measure progress from 2014	The more engaged our employees are, the better the customer experience which directly contributes to our future business success
70:30 male to female ratio for new recruits	Baseline being established for new recruits	Increasing the diversity of new hires will have the fastest impact on our diversity mix overall
5 training days per employee	Baseline being established	This is a measure of our commitment to invest in the learning and development of our people
10% additional social value created	Methodology being prepared to allow consistent measurement of outcomes	We generate financial benefits for society. We aim to express this value more clearly
10% reduction from 2014 baseline (emissions/£)	2% reduction in intensity ratio achieved	Our focus on managing emissions is helping to control cost of fuel
30% reduction from 2014. Measure and report progress	Waste/£ increased but volumes recovered and recycled increased	Reducing waste helps to reduce environmental impacts and control costs
10% reduction from 2015 benchmark	Monitoring agreement reached with third party	Better monitoring will allow us to identify opportunities for more efficient use
1 Biodiversity Interest Group ('BIG') challenge per £50m of revenue	Monitoring system and procedures put in place. 22 challenge case studies completed (1 per £133m revenue)	We will continue to identify and realise opportunities to enhance biodiversity on our sites
25% reduction in All Environment Incidence Rate from 2015 benchmark	Monitoring system and procedures put in place	We will avoid major incidents by paying greater attention to near misses and minor incidents
90% client and customer satisfaction	90% of clients satisfied with Kier's performance. Net Promoter Score of +52 indicating high levels of loyalty▲	Delivering an excellent customer experience helps secure future growth for Kier
80% (40/50) average score in Considerate Constructors Scheme ('CCS')	77% (38.25/50) achieved	We are planning to widen the CCS principles to our non-construction and international operations
Number of partners engaged in the Supply Chain Sustainability School	Increased by 10%	This helps us to work with a better qualified supply chain
Meet core principles of UN Declaration of Human Rights	Refreshed responsible procurement policy agreed. Initial standards to be launched in 2015/16	This helps Kier to meet its ethical responsibilities and comply with the Modern Slavery Act. The standards provide clear guidance for all our procurement activities for social and environmental issues
100% compliance with Kier material standards	Measure and report compliance	We will audit a sample of both our direct and subcontract procurement
Annual independent review of our strategy by Business in the Community ('BITC')	One additional stakeholder engagement activity to understand their view of material issues	Kier will also be completing more detailed shareholder engagement
G4 – integrated reporting to Global Reporting Initiative ('GRI') G4 standard	Reported to GRI G3 C+ standard▲	Reporting to a common standard aids transparency and understanding of Kier's strategic approach
Quantify risk across non-financial measures	Identified critical non-financial issues	Non-financial issues can still have a financial impact, both positive and negative. The challenge is to identify the best ways to convert or express these impacts in our overall approach to risk management
Zero overdue whistle-blowing incidents	Review of Group code of conduct	Constant reviews of our business ethics policies ensures compliance with any new regulatory requirements and ensures our ethical approach to business and people
Reward scheme non-financial performance	Proposals under review	Closer alignment of rewards to non-financial performance better reflects the value of these issues to business sustainability

▲ Within PwC's limited assurance scope. See page 25 for further details.

People and communities

7%

reduction

In our AIR from 342 to 319 across the Group

14%

reduction

In our AIR in the UK

Our vision for people and communities is to provide safe and sustainable outcomes for our employees, supply chain partners, clients and communities.

- Implement a proactive and visible safety management culture founded on leading indicators; and
- Deliver 'best in class' safety, health, environmental and wellbeing performance.

These actions are delivering demonstrable benefit. We have revitalised our behavioural change programme with a dedicated, professionally qualified team including the Group's first wellbeing specialist, and are embedding behavioural change on our projects, and in our offices and depots. Health and safety training remains at the forefront of the development of our frontline staff and the needs of the Group and its supply chain, both today and in the future.

The projects undertaken by the Group are both complex and inherently dangerous. We remain committed to our target of an AIR of zero across the Group which some businesses already achieve; other areas such as our environmental services business have achieved a 63% reduction in their AIR. Yet despite the positive manner in which we are moving forward, last year we had 120 reportable incidents[▲] (as defined by the Reportable Incidents, Diseases and Dangerous Occurrences Regulations or RIDDOR) within our UK operations. These, coupled with the fatal road traffic accidents experienced by the Group during the year, demonstrate the need for continuous improvement in the management of safety, health and environment risks in the workplace.

Through our programmes of change we will continue to target the underlying causes of such incidents in order to achieve our Vision 2020 objectives.

We recognise the importance of our leaders engaging with our workforce. To reinforce this in support of the behavioural change programme our 'Visible Leadership' programme was launched on

We want to make Kier a great place to work, where all our employees feel included and supported to perform, and can develop professionally. We will support communities by providing jobs, interacting with schools, supporting local wellbeing, and contributing to charities and voluntary organisations.

Safety, health and wellbeing

Our AIR of 319 remains below the Health and Safety Executive industry benchmark of 412; a significant improvement from 342 last year. Our overarching aim is to make Kier a safer place to work and ensure everybody goes home safely at the end of the working day. Our strategy and objectives in support of Vision 2020 are to:

- Deliver zero harm and zero High Potential ('HiPo') incidents in our businesses; events that could have resulted in significant harm;



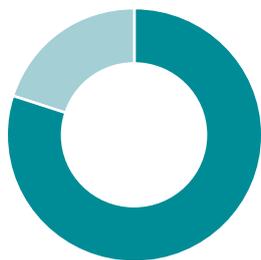
People and communities

Focus area	2020 target	2014/15 progress	Comments
Safety, health and wellbeing	Zero AIR	AIR of 319 (2014: 342). Introduction of All Accident Incidence Rate as a leading metric	This leading measure will help us identify the contributing factors and avoid the occurrence of serious accidents, creating a safer working culture
Employee engagement and retention	75% employee engagement rate	Pulse survey introduced to measure progress from 2014	The more engaged our employees are, the better the customer experience which directly contributes to our future business success
Diversity	70:30 male to female ratio for new recruits	Baseline being established for new recruits	Increasing the diversity of new hires will have the fastest impact on our diversity mix overall
Training, education and apprenticeships	5 training days per employee	Baseline being established	This is a measure of our commitment to invest in the learning and development of our people
Society and community	10% additional social value created	Methodology being prepared to allow consistent measurement of outcomes	We generate financial benefits for society. We aim to express this value more clearly

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

Diversity of employees

- Male – 80% (12,533)
- Female – 20% (3,180)



This data is based on a spot audit of UK employees and does not include overseas or Mouchel employees who joined the Kier Group in June 2015.

1 July 2015 to provide a measure of the levels of safety, health and environmental leadership engagement. We have expanded our wellbeing programme and continue to look for ways to engage our employees on issues which are important for physical and mental health. We are currently in discussion with our charity partner, Macmillan Cancer Support, on the possibility of rolling out a 'cancer in the workplace' training initiative.

Diversity

We value the diverse backgrounds and experiences of our people and want to make the most of their talents. Our current gender diversity mix is 80:20 male to female and our black and minority ethnic group representation is 3%. White ethnicity is 54%, with 43% of employees choosing not to declare their ethnicity. As a result of internal and external consultation we have set ourselves the target of reaching 70:30 gender representation amongst our new recruits and ensuring our ethnicity mix is representative of the communities in which we operate. We will build strong networks in the wider community to better understand how to attract more diverse candidates into Kier. At the same time we will be focusing on how to make Kier an open and inclusive place to work.

Employee engagement and retention

Our ambitious plan for growth relies on our people. Our employee engagement survey allows us to understand how well we are engaging employees in Vision 2020 and building the culture and environment that engages and motivates them.

Our target of 75% engagement by 2020, which is upper quartile in our industry, is stretching. Whilst we conduct a full survey biannually, we also conduct regular pulse surveys from a sample of employees (25% in 2015). Our recent pulse survey showed we are making progress and moving in the right direction.

Training, education and apprenticeships

Development is important in the recruitment and retention of our employees, and we target five training days per employee. Kier invests in the future talent by developing early careers programmes which span a range of career entry levels from school leavers to post-graduate.

At director grade

71%
Male

29%
Female

At senior management grade

93%
Male

7%
Female

We continue to recruit and develop a high number of apprentices, day release and undergraduate placements, and this year have developed a Level 3 Kier Technical Apprenticeship programme working in partnership with Learning Skills Partnership. Upon successful completion, there is the option to progress onto the Kier degree programme, which has been in operation for the past eight years.

Building on the success of our foundation degree programmes and in recognition of skills shortages we have developed a further foundation degree for quantity surveyors. This route will enable school leavers and those upskilling from trade backgrounds to become qualified without entering into full-time education, benefiting those wishing to earn as they learn.

We are also proud to be a member of The 5% Club, which requires members to commit to achieving 5% of their workforce in apprenticeships, sponsored education or as graduates over a five-year period. In year one our performance is 5.6% with 953[▲] employees from a workforce of over 17,000 (excluding Mouchel employees).

We continue to engage with Shared Apprenticeship Services ('SAS') and Group Training Associations, providing work placements which enable apprentices to complete their qualifications and provide entry routes to skilled trades which are needed by our business and subcontractors. This option offers more opportunities to individuals in local communities, and supports apprenticeships in the absence of a large trades-based workforce. It is part of our early careers strategy and another source of permanent talent into the business to support our plans for growth.

Our degree programme in construction management has been immensely successful. This and our new programme in commercial management, attracted 50 people during 2015. Kier continues to invest heavily in the recruitment and development of graduates from both construction and non-construction disciplines, recruiting 115 in 2015.

953[▲]

953 or 6% of Kier's employees are apprentices, graduates, sponsored students and in further education



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

People and communities continued

£4.24m

donated

to communities in hours, monies and resources (up £0.6m from 2014)

Through a Government funded project and in collaboration with JTL Training we are delivering training free of charge to our supply chain and the wider community, providing gas and plumbing upskilling training for plumbers and service leavers. To nurture our future leaders we are building a comprehensive development offer to all levels, from first line supervisors and managers, to our most senior leaders. We have developed programmes for our highways and housing maintenance supervisors, accredited to an Institute of Leadership and Management qualification, providing industry recognised qualifications.

Working with the Armed Forces Employment Pathway ('AFEP'), a joint initiative between the Ministry of Defence and Department for Work and Pensions to get people 'Not In Employment, Education or Training' into the workplace, Kier coordinated the first pilot scheme in the North East of England which informed the National Strategy announced by the Minister for the Armed Forces on 11 March 2015.

Society and community

With more than 17,000 employees, a similar number of people employed by a range of subcontractors, and operations in eight countries, Kier has the potential to create a significant and positive impact. By operating in a responsible manner the 'Kier effect' can be a force for creating positive outcomes way beyond the boundaries of our business and operations. We clearly understand the direct impacts from wages to employees, dividends to shareholders, corporate taxes and other aspects of our revenue. Understood less clearly are indirect and induced impacts that are the true measure of the Kier effect. This can be through the greater economic benefits from employees' and contractors' spending power in communities, donations of cash or time to good causes. Our target is to measure this wider impact and identify 10% additional social value as a percentage of revenue by 2020, an estimated £600 million.

Community engagement

115,036[▲]
Employee hours
(2014: 161,799)

£2.2m[▲]
Equivalent value
of employee hours
(2014: £2.9m)



People and communities

Community engagement



As part of the rebranding of May Gurney to Kier, thousands of items of branded clothing had to be replaced. Environment Manager, Jamie Edmonds, recognising that these items both new and used were going to be discarded, arranged for the hi-visibility clothing to be put to good use in Moldova as part of a charitable road safety project.

We calculate the value of time given by our employees to community engagement activities by using a nominal value of £31 per hour. We recognise that a percentage of employee time is given to training and supervising apprentices and use a nominal value of £18 per hour for providing this support. The hourly rate has been revised in line with the growth of the business which has seen a larger and more diverse workforce, resulting in the value of an hour's volunteering being reduced from £44 to £31, and the value of an hour in support of apprentices increasing from £16 to £18.

During the year Kier and its employees donated time, expertise and resources to good causes including our charity partner, Macmillan Cancer Support. We recorded 115,036[▲] hours which along with monies and resources given free of charge is the equivalent of £4.24m, with the value of employee hours being £2.2m.[▲] This is based on contributions from 74% of our business operations.

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

Environment

Our vision for the environment is to reduce our negative impacts by using the least resource possible, influencing asset design and creating processes to deliver projects more efficiently.

Carbon

We have seen an increase in our absolute carbon emissions, our total Scope 1 and 2 CO₂e emissions for 2014 being 145,390t[▲] (2013: 125,590t). The 2014 figures include a full 12-month contribution from May Gurney, which Kier acquired in 2013. This is a 16% increase. Our relative emissions decreased by 2%, which puts us firmly on course for our stated ambition of a 10% reduction in our carbon footprint by 2020. We also aim to influence our value chain to do the same.

This rise in absolute emissions is due to the May Gurney acquisition, which significantly increased the size of the Company and its absolute carbon emissions. Other contributors were additional housing maintenance contracts awarded, and improved reporting by overseas operations in 2014.

Even taking into account May Gurney's contribution, our carbon measured in relation to revenue fell from 51.5t/£m to 50.4t[▲]/£m. This can be attributed in

part to consolidating our permanent estate by closing offices and by moving into modern energy efficient premises.

Over 50% of Kier's UK emissions continue to be from fuel used in cars, light commercial vehicles and heavy goods vehicles owned and operated by Kier. We will continue to look to reduce these emissions through a combination of investment in new fuel efficient vehicles, the use of specialist software to monitor vehicle performance and driver training.

Kier is assessing the feasibility of electric vehicles for certain operations and customer liaison advisers at the Killingworth office in North Tyneside have been trialling the Nissan e-NV200 Combi van.

A car sharing initiative has recently been introduced at the Group's head office, with the intention of rolling it out across the Group.

As part of the Energy Saving Opportunities Scheme, Kier is currently auditing offices and premises to identify energy saving opportunities. Improvements identified include implementing a base load reduction programme, replacing old style hand-dryers with high power, low heat alternatives and halogen bulbs for LED equivalent lighting.

Our construction sites continue to look for opportunities to reduce their energy consumption and hence CO₂ emissions; for example, the use of A-Plant's Power Cube, which moderates generator use by powering the site on batteries at times of low demand. This also helps to moderate noise which is a benefit to site neighbours too. Sites are also, wherever practicable, using small-scale renewable energy sources, such as solar powered access route lighting.

Kier currently purchases 63% of its electricity from renewable resources: wind, solar and hydroelectric. Electricity contracts that come up for renewal will be tendered on the basis of the provider being able

2%

reduction

In our emissions intensity. Our emissions of CO₂ decreased by 2% relative to revenue



Environment

Focus area	2020 target	2014/15 progress	Comments
Carbon	10% reduction from 2014 baseline (emissions/£)	2% reduction in intensity ratio achieved	Our focus on managing emissions is helping to control cost of fuel
Waste	30% reduction from 2014. Measure and report progress	Waste/£ increased but volumes recovered and recycled increased	Reducing waste helps to reduce environmental impacts and control costs
Water	10% reduction from 2015 benchmark	Monitoring agreement reached with third party	Better monitoring will allow us to identify opportunities for more efficient use
Biodiversity	1 BIG challenge per £50m of revenue	Monitoring system and procedures put in place. 22 challenge case studies completed (1 per £133m revenue)	We will continue to identify and realise opportunities to enhance biodiversity on our sites
Environmental incidents	25% reduction in All Environment Incidence Rate from 2015 benchmark	Monitoring system and procedures put in place	We will avoid major incidents by paying greater attention to near misses and minor incidents

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

10%

CDP

Our CDP score increased by 10% due to our commitment to energy efficiency



to provide electricity from renewable resources. This will enable us to meet our target, that by the end of 2016 all of the energy used on both our permanent and temporary sites will be from renewable sources.

Kier works with its supply chain to identify innovative means to help clients, such as South West Water, to meet their targets for renewable power generation. A KSB 'Pump as Turbine' ('PaT') was used in place of a pressure reducing valve on the mains water network. The PaT reduces the pressure in a pipeline by extracting surplus energy and converting it to electricity which can be fed back into the grid. The installation generates 284MWh of renewable energy per annum. This initiative won the 'Environmental Contribution of the Year' at the Pump Industry Awards.

Carbon Disclosure Project ('CDP') Score

Kier's 2014 climate change score was 89, up from 81 in 2013, clearly demonstrating the Group's commitment to identify opportunities to improve energy efficiency and reduce energy consumption.

Carbon intensity figures 2014*[▲] (tonnes)

	2014	2013
Total Scope 1 and 2 CO ₂ e emissions	145,390	125,591
Intensity total CO ₂ e emissions/£m turnover	50.4	51.5
Turnover (£m)	2,885	2,439

* Includes a full 12-month contribution from May Gurney, which Kier acquired in 2013. Reported on a calendar year basis.

▲ In 2014 Kier Group used 30GWh of electricity, 10GWh of gas, 193GWh of gas oil and 286GWh of petrol/diesel, making a total consumption of 519GWh.

Waste

Managing waste is a key environmental issue for Kier. In managing our own waste streams we continue to follow the waste hierarchy, setting targets to reduce waste on a site-by-site basis, taking into account the size and type of the project.

The amount of construction, demolition and excavation ('CDE') waste our Construction division sent to landfill in 2014 increased from 8.2 tonnes/£100,000 revenue to 9.4 tonnes/£100,000 revenue. Also, over the same period the amount of waste produced increased from 37.2 tonnes/£100,000 revenue to 44.5 tonnes/£100,000 revenue. As a percentage, though, the amount of CDE waste diverted from landfill increased from 78% to 79%. However, many individual projects exceeded this figure – for example, the Deepdale Shopping Park extension in Preston managed to divert more than 98% of its waste from landfill and the David Attenborough Building in Cambridge diverted 91%.

Soil continues to be a major waste stream for Kier. Through the use of *The Definition of Waste: Development Industry Code of Practice* published by CL:AIRE (Contaminated Land: Applications in Real Environments), Kier is able to retain soil on a number of its sites for future use or transfer it for re-use on other Kier projects, rather than send it to landfill. For example, using the code Kier Living was able to move 15,000m³ of soil between its developments in the East of England, which avoided having to send it to landfill. Utilising CL:AIRE enabled Kier Living to achieve a diversion of waste from landfill rate of 87% in 2014.

Kier's target is to achieve a 30% reduction in construction waste by 2020, against a 2014 baseline, and to divert 95% from landfill.

All businesses – CDE waste data (from SMARTWASTE)

Year	Re-used	Recycled	Landfilled
2013	39%	31%	29%
2014	40%	34%	26%
2015	41%	38%	21%

This data is collated from a sample representing 39% of Kier Group by revenue. We estimate this accounts for more than 80% of all waste produced.

Construction division – CDE waste data

Year	Tonnes of waste generated per £100k	Tonnes of waste to landfill per £100k	% of waste diverted from landfill per £100k
2012	52.3	9.7	81 %
2013	37.2	8.2	78 %
2014	44.5	9.4	79 %

This data is collated from a sample representing 32% of Kier Group by revenue. We estimate this accounts for more than 80% of all waste produced.

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

Water

Kier now has a system for monitoring water use on our temporary construction sites and the number involved is increasing, leading to more comprehensive monitoring for over 12 months. Based upon the consumption from this sample of sites which represents 34% of the Group we estimate we consumed 98m litres of potable water in 2014, up from 67m litres in 2013.

Kier not only looks at water conservation on its projects, but also at managing surface water run-off and flood prevention through the use of sustainable urban drainage systems. Kier has been instrumental in helping Defra develop the document *Non-Statutory Technical Standards for Sustainable Drainage: Best Practice Guidance*, with a member of Kier's environmental team sitting on the steering group responsible for this document.

All Environment Incidence Rate ('AEIR')

During the year we introduced a new metric for AEIR, and a new reporting system. Our ambition was to begin reporting a rolling average and we are on course to do this by the end of 2015. By concentrating on smaller incidents we hope to identify trends and avoid larger events from occurring.

Prosecutions

During the last financial year Kier was not prosecuted, and did not receive a fixed penalty, for any environmental offence.



Environment

Biodiversity



Kier recognises the importance of looking to protect and enhance biodiversity in construction, and to this end has continued to support, as a partner, CIRIA's Biodiversity Challenge. This is an innovative, but simple initiative inviting companies to add one new temporary or permanent biodiversity enhancement to their construction site, development or existing building.

During the year we completed and submitted 22 Biodiversity Challenge case studies, which equates to 1/£133m revenue. In 2014 we completed and submitted eight BIGs, which equates to 1/£392m revenue. Our target for 2020 is 1/£50m so for the next two years we will be looking to increase the number, and also the scope, of the BIG Biodiversity Challenge case studies we complete and submit.

The best projects were promoted through the BIG Biodiversity Challenge Awards. We were successful at these inaugural awards, winning the Community Engagement Award for Port Talbot Parkway Railway Station. The project's environmental manager, Craig O'Brien, devised and delivered workshops entitled 'Wildlife and the environment' to over 220 local school children.



the BIG Biodiversity Challenge
Partner

Marketplace

90%[▲]

Client experience
Overall satisfaction with Kier**

+52[▲]

Client loyalty***
Net Promoter Score

Provide an excellent experience to our clients and their customers by working with the best qualified supply network partners, setting standards for ethical and responsible procurement and delivering lower-impact products and services.

We have five themes in marketplace. One is focused on client and customer satisfaction; another on how we perform operationally; and the final three on the social and environmental impacts of our procurement activity.

Customer experience

As part of our Group strategy to deliver a sector leading customer experience we have completely upgraded our approach to measuring both the experience and satisfaction of our clients and customers across Kier, including our 'Listen, Act, Measure' programme. This programme specifically focuses on the experience of our clients and forms part of a wider approach to seeking customer insight, helping us shape an integrated offer.

We now have robust and consistent performance measures across the whole of Kier. This allows us to focus on the things that matter most to our clients and drive improvements where needed. The programme has been developed using proven methodology and takes learning from the best organisations, from a range of sectors, known for their high performance in customer experience.

During the course of 2014/15 we have proactively listened to and sought in-depth feedback from over 70% of all clients that we have worked with, representing approximately 80% of revenue*. This has enabled us to better understand the things that matter most to our clients and quickly act on the feedback obtained.

As we develop our integrated offer and provide more services to our clients, we recognise that we need to understand their aspirations as securing client and customer satisfaction is crucial to our growth plans.

- * Excludes internal trading.
- ** Percentage of clients totally or mostly satisfied with our service.
- *** Clients likely to recommend Kier (calculated using NPS).
- ▲ Within PwC's limited assurance scope. Please see page 25 for further details.



Marketplace

Focus area	2020 target	2014/15 progress	Comments
Customer experience	90% client and customer satisfaction	90% of clients satisfied with Kier's performance. Net Promoter Score of +52 indicating high levels of loyalty [▲]	Delivering an excellent customer experience helps secure future growth for Kier
Citizenship and community engagement	80% (40/50) average score in CCS	77% (38.25/50) achieved	We are planning to widen the CCS principles to our non-construction and international operations
Sustainable supply chain	Number of partners engaged in the Supply Chain Sustainability School	Increased by 10%	This helps us to work with a better qualified supply chain
Labour standards and human rights	Meet core principles of UN Declaration of Human Rights	Refreshed responsible procurement policy agreed. Initial standards to be launched in 2015/16	This helps Kier to meet its ethical responsibilities and comply with the Modern Slavery Act. The standards provide clear guidance for all our procurement activities for social and environmental issues
Material standards	100% compliance with Kier material standards	Measure and report compliance	We will audit a sample of both our direct and subcontract procurement

By ranking customer loyalty we can highlight risks and opportunities to develop our integrated offer and long-term business relationships with clients, particularly in our growth market sectors.

Cross-functional teams are now working on specific areas of our proposition to ensure we meet our ambition to deliver a leading experience in our chosen sectors.

Citizenship and community engagement

Kier is an Associate Member of the CCS. This scheme provides an independent review of how well our operational projects are performing, for example through waste and energy efficiency, engaging with communities and delivering high-quality working conditions for employees and subcontractors alike. The scheme provides a score assessed on five criteria with a maximum of 10 points available in each. Our target is to score an average of at least 40/50 by 2020 which is well beyond the 35/50 that defines best practice.

Considerate Constructors Scheme

	Average Group score	Industry average
2014	37.62 (75%)	35.29 (71%)
2015	38.25 (77%)	35.74 (71%)
2020 target	40/50 (80%)	

In the year, Kier was awarded 30 national awards by the CCS, a slight increase on 28 in the last period.

But as a growing business, with an increasing range of service offerings both nationally and internationally, we realise that Kier also needs to define how we should operate wherever we are working, and whatever we are doing. We will work to create a Group code of conduct for positive citizenship which will be the minimum expected of any Kier employee, or of our suppliers and subcontractors anywhere in the world.

Sustainable supply chain

In our marketplace risks and opportunities are forever changing. New forms of construction or new models of partnership evolve alongside changing regulatory and legal requirements. These issues have as much of an impact on our supply chain as they do on Kier and so it is in all of our interests to work together to provide the most cost-effective solutions. Through our position in the value chain we are able to work between our subcontractors and clients to identify how to achieve the most mutually beneficial outcomes.

We also have a wider responsibility to ensure that the supply chains we utilise act with social and environmental responsibility in mind. So we have established a set of requirements on environment, and committed to meet the core principles of the UN Declaration of Human Rights and the International Labour Organization. These are reflected in our approach to responsible procurement for which we have recently issued new standards.

New and emerging requirements

This approach builds on our existing approach to legal, regulatory, legislative and client requirements based around relationships with established accreditation bodies such as Constructionline, Achilles, Santia and Safety Schemes in Procurement.

These established organisations are used by many of our industry peers and we hope that this approach lowers the burden on our supply chain to have to qualify many times under separate schemes.

We also have positions on the steering groups for Achilles and Constructionline so we can work with them to address emerging requirements such as the recently enacted Modern Slavery Act. This Act received Royal Assent in March 2015 and requires companies to report on the steps taken to ensure that there is no slavery or human trafficking present in any of their supply chain relationships. However, we recognise that while these organisations can help Kier deliver a basic approach to due diligence we will still need to apply our own tests to be assured that we are working to eliminate the risk of slavery in our business and supply chains in the UK and overseas. This is enshrined in the responsible procurement policy that Kier published in 2015 which supports our aim to ensure that the Group recognises the fundamental human rights of everyone connected with our business either directly through employment, or within our supply chain.

During 2015 we have been looking again at our supply chain processes and refreshing them to give us added confidence that they help us address the requirements of the Modern Slavery Act, and the wider standards reflected in our approach to responsible procurement.

Given the size and extended nature of our supply chain we are taking a pragmatic approach and working through our supplier and subcontractor relationships from a risk perspective. We have identified the first four categories of materials supply, and along with employees and labour have established a programme for engagement and audit.

77%

Considerate Constructors Scheme

Average score of 38.25/50 achieved. Target is 40/50 (80%) by 2020





Marketplace

Supply Chain Sustainability School

Kier supports the Supply Chain Sustainability School. The School was established three years ago to provide a free at point of use remote learning resource for any supplier, subcontractor or individual. This allows the development of greater in-depth knowledge of social and environmental issues in procurement through a process of structured learning by people at their own pace and to their own personal requirements.

2,904 suppliers and subcontractors working on behalf of Kier are members of the School and using its resources to improve their performance.



Dr Shamir Ghumra of Responsible Solutions, facilitating a responsible sourcing workshop at the Kier Southampton Supply Chain Sustainability School Supplier Day.

Our governance vision is to continue working with our stakeholders to identify the material issues for our business and in our relationship with them.

We will set clear strategic goals, report our progress each year and subject this to external scrutiny and assurance.

Developing our strategy

Over time Kier has taken two routes to developing our strategy for sustainable business. For many years we have worked with BITC and they have acted as our critical friend, reviewing our approach and providing clear insight and suggestions for improvement based on best practice and comparisons to our peers.

We have also now made it a matter of course that we will test our approach with a range of stakeholders from the shareholding community and this approach is summarised on pages 18 and 19. Their views will continue to guide our approach to the headline corporate strategy, but also importantly how these targets are translated into the approaches that our

individual business streams take. We also need to recognise that their views could fundamentally change the way we view issues as what we may consider a material risk for Kier may be viewed very differently by our stakeholders. We should be prepared to modify our approach as circumstances, risks or opportunities require, but to do so in a considered way.

This considered approach relies on strong governance, leadership and ownership by our Board. Reflecting this, we acknowledge the need for transparency in reporting and aim to integrate our corporate responsibility report and annual report by 2020, and report to the GRI G4 standard – a set of internationally recognised reporting guidelines. We will also be re-evaluating our executive reward scheme so that the link between our financial outcomes and the delivery of good performance on non-financial outcomes is clear. This re-appraisal will also allow us to incorporate more balanced views of non-financial risk into our business planning cycle.

We will also extend this transparent approach to all those working for us or on behalf of Kier. As a business we pride ourselves on our probity, and acting ethically wherever we are operating. But we know that on occasion people may need to raise issues in confidence. So across our business we offer a confidential whistle-blowing service and commit to responding to all issues raised. We also review our Business Ethics Policy and amend as required.

Assurance

PwC's 'Independent Limited Assurance Report to the Directors of Kier Group plc' appears on pages 25 and 26. Figures assured by PwC are marked with a ▲ symbol.

The criteria for each of these measures may be found at www.kier.co.uk/corporate-responsibility/downloads.

 Governance			
Focus area	2020 target	2014/15 progress	Comments
Stakeholder engagement	Annual independent review of our strategy by Business in the Community (BiTC)	One additional stakeholder engagement activity to understand their view of material issues	Kier will also be completing more detailed shareholder engagement
Governance – Reporting and assurance	G4 – integrated reporting to GRI G4 standard	Reported to GRI G3 C+ standard▲	Reporting to a common standard aids transparency and understanding of Kier's strategic approach
Governance – Risk and opportunity	Quantify risk across non-financial measures	Identified critical non-financial issues	Non-financial issues can still have a financial impact, both positive and negative. The challenge is to identify the best ways to convert or express these impacts in our overall approach to risk management
Business ethics	Zero overdue whistle-blowing incidents	Review of Group code of conduct	Constant reviews of our business ethics policies ensures compliance with any new regulatory requirements and ensures our ethical approach to business and people
Reward scheme	Reward scheme non-financial performance	Proposals under review	Closer alignment of rewards to non-financial performance better reflects the value of these issues to business sustainability

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

Stakeholder engagement

We have been developing our new approach to the non-financial elements of our strategy for a sustainable business. Part of this development has been to undertake a series of stakeholder engagement exercises in 2014/15 involving our business leaders, employees, customers, shareholders and non-governmental organisations.

The selection of stakeholders attending our stakeholder engagement exercises in March 2015 was based on invitations sent to those key clients identified by each main business stream as representative of their core markets, a selection of investors invited from our shareholder listings, one nominated employee from each business division and our corporate charity partner Macmillan Cancer Support, representing the non-governmental organisation ('NGO') sector.

To achieve our ambitious plans for growth we need to be able to understand the risks and opportunities present in the marketplace, and to be able to deliver against our customers' expectations.

Through extensive internal engagement we identified the 20 key non-financial issues that our business felt were the most critical in delivering sustained growth and positive outcomes for our business and our stakeholders.

These issues and aims have been closely aligned and integrated with the core strategic priorities and KPIs established for the Group's Vision 2020 strategy for growth.

What we sought to understand through our stakeholder engagement exercises was which issues in the strategy were of most material importance to our customers, shareholders and NGO partners in our relationship with them. This feedback was used to challenge our initial draft strategy and resulted in the amendment of some targets identified as not sufficiently stretching.

The final results shown in the table below illustrate how our stakeholders ranked issues from low to high importance, though all are still relevant to how we operate our business, directly contributing to our profitability and overall value proposition.

The most important issue for stakeholders is 'Customer experience'. Delivering and exceeding the expected outcomes of customers will always be a key focus for Kier and one of our key non-financial KPIs.

In September 2015 we will undertake a shareholder engagement exercise to determine what elements of our reporting are of most material importance to them in making their investment decisions. Our website will contain the outputs and outcomes of this exercise and will be found at www.kier.co.uk/crshareholders2015.

The following headings are from Kier's strategy for a sustainable business ranked in material order by our stakeholders. They are listed here in order of material importance to those stakeholders.

- | | |
|--|---|
| 1 Customer experience | 11 Governance – risk and opportunity |
| 2 Citizenship and community engagement | 12 Society and community |
| 3 Sustainable supply chain | 13 Employee engagement and retention |
| 4 Safety, health and wellbeing | 14 Stakeholder engagement |
| 5 Labour standards and human rights | 15 Reward scheme |
| 6 Carbon | 16 Water |
| 7 Waste | 17 Diversity |
| 8 Materials standards | 18 Governance – reporting and assurance |
| 9 Business ethics | 19 Environmental incidents |
| 10 Training, education and apprenticeships | 20 Biodiversity |

Key:

- People and communities
- Environment
- Marketplace
- Governance

Key external stakeholders attending our CR/sustainability engagement and consultation meetings 2015

We undertook two stakeholder engagement meetings in March 2015 with representatives from the following client, investor and NGO organisations as well as employees representing each business division.

Aberdeen Asset Management
 Anglian Water
 Argent
 British Land
 Broker Profile
 Canal and River Trust
 Crossrail

EDF Energy
 Education Funding Agency
 Genesis
 Grainger Plc
 Highways England
 Macmillan Cancer Support
 Northamptonshire County Council

ProCure 21+
 Staffordshire County Council
 Thames Water
 Watford Borough Council

Benchmarking our performance

Business in the Community

BITC is a business-led charity with which Kier has had a relationship since 2008. BITC works with hundreds of businesses to help tackle key issues facing society by being a critical friend, and through practical guidance and creative solutions that help businesses review, improve, measure and report.

Kier uses the BITC Corporate Responsibility ('CR') Index, a self-assessment tool that provides an insight into how leading companies are driving responsible business practice. Since our first submission in 2008 we improved our performance achieving BITC's highest ranking of Platinum Big Tick in 2013 which we were entitled to retain for two years.

In 2014, BITC re-calibrated its scoring system making the Index around 10% more challenging and more in-depth. Despite retaining platinum status we undertook a private benchmark to assess our performance. The new system meant different percentage weightings for different categories, additional questions and categories to complete and a completely revised rating based on one to

2015 CAESER Supplier Sustainability Report

Kier has improved its 2015 score in the Government's sustainability supplier report under the Corporate Assessment of Environmental, Social and Economic Responsibility ('CAESER') assessment scheme.

As a supplier to Government and local authorities we have signed up to the Supplier Intelligence Database ('SID4GOV'). This database captures key supplier information that can lead to more efficient and effective public procurement.

CAESER is the forum by which we are assessed on key principles such as the UN Global Compact, the International Labour Organization's Conventions, the Ethical Trading Initiative and the International Chamber of Commerce Charter as well as Governmental standards.

five stars. The result of our 2015 submission shows that we achieved 87%, putting us within the 2.5 star rating. Under the old rating system this would have seen us retain our Platinum status. This performance compares favourably with the 85% we received in the private assessment completed during 2014. Our improvement was in part related to a better approach to stakeholder engagement by Kier.

We acknowledge that due to the increased size and complexity of the Group and its different business streams, and also ongoing exercises to integrate newly acquired businesses, we will struggle to make great strides in improving on this. In this context, we are also determined to use the BITC CR Index as a business improvement tool and as part of our wider stakeholder engagement process to identify material issues for our Group.

CAESER addresses the following key sustainability areas:

- Environmental protection;
- Labour standards;
- Human rights;
- Health and safety;
- Ethical conduct and compliance;
- Economic development; and
- Special areas according to business activity.

All scoring is calculated according to each company's specific line of questioning sustainability impacts relevant to our operations. On completion of the annual questionnaire a report is produced which highlights how we compare against industry standards and best practice. The report also provides guidance on how we can improve our sustainability performance.

Below are the results of the 2014 and 2015 surveys:

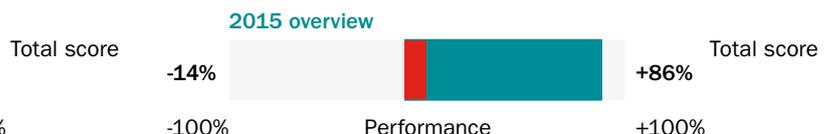
87%

Score
in Business in the Community CR Index (2015), up 2% from 85% in 2014



86%

Score
in CAESAR 2015 assessment, up 6% from 80% in 2014



Benchmarking our performance continued

GRI G3 C+[▲]

This year we have achieved Level C+[▲] on the GRI reporting framework. Our ambition is to report to G4 from next year.

Global Reporting Initiative

The GRI is an independent organisation that has worked with many global stakeholders to define a framework to reporting issues of economic, governance, social and environmental impact. For several years Kier has reported against the GRI framework that defines items against which organisations are encouraged to report and which aims to provide clarity, transparency and

comparability. We have committed to moving to G4, the next iteration of the framework, from 2016 but have maintained our reporting to G3 for this year. Our CR Report has been self-assessed by the Group's corporate responsibility team. Details of the way we measure our performance are explained in our reporting guidelines, available on our website at www.kier.co.uk/corporate-responsibility/downloads.

Profile	Description	Status	Reference/Notes
1.01	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and its strategy.	Fully	CR report (1)
2.01	Name of the organisation.	Fully	CR report (front cover)
2.02	Primary brands, products, and/or services.	Fully	CR report (2, 3)
2.03	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	CR report (2, 3), annual report and accounts (164-166)
2.04	Location of organisation's headquarters.	Fully	Annual report and accounts (168) and website – www.kier.co.uk
2.05	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	CR report (2, 3), annual report and accounts (164-166)
2.06	Nature of ownership and legal form.	Fully	Annual report and accounts (164-166)
2.07	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	CR report (2, 3), annual report and accounts (12-13)
2.08	Scale of the reporting organisation, including: number of employees; net sales or net revenues total capitalisation broken down in terms of debt and equity; and quantity of products or services provided.	Fully	CR report (inside cover) and annual report and accounts (1, 2, 3)
2.09	Significant changes during the reporting period regarding size, structure, or ownership including: the location of, or changes in operations, including facility openings, closings, and expansions; and changes in the share capital structure and other capital formation, maintenance, and alteration operations.	Fully	Annual report and accounts (4, 10, 41)
2.10	Awards received in the reporting period.	Fully	CR report (14, 15)
3.01	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	Website – www.kier.co.uk
3.02	Date of most recent previous report (if any).	Fully	CR report (front cover)
3.03	Reporting cycle (annual, biennial, etc.).	Fully	Website – www.kier.co.uk
3.04	Contact point for questions regarding the report or its contents.	Fully	CR report (back cover) and website – www.kier.co.uk
3.05	Process for defining report content, including: determining materiality; prioritising topics within the report; and identifying stakeholders the organisation expects to use the report.	Fully	CR report (1, 18)
3.06	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	CR report (2, 3) and annual report and accounts (164-166)
3.07	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	CR report (7, 8, 11, 12, 14, 17)
3.08	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Fully	Annual report and accounts (30, 164-166)

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

Profile	Description	Status	Reference/Notes
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	CR report (10) and annual report and accounts (1, 56)
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	CR report (10, 14) and annual report and accounts (4, 10, 41)
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	CR report (20)
4.01	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Fully	Annual report and accounts (61-72)
4.02	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement).	Fully	Annual report and accounts (64)
4.03	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	Annual report and accounts (61-72)
4.04	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	CR report (18)
4.14	List of stakeholder groups engaged by the organisation. Examples of stakeholder groups are: communities; civil society; customers; shareholders and providers of capital; suppliers; and employees, other workers and their trade unions.	Fully	CR report (18)
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	CR report (5)
EN3	Direct energy consumption by primary energy source.	Fully	CR report (12)
EN4	Indirect energy consumption by primary source.	Fully	CR report (12)
EN5	Total energy saved to reduce energy/increase efficiency.	Fully	CR report (11)
EN8	Total water withdrawal by source.	Fully	CR report (13)
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	CR report (13)
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	CR report (12)
EN22	Total weight of waste by type and disposal method.	Fully	CR report (12)
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities.	Fully	CR report (7, 8)
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	CR report (9)
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	CR report (9)
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	CR report (10)
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	Fully	CR report (15)
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	CR report (14)

Kier's Corporate Responsibility Report can be found at: www.kier.co.uk/crr2015.

The Kier Foundation and Macmillan Cancer Support

The Kier Foundation's fundraising efforts support the Kier Group's charity partner, currently Macmillan Cancer Support, and the causes close to Kier employees' hearts.

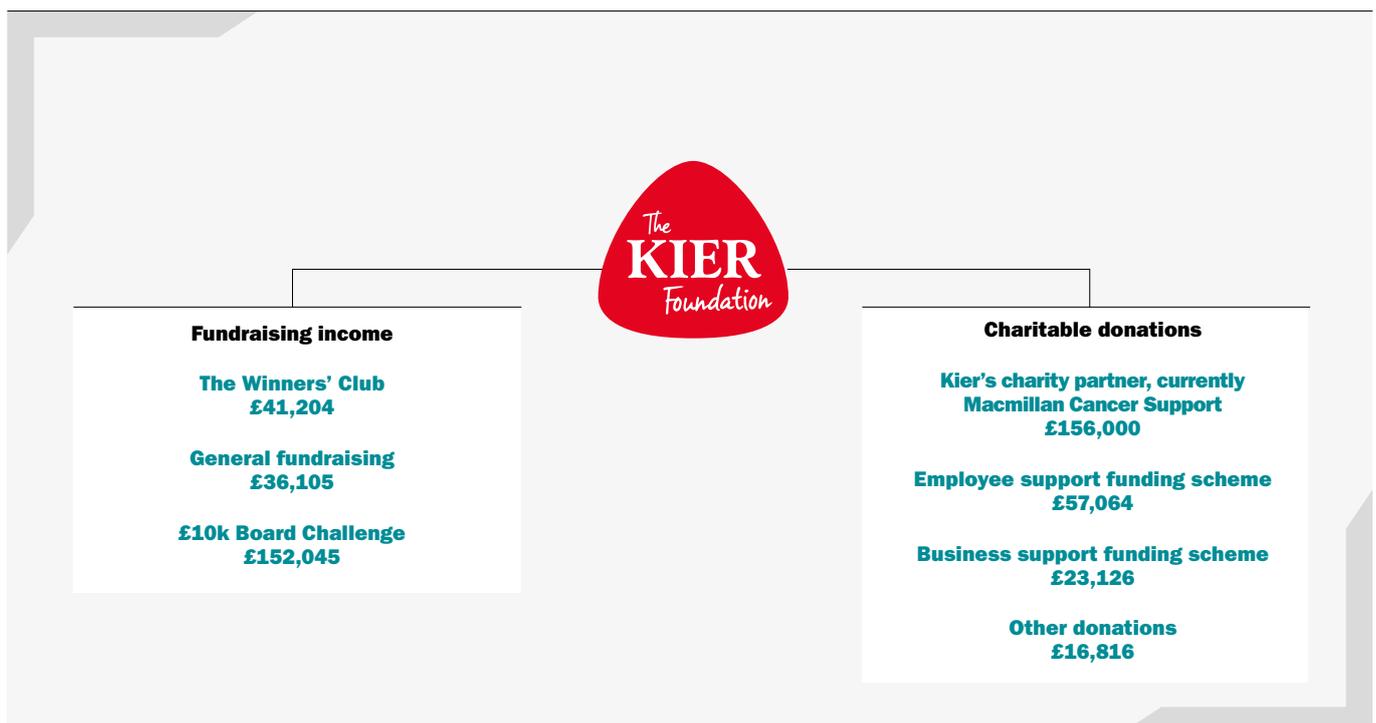
In 2014/15 The Kier Foundation completed its first year of partnership with Macmillan Cancer Support, donating over £222,256[▲] to the cancer charity through donations and sponsorship of employees' fundraising initiatives. A further £38,000 has been raised by Kier employees in their own fundraisers, with a large proportion of this being generated by the 31 sites and offices participating in Macmillan's national event, the World's Biggest Coffee Morning.

The partnership with Macmillan has also focused on raising awareness of the signs and symptoms of cancer to employees and promoting the services they offer to people affected by cancer including the

grants service, benefits helpline and nurses. The communication platforms have included leading news stories on the Kier intranet, MyKier, and mailings to employees' home addresses. This has contributed to Kier's overall approach to improved wellbeing for all its employees, and goes beyond the more typical approach to health and safety.

Aside from The Kier Foundation's partnership with Macmillan, employees can apply for up to £200 in additional sponsorship for a charitable activity they are taking part in, up to twice a year. This scheme has significantly increased during this financial year with applications increasing by more than 50% to a total of 153. These applications have benefited the charitable activities of 285 Kier employees and 90 individually registered charities.

To fund these donations The Kier Foundation draws on the fundraising activities of Kier's businesses. However, the regular source of income continues to come from the employee-only lottery, the Kier Winners' Club. The Club opened up to non-monthly paid staff in March 2015 and in the year membership grew by more than 1,000 members. Subsequently, prize money also increased with the fund for first prize being capped at £5,000 and a second prize being introduced. During the year the Winners' Club produced £36,000 of income for The Kier Foundation. Aside from the Winners' Club, The Kier Foundation's main source of income is from the '£10k Board Challenge' which tasks each board within Kier to raise £10,000 for The Kier Foundation, replenishing its funds and allowing its charitable activities to continue.



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

During 2015/16 The Kier Foundation hopes to grow on its partnership with Macmillan even further by promoting their challenge events, such as cycle rides and fun runs, alongside a wellbeing programme for employees. The Foundation is also looking at ways

to communicate Macmillan's key messaging beyond its own employees and is hoping to extend its reach to include pension members and Kier's clients. The Foundation will review its charity partner in the summer of 2016.



Connor's Cave

In line with Kier's ambition to deliver additional social value, more than 50 colleagues teamed up to help 13-year-old Connor Thompson from Nottingham, who suffers from spinal muscular atrophy – a rare condition that means he is wheelchair bound.

The team, together with previous charity partner, Barnardo's, transformed a derelict garage in Connor's garden into a £25,000 Formula One-inspired 'man cave'. The refurbished space gave Connor somewhere to relax and enjoy himself, away from his medical equipment filled bedroom.

Jason Brown, Kier's pre-construction manager, added: "We were inspired to move quickly and take this challenge on after the family was let down by another company.

"There's been lots of kind help, support, muscle, sweat, and good ideas and laughter."

The project was made possible through the enthusiasm of our employees, its ongoing relationship with children's charity Barnardo's, drawing on the support of Kier's supply chain and a grant issued from The Kier Foundation.



Macmillan and wellbeing events

Alongside delivering fundraising activities in aid of Macmillan, Kier also aims to use the partnership to increase employee awareness of the signs and symptoms of cancer and signpost them to support networks if they are affected by cancer.

Wellbeing events have taken place in locations across the Company within the year, which has included the head office in Bedfordshire. The event was open to all Kier employees on site and invited a number of agencies, institutions and businesses along to promote health and wellbeing messages, including Macmillan.

Employees were given the chance to sign up for a health MOT, providing the chance to evaluate a general level of health and fitness with a nurse, and speak with qualified experts about becoming healthier. Macmillan were on hand to give advice on their services, and encourage employees to sign up to 'challenge events' such as runs and cycle rides which both raise funds for the charity and increase employee wellbeing.

Case study: Glasgow Fort



Co-operating with clients on sustainability

On behalf of our client British Land, Kier constructed a 112,000 sq ft extension to the Glasgow Fort shopping centre. In addition to extra retail and restaurant space, the project includes significant alterations to approach roads and car parking facilities, to improve access for shoppers.

Enhancing sustainability performance was a critical aspect of the project. We worked with British Land to use Glasgow Fort as a pilot project for their Supply Chain Sustainability Charter. As part of this, we helped British Land to develop a range of social, environmental and economic sustainability matrices and measurement tools, to use in its procurement criteria. This will help improve its sustainability performance through procurement.

Using specialist software, we produce detailed reports setting out our achievements against targets for a wide range of sustainability metrics, including health and safety, waste, electricity and diesel use, labour practices and employment, and skills and capacity building. At the same time, the CCS reported that we have achieved 'exceptionally good' and 'excellent' performances in relation to safety, staff welfare, training, protecting the environment and community engagement.

In parallel, British Land has taken part in our stakeholder engagement meetings, which provided crucial input to our own sustainability strategy. The work has also helped us achieve high levels of client satisfaction, positioning us to bid for future work with this important client. At the same time, the focus on looking after and developing our people on site has contributed to their engagement, motivation and performance.

Strategy in action: this project demonstrated how four out of the Group's six strategic priorities in Vision 2020 are being supported in one of our day-to-day operations:

-  Operate a safe and sustainable business
-  Accelerate growth to be a top three player in our chosen markets
-  Achieve top quartile performance and efficiency
-  Provide sector-leading customer experience

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 the Kier Group Corporate Responsibility ('CR') Report for the year ended 30 June 2015.

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 Performance Indicators for the year ended 30 June 2015 have not been prepared, in all material respects, in accordance with the Reporting Criteria; and
- The declared GRI application level of C+ is not fairly stated in accordance with the GRI G3.1 Sustainability Reporting Guidelines.

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 to provide limited assurance over the information marked with the symbol ▲ in the Kier Group CR Report 2015. The Selected Information and the Reporting Guidelines 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 Group CR Report 2015.

Selected Performance Indicators

The Selected Performance Indicators consist of:

- Time (hours) spent by staff on fundraising by man hours and total value of time spent on fundraising;
- Monies donated and monies raised through sponsorship and other fundraising activities;
- UK RIDDOR Accident Total;
- Number of employees/supply chain members in specified registered development programmes by type;
- Scope 1 and 2 carbon dioxide equivalents (CO₂e) including the intensity ratio (emissions CO₂e/£m revenue); and
- Client satisfaction and client experience.

We assessed the Selected Information using Kier's Reporting Guidelines as outlined at <http://www.kier.co.uk/corporate-responsibility/downloads¹>.

Declared GRI application level

We assessed Kier's declared GRI application level of C+ against pages 1 to 3 of the GRI Application Levels section of the GRI G3.1 Guidelines available at <https://www.globalreporting.org/resource/library/G3.1-Guidelines-Incl-Technical-Protocol.pdf>.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 '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 apply 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 & Ireland) 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 Guidelines, 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 non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Guidelines used for the reporting of the Selected Information are as at 30 June 2015.

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 Guidelines when presented on Kier's website.

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 CR reporting;
- Evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- Performed limited analytical procedures and substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported;
- Assessed the GRI Content Index for compliance with the GRI application level requirements for C+; 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 Guidelines for preparing the Selected Information;
- Measuring and reporting the Selected Information based on the Reporting Guidelines; and
- The content of the Kier Group CR Report 2015 including the GRI Content Index.

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 directors of Kier as a body in accordance with the agreement between us, to assist the directors in reporting Kier's Group CR performance and activities. We permit this report to be disclosed in the Kier Group CR Report for the year ended 30 June 2015, 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 directors as a body and Kier for our work on this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP Chartered Accountants

1 Embankment Place
London
WC2N 6RH

16 September 2015

Notes

Notes

Alan M Smith

Director of Group Corporate Responsibility

Kier Group plc

Tempsford Hall, Sandy
Bedfordshire SG19 2BD
Tel: 01767 355000
www.kier.co.uk

