



**Building the foundations
for a sustainable future**

Annual Report and Accounts 2021

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COMPANIES HOUSE

Resilient delivery

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Every day, people around the world live, work and play on ground prepared by Keller, the world's largest geotechnical specialist contractor.

Whatever the size of the project, we have the people, expertise, experience and financial stability to respond quickly with the optimum solution, execute it safely and see it through to a successful conclusion.

keller.com/investors

Highlights

Group highlights

€2,224.4m  8%

Revenue
(2020: €2,062.5m)

€1.3bn  30%


Order book
(2020: €1.0bn)

€92.8m  16%


Underlying operating profit
(2020: €110.1m)

€62.1m  51%

Statutory profit after tax
(2020: €41.1m)

4.2%  110bps

Underlying operating margin
(2020: 5.3%)

€119.4m  1%

Net debt¹
(2020: €120.9m)

88.4p  8%

Diluted underlying earnings per share
(2020: 96.3p)

35.9p  No change

Dividend
(2020: 35.9p)

Financial highlights

	Underlying		Statutory	
	2021	2020	2021	2020
Operating profit (€m)	92.8	110.1	80.5	77.0
Operating margin (%)	4.2	5.3	3.6	3.7
Return on capital employed (%)	14.4	16.4	12.5	11.5
Profit after tax (€m)	63.8	68.6	62.1	41.1
Net debt (€m)	119.4¹	120.9 ¹	193.3²	192.5 ²

¹ Net debt is on a covenant basis. Reconciliation to statutory numbers is set out in the adjusted performance measures section on page 185

At a glance

At its simplest, we get ground ready to build on, providing solutions to geotechnical challenges across the entire construction sector. We have the people, expertise, experience and financial stability to respond quickly and see projects through safely and successfully.



Our purpose

Building the foundations for a sustainable future.

Our vision


To be the leading provider of specialist geotechnical solutions.

Strategy

To be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects generating sustained value for our stakeholders.

Our local businesses will leverage the Group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments.

- | | |
|--|--|
|  A balanced portfolio |  Operational excellence |
|  Engineered solutions |  Expertise and scale |

 For more information
See page 18

Our values

Our values are what we have judged as most important to how we work with colleagues and customers across the globe.



What we do

Using our industry-leading portfolio of techniques, our engineers can design the best solutions that reduce materials, cost and time for our clients.

For more information
See page 12

Our organisation

Deep foundations	Grouting	Earth retention
Ground improvement	Marine	Instrumentation and monitoring
Post-tension systems	Industrial services	

North America

North-East
South-East
Florida
Central
West
Canada
Specialty Services
Moretrench Industrial
Suncoast

For more information
See page 20

Europe

Central Europe
North-East Europe
South-East Europe and Nordics
South-West Europe
UK

For more information
See page 22

AMEA

(Asia-Pacific, Middle East and Africa)

ASEAN
Austral
India
Keller Australia
Middle East and Africa

For more information
See page 24

19 business units	6,000 contracts executed	£25k to £10m typical range in	£375k average project value
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Investment case

Firm foundations

Resilient revenues

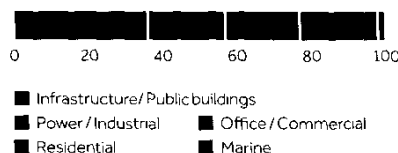


- Operating globally in a number of sectors gives us the resilience to trade through national cyclicality
- Good access to all markets with no overweight exposure
- Geopolitically secure

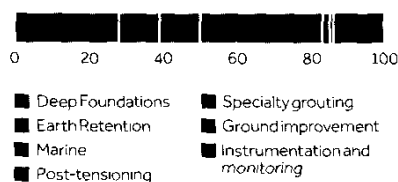
Diverse geographies (2021):



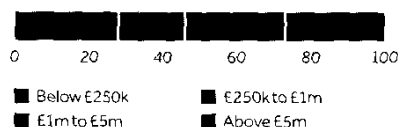
Diverse market sectors (2021):



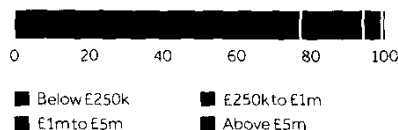
Diverse products (2021):



Diverse range of contract values (2021):



Diverse number of contracts by value (2021):



Sustainable margins



Specialist project profile

- Geotechnical solutions: niche sub-sector with operating margins of 5%+ (10-year average)
- Typically geotechnical contracting is around 0.5% of the construction market

Operating margin

Keller has a higher margin versus general contractors (10-year average)



Keller versus general contractor – business model

Keller ground engineering

- Early stage
- Lower cyclicality
- Specialist design capability
- A mix of contracts
- Higher margin
- Resource base
- Positive working capital

General construction

- Longer, larger projects
- National focus
- Higher cyclicality
- Integration of multiple suppliers and subcontractors
- Low asset base
- Low to negative working capital

Market Size – Room to grow

£35bn Global geotechnical contracting market

£2bn Keller today

Proprietary equipment and specialist skills

- World's largest equipment fleet with flexibility to move between markets to match local demand
- 1,500 geotechnical engineers; over 200 focused purely on design
- 50% of projects are 'design and build' where value engineering can reduce cost by up to 40% and save time
- Manufacturing and servicing of our own equipment where there is competitive

Cash generative



Inherently strong cash flow characteristics



□ Net cash from operating activities before non-underlying items

■ Underlying EBITDA ■ Cash conversion

- 10-year cash conversion rate of 100%
- 10-year aggregate underlying EBITDA of £1.610m
- 10-year aggregate cash from operations before non-underlying items of £1.618m

Robust asset backed balance sheet with significant funding headroom

Balance sheet strength

- Strong working capital controls aligned to performance targets
- Historically strong cash conversion

Comparison to general contractor

- Virtually no advance/prepayments received from customers
- High volume short duration contracts
- Minimal inventory

Client risk management

- Large and geographically/industry diverse client base
- Thorough credit review process and strong customer relationships
- Credit insurance cover

Credit rating

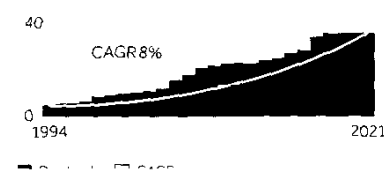
- NAIC 2c rating (equivalent to Investment Grade)

Quality lender base and strong liquidity

- £375m RCF funding
- \$75m US Private Placement
- £76m other borrowing facilities

27 years of uninterrupted dividend payments since listing

Dividend per share (p)



Sustainable future

Favourable market trends



- **Construction sector relevant post-COVID**
- **Growing urbanisation**
- **Growing infrastructure spend**
- **Increased focus on ESG**
- **Urbanisation and renewal demand more sophisticated solutions**
 - Population growth and aging infrastructure
 - Larger, taller structures requiring technically demanding foundations
 - Cramped inner-city construction requiring innovative and sustainability techniques
 - Geotechnical solutions key to development potential of brownfield sites

We operate in nearly all major metropolitan areas around the world and have the resources and skills to deliver to this scale and complexity.

Focused strategy



To be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, generating long term value for our stakeholders

Our local businesses will leverage the Group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments

Our objectives

Balanced portfolio

We select sustainable markets (geography, sector and products) in which to set up base businesses, and attractive projects

Engineered solutions

We offer the best solutions to our customers by providing alternatives and value engineering, and invest in innovation and digitisation

Operational excellence

We are the operational leader providing safe, efficient, on-time and high quality delivery and relentlessly strive to improve our operational capability

Expertise and scale

We develop our people, processes and assets and leverage the global strength of our technical, operational, commercial and financial resources

Strong governance



Strong Board and experienced management

Diverse and experienced teams in place for next phase of growth

Board

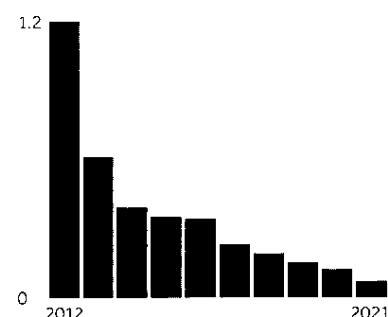
- See pages 70, 71 and 82 for Board experience
- Four nationalities
- 57% female representation

Executive Committee

- See pages 72 and 73 for Executive Committee experience
- Five nationalities
- 18% female representation

Industry leading health and safety performance (See pages 58 to 61)

Accident frequency rate



Sustainability – our definition and focus (See page 42 for our ESG and sustainability report)

Chairman's statement

Peter Hill CBE



2021 demonstrated the remarkable resilience of our company, this stands us in good stead for 2022 and the years ahead.



A resilient year

Keller undoubtedly proved its resilience in 2021, overcoming the many challenges posed by COVID-19 whilst further rationalising the business portfolio, completing a number of bolt-on acquisitions, delivering another strong set of results which were ahead of market expectations and maintaining the dividend.

This time last year, the world was gripped by the challenges of the global pandemic, and we were correct when we said that the late cycle nature of our business made us cautious about the associated short-term economic impact as we went into 2021. Whilst the pandemic continued to impact the Group during the year, we successfully navigated our way through a myriad of challenges across our geographies, protecting our employees at the same time as progressing our projects, large and small, while still delivering on our strategy. We made good progress during the year, delivering a strong financial performance above market expectations and demonstrating the resilience of our operating model.

Led and executed by our leadership team, we have made good progress delivering on our strategy, to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, generating long-term value for our stakeholders. We have made further strides in rationalising the portfolio as well as a small number of attractive bolt-on acquisitions that all help advance our strategy. In what was operationally another challenging year, our successes can be attributed to our leaders globally and their focus of leading by example and employing our core values of integrity, collaboration, a drive for results and overall excellence. I would like to thank our exceptional people around the world, not only for their hard work, but also for their resilience and determination which have ensured that we are emerging stronger from the pandemic.

Keller continued to generate healthy cash flows that we have re-invested in our business as well as delivering sustainable cash returns in the form of dividends to our shareholders.

Health, safety and wellbeing

The health, safety and wellbeing of our employees is of utmost importance, and the rigour that is deployed in this area is reflected in our continued overall improving trends. The Group's accident frequency rate (AFR) reduced by 42% compared with 2020, and our AMEA Division had an outstanding year, achieving an AFR of zero. We are very proud of our industry-leading performance and improving track record.

However, at the beginning of the year, a tragic fatality occurred following an accident on a site in Austria in which we lost a long-serving and valued employee. Whilst it has been determined Keller was not at fault for the accident, the incident has caused us to redouble our efforts and we have continued to advance our safety programmes.

The global COVID-19 pandemic continued to create operational challenges in 2021. The Group has actively encouraged and supported employees to become vaccinated against COVID-19 wherever possible. However, I'm greatly saddened that as a Group we have lost eight colleagues due to COVID-19 related illness. Whilst we believe none of these cases were related to the workplace, we have taken great care in supporting the families through their bereavements. The vaccination status of those that have died is consistent with the external benchmark globally and supports our active approach to encourage our workforce in becoming vaccinated.

In recognition of the benefit of free vaccination that many of the Group's employees and their families have received from their national governments, the Board approved a funding contribution of £300,000 to UNICEF's COVID-19 Vaccines Appeal. This amount approximately equates to the cost of vaccinating the Keller workforce and their immediate families and is helping UNICEF deliver 1.9 billion doses of vaccines for frontline health workers, social workers, teachers and those at highest risk.

In an ever-changing world, it has never been more important to support employee health and wellbeing. We recognise this and therefore launched our first-ever Wellbeing Foundations, which helps our business units support and develop the body, mind, community, growth and financial security wellbeing of our employees worldwide.

Building on our Environmental, Social and Governance (ESG) agenda

As the Director responsible for ESG and sustainability on the Board, I am passionate and committed to this topic. To reflect the growing importance of ESG matters and to provide greater focus and oversight, we announced in July that the Board had established two new Board Committees: the Environment Committee and the Social and Community Committee. In addition, the Audit and the Nomination Committees were renamed the Audit and Risk Committee and the Nomination and Governance Committee respectively, to better reflect their remit. Further detail with regard to the membership and terms of reference for these Committees can be found on page 78.


We define ESG and sustainability according to our four Ps: Planet, People, Principles, and Profitable projects. Beneath each P, we have a number of global and local initiatives aligned to the UN Sustainable Development Goals (SDGs). These provide a common language for us to communicate sustainability initiatives to our stakeholders worldwide. In terms of global initiatives, under Planet we focus on carbon reduction (SDG 13), under People, we focus on safety (SDG 3) and gender equality (SDG 5); and under Principles we focus on good governance (SDG 16). In addition there are a number of other SDG initiatives that are being supported at local business level that are relevant and appropriate to their community context. Further detail can be found on page 42.

Importantly, in respect of carbon reduction, we have set ambitious and achievable net zero targets by 2050. We believe that carbon targets are essential to mitigate global climate-related risks while we pursue climate-related opportunities in our operations and contracts. We divide our emission targets using the scopes set out in the Greenhouse Gas Protocol. We will be net zero across all three emission scopes by 2050; net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on Operational Scope 3. We have begun implementing the short, medium and long-term actions required to achieve these goals, helping the Group live up to its purpose of 'building the foundations for a sustainable future'. Our full report on ESG and sustainability is set out on pages 42 to 65.

Section 172 statement and Code compliance

The Directors have acted to promote the success of the company for the benefit of shareholders, whilst having regard to the matters listed in section 172 of the Companies Act 2006 during 2021.

In addition, the Board and the company fully applied the principles and complied with the provisions of the UK Corporate Governance Code.

 **For more information**
See pages 69 and 76

Chairman's statement continued

We have many ongoing initiatives under our People agenda. Having launched our Inclusion Commitments, our focus in 2021 was on giving our teams the understanding and the means to contribute to our aspiration to become a diverse, equitable and inclusive workplace.

An important part of good governance is listening to and understanding the views of our stakeholders. Towards the end of the year we commissioned a third party to undertake an independent audit of a number of investment managers. The outcome has not only enabled the Board to obtain a deeper level of understanding of the views of our shareholders and potential investors, but also gives the Executive management additional input as they formulate the strategy for the medium term. We will repeat the exercise in the future so that we can maintain a momentum of continuous improvement and monitor our progress.

Developing our Board

When I arrived in 2016, I set out an ambition to have a Board from multiple industries and geographies that had varied and valuable experiences as well as gender and ethnic diversity. We have achieved that goal. I believe that different viewpoints and experiences ensure that better informed decisions are made when applying judgements in challenging circumstances. We have made great strides in achieving a diverse Board, particularly in respect of female representation which will stand at 43% following the AGM.

We have met or exceeded the diversity targets we set ourselves in the Board's Diversity Policy and as recommended by the Hampton-Alexander and Parker Reviews, which set targets of a 33% female share of Board Directors by 2020 and a minimum of one Board Director from an ethnic minority background by 2022.

On 1 February, we announced the appointment of Juan G. Hernández Abrams, who has joined the Board as an independent Non-executive Director and will be Chair of the Environment Committee. His biography is set out on page 70. Juan brings rich and diverse experience to the Board and I warmly welcome him to Keller.

On behalf of the Board I would like to pay tribute to Nancy Tuor Moore for her significant contribution since joining the Board as a Non-executive Director in 2014 and her valuable input at various committees – the Audit, Nomination, Remuneration and Workforce Engagement and Chair of the Health, Safety, Environment and Quality Committee. The Board and the wider Group have benefitted greatly from her extensive knowledge and experience, particularly of the US engineering and construction sector, and we wish her well.

Maintaining the dividend

We are all very proud of our dividend history and recognise its importance to shareholders. Even through very challenging times we have consistently increased or maintained the dividend over the last 27 years since first listing on the London Stock Exchange, one of only a few UK listed companies to have achieved this.

The continuation of dividend payments during the challenging macro environment of 2020 and 2021 reflected the financial strength of the Group, its significant liquidity position and the longer-term confidence in the performance of the business. As we advance through 2022 the Board will review recommending a progressive dividend.

The Board is recommending the payment of a 2021 final dividend of 23.3p per share (2020: 23.3p per share) to be paid on 1 July 2022 to shareholders on the register as at the close of business on 6 June 2022.

Peter Hill CBE

Chairman

Approved by the Board of Directors and authorised for issue on 7 March 2022.



We are very proud of our dividend history, we have consistently increased or maintained the dividend over the last 27 years since first listing on the London Stock Exchange, one of only a few UK listed companies to have achieved this.



Case study

Cutting carbon on Europe's largest project

Keller is trialling carbon reduction measures on HS2, the next phase of the UK's high-speed rail network and Europe's largest infrastructure project.

Improvements include running static plant with electricity where possible rather than diesel, and replacing diesel with hydrotreated vegetable oil (HVO) in several drilling rigs. HVO can be used in regular diesel engines and reduces CO₂ by a massive 90%.

Another carbon saving has come from optimising the design of some of the foundational elements to reduce the use of cement, which has a large carbon footprint. The team reduced the thickness of the diaphragm wall panels from 1.2m to 1m, without compromising quality. This also had

The team has also reduced cement consumption when grouting rock fissures ahead of bored pile and diaphragm wall construction. Instead of using microfine cement grout to reduce permeability, they used a cement bentonite grout and only targeted the largest fissures where leakage of the bentonite support fluid was a risk. This meant much less cement was used overall.

Where Keller is installing large-diameter bored piles, the team has found ways to recycle and reuse waste bentonite, drastically reducing the amount going to landfill and the associated carbon emissions of transportation.

All the lessons learnt from these trials have been captured in a carbon reduction guide. This will be shared with the wider organisation.



As a large-scale, long-term project, with a sustainability-focused client, HS2 provides the perfect opportunity to explore various carbon-reduction methods. Sharing the lessons learnt will help inform our colleagues on other projects around the world what is possible."

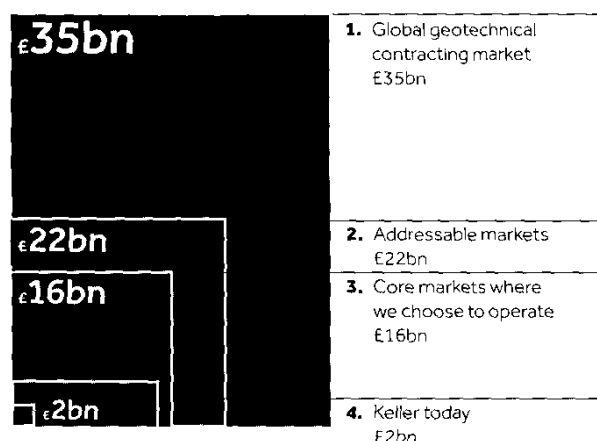
David De Sousa Neto
Deputy UK Managing Director

Our market

Our purpose is to build the foundations for a sustainable future.

While we are the world's largest geotechnical specialist contractor, we still have potential to grow our market share in our chosen regions. Our business units are designed to understand their local markets whilst leveraging the Group's scale and expertise. This combination delivers the engineered solutions and operational excellence that drive market leadership.

A strong position but plenty of room to grow

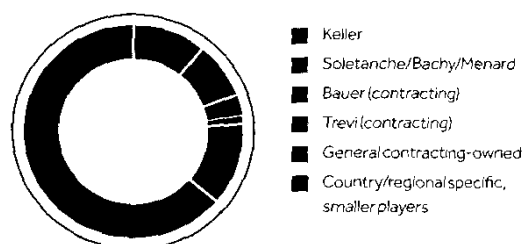


Non-addressable markets are mainly China, North and South Korea, Japan and Russia.

1 USD ≈ 0.75 GBP

Global construction market €8,500bn 2020

Share of addressable market €22bn¹



Market potential

Variety of projects and sectors

6,000

projects per year

Our projects are spread across all construction sectors and vary in scale, location, end use and geotechnical technique. Project value is typically between €25k and €10m, usually short duration and with an average value of €375,000.

Diverse global market

13%

market share in core markets

Operating globally in differing countries and across the construction sectors, from residential to infrastructure, gives us the resilience to trade through national cyclicalities. The geotechnical market is estimated¹ to be around €35bn worldwide, which includes China, Japan, Korea and other regions of the world where we are not present. In the countries where we choose to operate our core markets are around €16bn. We choose to operate in sustainable markets that appreciate the value of the products and services Keller provides, have a consistent material demand for those services, and an acceptable level of risk. With an annual turnover of more than €2bn, we have a 13% share of those core markets today, and plenty of opportunity to secure greater market share.

Diverse customer base**3%**

revenue from largest customer

We have a large client spread which means we're not overly reliant on a few customers. We have many repeat customers and, consistent with the prior year, in 2021 our largest customer represented 3% of the Group's revenue. We mostly serve as a subcontractor working for a general contractor; however, sometimes we also contract directly with ultimate client organisations.

Fragmented competition**£22bn**

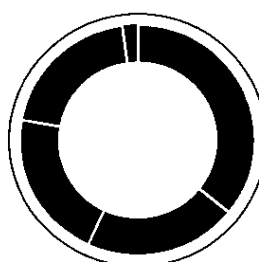
addressable markets

We have three types of competitor. Type one is the global geotechnical contractor, of which there are three, but not all are present in all markets. Type two is general contracting-owned. Type three is local competition with low overheads operating in a small region.

Niche sub-sector**4.2%**

Keller's underlying operating margin (2020: 5.3%)

Geotechnical specialist contracting is an important but niche sub-sector that commands higher margins than general construction. Typically geotechnical contracting is around 0.5% of the construction market.

Our sectors**Share of our 2021 revenue**

Infrastructure/public buildings	36%
Power/industrial	21%
Residential	21%
Office/commercial	20%
Marine	2%

Favourable market trends

Despite the impact of the COVID-19 pandemic, the long-term trends in the global construction market remain positive. Our Group strategy is designed to capitalise on these trends.

Infrastructure renewal

As populations grow and infrastructure ages, there's an imperative to invest in new and greater capacity. Geotechnical solutions are often complex and sophisticated and large-scale and cramped metropolitan environments can present additional technical challenges. We have the resources and skills to deliver to this scale and complexity, a reputation for delivery and the proven ability to team up successfully with our customers and partners.

Demand for complete solutions

Geotechnical solutions increasingly require multiple products. Our broad product portfolio ensures we can design an effective and efficient solution while our project management capabilities mean we can integrate other subcontractors and deliver 'turnkey' contracts. This reduces the number of interfaces for our customers to manage and reduces risk.

Technical complexity

The construction market is becoming more digital and sites are increasing in sophistication and complexity. We have a strong history of innovation.

We leverage our in-house equipment

systems to control and record our processes, and share information with our customers and the rest of the supply chain. We can integrate instrumentation and monitoring solutions and are Building Information Modelling (BIM) capable.

Urbanisation

As cities expand they require more sophisticated solutions. Larger, taller structures need more technically demanding foundations to withstand the building loads and provide resilience against climate change and acts of nature such as rising water levels or earthquakes. We have a comprehensive network of regional offices located in major metropolitan areas. This local presence keeps us close to our customers and the opportunities.

Development land shortage

There is a desire to convert more brownfield and marginal land. Geotechnical solutions are at the fore in releasing the development potential of otherwise sterile or derelict areas. Our world-leading geotechnical engineering team, broad portfolio and near shore marine capability, mean we can cope with the most complex challenges when working on

Business model

We are at the beginning of the construction cycle and often one of the first contractors on site.

Getting the project 'out of the ground' is critical to our customers in controlling the early phases of the project, managing risks, saving time and money, and providing a sound platform for the remaining work.

We often assist in the design and development phase with our customers, providing value engineering input and advising on construction processes.

Our products and services are not used just for foundations, they are also used for other applications including earth retention, urban redevelopment and near shore marine structures.

Our key resources and relationships

What we need to make our business model work

Our people

Our track record of successful projects is only possible because of the passion, commitment and enthusiasm of the c10,000 people who work for Keller worldwide. With extensive product knowledge and a deep understanding of their local markets, customers and ground conditions, our teams are empowered to make decisions 'close to the ground'. This is a significant motivator which enables us to attract and retain some of the industry's best talent. Once people choose to join us, they generally choose to stay, many for their entire career.

Our customers

Our network of branches ensures that we build strong, local relationships with our customers that give us insight into market developments and help us stay responsive and competitive. We aim to engage from the earliest stage of a project so we can apply our engineering expertise to drive for high-value solutions that reduce the cost for clients, whilst improving our own profitability.

Our technology

We have a market-leading portfolio of products and services backed with full Computer Aided Design (CAD) and Building Information Modelling (BIM) capability. We have a fleet comprising more than 1,200 rigs and cranes and the flexibility to move equipment between markets to match local demand. We also manufacture and service our own specialist equipment which provides us with a competitive advantage in particular product streams.

Our market focus

Targeting profitable markets that value geotechnical solutions generates long-term value for our stakeholders.

Our financial strength

Our strong balance sheet and cash generation allow us to maintain key resources through the market cycle, reinvest for growth and maintain shareholder distributions.

How we create and capture value

What we do

Opportunity identification

- Our local businesses close to their markets and with enduring customer relationships identify demand.
- A global network supports cross-border collaboration on opportunities (especially important for major projects).

Proposal preparation

- Design engineers and cost estimators with local ground knowledge and capacity create optimum solutions.
- A significant portion of work is won based on design and build tenders.
- Supported by a global network who assist with solution development.

Our Project Lifecycle Management (PLM) Standard ensures that we implement adequate procedures, reviews and controls at all phases of the project lifecycle.



Project Lifecycle Management

What differentiates us?

Global strength and local focus

Local focus

- Our unrivalled branch network and knowledge of local markets and ground conditions means we're ideally placed to understand and respond to a particular local engineering challenge.

Global strength

- Our global knowledge base allows us to tap into a wealth of experience, and the brightest minds in the industry, to find the optimum solution, often combining multiple products. This improves results for customers and profitability for Keller.

Contract agreement

- Commercial teams trained in relevant local laws set up contracts.

Project execution

- Product-specific operations teams, often using specialist equipment, deliver efficiently and effectively (to quality and schedule) and respond to any issues that arise.

Feedback and learning

- Project leadership secures client sign-off and payment.
- Lessons learnt are retained and transferred to the rest of the Group.

The best solutions

- Through knowledge transfer, development of existing and acquisition of new techniques, innovation and digitisation, our engineers have access to the widest range of solutions to solve challenges across the entire construction sector.
- We take a leadership role in the geotechnical industry with many of our team playing key roles in professional associations and

Safety and sustainability

- Our experience of project contracting built over many decades, combined with our Group scale, make us a trusted and reliable partner.
- We have a proven track record of one of the lowest accident frequency rates in our industry.
- We are committed to better understand our contribution to sustainable development and work collaboratively with our customers and stakeholders

The value created

Long-term sustainable value

Employees**c10,000**

(employed globally)

- Commitment to provide a safe workplace and promote mental health and wellbeing.
- A diverse, inclusive environment in which employees can thrive regardless of background, identity and circumstances.
- Stable employment with opportunities to develop and progress, including internationally.

Customers**6,000**

(contracts)

- A 'one-stop shop' for cost-effective geotechnical solutions reducing the interface risk for clients of dealing with multiple suppliers.
- In-depth knowledge of local markets and ground conditions combined with a wealth of experience through our global knowledge base.
- Leading health, safety and environmental performance.

Shareholders**£25.9m**

(total proposed full-year dividend)

- Stable business with a robust balance sheet.
- Inherently strong cash flow characteristics.
- A quality lender base and substantial facilities.
- A 27-year history of uninterrupted dividends.
- Continued growth opportunities.


Communities**B**

(CDP score – above sector average)


- Local employment opportunities, directly and indirectly.
- A focus on the United Nations Sustainable Development Goals where we can have the greatest impact.
- A commitment to reducing the carbon intensity of our work and increasing the quality and granularity of our carbon reporting.
- Participation in many community and charitable events locally.

Chief Executive Officer's review

Michael Speakman



 In a year that has seen COVID-19 continue to challenge our business in so many ways, I am proud of how the Keller team have worked together, demonstrating resilience and agility in safeguarding our people, while supporting the continuing performance and development of our business.



Overview

In a year that has seen COVID-19 continue to challenge our business in so many ways, I am proud of how the Keller team have worked together, demonstrating resilience and agility in safeguarding our people, while supporting the continuing performance and development of our business. We have had a successful year, delivering financial results ahead of market expectations and successfully executing our strategy in very challenging market conditions. We also made further progress in operational safety with a 42% improvement in our overall accident frequency rate.

As we predicted in the summer of 2020, the effect of the COVID-19 pandemic impacted Keller most markedly in 2021, later than other sectors, evidenced by reduced market demand and an associated operating margin compression. We anticipated correctly the timing of the inflection point marking the upturn in demand at around the half way point in the year. We delivered a stronger volume growth than anticipated, particularly in the second half, with significant contract wins and helped by acquisitions, both of which will benefit performance in 2022. However, our 2021 operating profit was negatively impacted, primarily by the COVID-19 adverse pressure on market pricing and operational disruption. Although the Group has suffered higher material and wage inflation, our businesses have been largely successful in passing the majority of these increased costs to our customers, with the exception of steel strand in the Suncoast High-Rise business.

Notwithstanding the tougher market conditions, the Group delivered a resilient performance and further significant strategic progress in the year, continuing to bring more focus to the portfolio by exiting non-core businesses and executing several acquisitions that build our market share in our chosen markets. We have continued the progressive transformation of the Group into a more efficient, more focused, higher-quality business, with industry-leading margins, achieving sustainable operational delivery and cash generation. We expect to see further benefits from these in 2022. Our record order book, now standing at £1.3bn, also gives us confidence for the future.

Financial performance

Group revenue was £2,224.4m, 13% up on the prior year on a constant currency basis, driven by increased activity as markets began to recover, particularly during the second half, with significant contract wins together with the benefit of several bolt-on acquisitions that are expected to benefit the bottom line in 2022.

Underlying operating profit decreased to £92.8m, a reduction of 10% at constant currency, impacted primarily by the COVID-19 adverse pressure on market pricing and operational disruption across our businesses. Although the Group has seen higher than expected material and wage inflation, our businesses have been largely successful in passing the majority of these increased costs to our customers, with the exception of steel strand in the Suncoast High-Rise business.

In North America, disruption, supply chain issues and labour availability caused adverse pressure on profitability, and these are expected to ease going forward. Our Europe Division recovered in performance compared with 2020 and benefitted particularly from large contract wins. In AMEA, our Australia business was impacted significantly by COVID-19 imposed travel restrictions. Our Middle East and Africa business also had an extremely tough year, largely due to COVID-19, despite our successful claim on our Mozambique LNG contract. We are taking action to improve profitability in that business in 2022.

As a result of these factors, the underlying operating margin was 4.2% compared with 5.3% in 2020. We expect a recovery towards our historical margin profile in 2022.

Underlying diluted earnings per share decreased by 8% to 88.4p per share (2020: 96.3p per share), reflecting a decrease in operating profit. This was partially offset by lower financing costs and a lower tax rate reflecting the recognition of a prior year research and development tax credit in North America.

Despite the increased working capital requirement the growth in revenue demanded, the Group continued to generate a strong cash flow performance in the year. The free cash flow funded all the acquisitions in the year and marginally reduced the Group's net debt (on a bank covenant IAS 17 basis) to £119.4m (2020: £120.9m). This resulted in a net debt/EBITDA leverage ratio of 0.8x (2020: 0.7x) (on a bank covenant IAS 17 basis), comfortably within our target range of 0.5x-1.5x and compared to our covenant limit of 3.0x.

Operational performance

The market effects of COVID-19 had a significant impact on the business, particularly early on in the year, with the macro uncertainty driving customer behaviour to halt or delay a large number of projects. We anticipated correctly the timing of the inflection point marking the upturn in demand at around the halfway point in the year. This was reflected in our record order book at the year end of £1.3bn. Whilst we delivered a stronger volume growth than anticipated, particularly in the second half, our operating profit was negatively impacted by adverse pressure on market pricing and operational disruption. Although the business has suffered higher than expected material and wage inflation, our businesses have been largely successful in passing the majority of these increased costs to our customers, with the exception of steel strand in the Suncoast High-Rise business.

In North America, led by Eric Drooff, President North America, revenue increased by 15% (at constant currency) to £1,323.1m and underlying operating profit decreased by 5.6% (at constant currency) to £73.0m. The first half performance benefitted strongly from the resolution of a historical claim, whilst trading activity generally was impacted by the COVID-19 slowdown in the construction market. Business activity increased as the year progressed following the success of vaccination and lockdown containment programmes. This led to increased business confidence and improved market demand. Suncoast was impacted by the continued higher cost of steel strand, partially mitigated by strong demand from the residential single family home market. The higher cost of steel strand has been unprecedented and directly impacted the profitability of the High-Rise segment during the year given the market practice of fixed price contracts. We expect the adverse impact on profitability to unwind during 2022. North American performance benefitted from the inclusion of several acquisitions in the second half of the year, the largest being RECON Services, Inc (RECON), a geotechnical and industrial services company headquartered in Houston, Texas. Similar to Keller's existing Florida-based Moretrench Industrial business, RECON is focused on environmental remediation activities.

In Europe, led by Jim De Waele, President Europe, revenue increased by 5% (at constant currency) to £549.2m and operating profit increased 38% (at constant currency) to £24.3m. Its markets recovered during the course of the year with the easing of COVID-19 related shutdowns and travel restrictions resulting in higher levels of

activity and contract performance. Performance also benefitted from improved efficiencies on site, cost savings following the restructuring activity in the previous year, as well as the advancement of the large High Speed 2 (HS2) rail project in the UK and Sandbukta-Moss-Sastad (SMS2) rail project in Norway. We completed further restructuring with the formation of the new South West Europe Business Unit, further streamlining the Europe Division. In line with our strategy, our joint venture in Finland, KFS Finland Oy, acquired NordPile, a driven and drilling piling contractor.

In AMEA (Asia-Pacific, Middle East and Africa), led by Peter Wyton, President AMEA, revenue increased by 20% (at constant currency) to £352.1m, while operating profit decreased 77% (at constant currency) to £3.4m. The division was the most impacted by COVID-19 of all our businesses during the year with countries and regions, particularly Australia and the Middle East and Africa, suffering lockdown restrictions in advance of vaccination programmes. Operational challenges caused by border restrictions in Keller Australia, and a difficult trading environment in the Middle East and Africa, resulted in both business units reporting a loss for the year. Notwithstanding the wider issues in Australia, Austral had a strong performance, driven by mining and port-related projects in the Pilbara region. In the second half of the year, a substantial settlement agreement was signed with our client in Mozambique in relation to the suspended liquefied natural gas (LNG) project. This largely reversed the contract loss incurred to date and protects the Group in the event that the contract does not resume in the short to medium term, justifying the approach we took to this contract and the risk assessment undertaken.

Strategy

The Group's corporate purpose reflects both the evolution of our strategy and the changing environment in which we operate and **'building the foundations for a sustainable future'** will be at the heart of everything we do in the future.

Our vision to be the leading provider of **specialist geotechnical solutions** is unchanged and, despite the disruptive impact of the pandemic on change management activities, we have made good progress with our objective for Keller to become a more focused, higher-quality business achieving both sustainable operational delivery and cash generation whilst building on our industry-leading margins.

Chief Executive Officer's review continued

We have continued to successfully execute on our strategy, to be the preferred international geotechnical specialist contractor focused on **sustainable markets and attractive projects**, generating long-term value for our stakeholders. Our local businesses leverage the Group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments.

Our diversified model of operating in a number of sectors, applications and geographies helps to generate revenues that are resilient whilst lessening the impacts that can arise from business cycles and geopolitics. In line with our strategy we have continued to focus on increased market penetration and cost reduction.

Progress on strategic priorities for 2021

In North America, we furthered our drive to gain market share in our chosen markets with the acquisition in July of RECON Services, Inc (RECON), a geotechnical and industrial services company headquartered in Houston, Texas. Similar to Keller's existing Florida-based Moretrench Industrial business, RECON is focused on environmental remediation activities. The geographic proximity of the two businesses provides revenue synergies from cross-selling opportunities, both between the two businesses and also the Keller foundations businesses, and some, primarily volume-based, cost synergies. The additional revenue synergies provide the opportunity to increase the Group's overall market share in the important Gulf Coast area where Keller has historically been relatively under-represented. The cash consideration on an enterprise value basis was US\$23m (£17m), and an original maximum earn-out of US\$15m (£11m) relating to specific future contract wins. As we anticipated, RECON was awarded one of the specific contracts in December, worth approximately US\$160m (£120m) in revenue over two years, in connection with the development of an energy facility in the Gulf Coast region of the USA.

In October, the North America Division acquired Subterranean (Manitoba) Ltd, a small market-leading geotechnical foundation business in Manitoba, Canada. In November 2021, the division acquired Voges Drilling, a geotechnical foundation company based in Texas.

In Europe, as well as rightsizing the divisional head office, we simplified the structure of the division by reducing the number of business units following the merger of French Speaking Countries with Iberia and Latin America, by forming one new South West Europe Business Unit; this became effective on 1 July 2021. Early wins from this strategic action include securing work as a combined business unit that Keller would not have won previously, and a reduction in costs.

Our joint venture in Finland, KFS Finland Oy, acquired NordPile, a driven and drilling piling contractor, in September. This acquisition reinforces KFS's position as the largest geotechnical specialist contractor in the region offering the widest range of solutions.

Strategic priorities for 2022

Market-leading operational execution is imperative in order to remain competitive and therefore enhancing operational excellence is a key focus for the Group. During 2021 we established a multi-functional team of experts, drawn from across the Group to identify and develop best practice in project management and site support business processes that are currently deployed within Keller. This bank of knowledge will be leveraged by implementing best practice standard templates across the Group using a proven, cloud-based enterprise resource planning (ERP) system. In doing so the initiative will embed operational excellence in project execution across the whole Group, together with the associated financial benefits. It will allow the full integration of project management, supply chain, human resources, equipment, operations which will all seamlessly feed through to financials, and provide a single, standardised platform for robust, systemic, pre-emptive management controls, and a convenient solution to the emerging requirement for UK SOX. The initiative will be implemented progressively over five years by a project team that consists of seasoned business leaders, subject matter experts and experienced ERP global system implementers. We will leverage our risk management processes to help control the challenges associated with implementing the programme of work.

As we execute our strategy and further penetrate our chosen local markets, we will continue to pursue suitable bolt-on acquisition opportunities and integrate them into the Group. RECON is integrating well and during 2022 will, together with Moretrench Industrial, be developed as we establish and build our new environmental, geotechnical and industrial services business that will leverage our position in this large and growing sector. We will continue to be focused and

Environmental, Social and Governance (ESG)

We define ESG and sustainability according to our four Ps: Planet, People, Principles and Profitable projects. Beneath each P, we have a number of global and local initiatives aligned to the UN Sustainable Development Goals (SDGs). These provide a common language for us to communicate sustainability initiatives to our stakeholders worldwide. In terms of global initiatives, under Planet we focus on carbon reduction (SDG 13), under People, we focus on safety (SDG 3) and gender equality (SDG 5); and under Principles we focus on good governance (SDG 16). In addition, there are a number of other SDG initiatives that are being supported at local business level that are relevant and appropriate to their community context.

The safety of every individual is our priority. While our safety performance has improved, we are not yet where we need to be. Making sure every employee returns home safely at the end of each day drives our thinking and behaviours across the Group. It is with this approach that we have reduced the Group's accident frequency rate (AFR) by 42% compared with 2020, and our AMEA Division had an outstanding year achieving an AFR of zero. Our total recordable incident rate (TRIR) also improved by 32%.

Led by John Raine, Group HSEQ Director, we have a number of safety initiatives underway to leverage our experience and safety knowledge across the Group. As our number of recordable incidents decreases, it is more important than ever to focus on proactive reporting measures to identify and address hazardous situations pre-emptively, before accidents occur with their inherent potential for adverse consequences. Year-on-year near miss reports are increasing as a consequence of this increased emphasis and leadership site interaction is strong, even with the site access challenges created by COVID-19. Overall the safety culture and awareness continues to improve, and is clearly evidenced in recent employee engagement surveys.

We are very proud of our industry-leading performance and improving track record, and were devastated to lose a long-serving and valued employee early in 2021 following an accident on a site in Austria. Whilst it has been determined Keller was not at fault for the accident, the incident has caused us to re-double our efforts and we have continued to further advance our safety programmes. We continue to share our safety best practices with trade associations, so that the whole sector can continue to improve health and safety.

The global COVID-19 pandemic continued to create operational challenges in 2021. The Group has actively encouraged and supported employees to become vaccinated against COVID-19 wherever possible. However, I'm greatly saddened that across the Group we have lost eight colleagues due to COVID-19 related illness. Whilst we believe none of these cases were related to the workplace, we have taken great care in supporting the families through their bereavements. The vaccination status of those that have died is consistent with the external benchmark globally and supports our active approach to encourage our workforce in becoming vaccinated.

At Keller, we recognise safety and wellbeing is more than just avoiding accidents and this year we launched our first-ever wellbeing framework. This helps our business units support and develop the aspects of wellbeing important to our employees worldwide – body, mind, community, growth and financial security wellbeing.

Having launched our Inclusion Commitments, our focus in 2021 was on giving our teams the understanding and the means to contribute to our aspiration to become a diverse, equitable and inclusive workplace.

In respect of carbon reduction, the Group has set ambitious but achievable net zero targets by 2050. We will be net zero across all three emission scopes by 2050; net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on Operational Scope 3 (covering business travel, material transport and waste disposal). We have already begun implementing the substantive short-term actions to address Scope 2 and are developing the medium and long-term actions for Scope 1 and 3 that are required to achieve these goals.

Good governance plays an essential role in how we operate the business. During 2021, despite the challenging backdrop, we continued to take a number of steps to strengthen our leadership, our management controls, and our understanding of the needs of our stakeholders. This included listening to the views of our past, current and potential investors. At the end of the year we completed an investor audit of a number of key institutions, enabling us to deepen our understanding of the views of investors. Participation by those that took part was greatly appreciated and we will actively use the feedback as we move forward. We will repeat the exercise in the future so that we can maintain a momentum of continuous improvement and monitor our progress.

People

Our people are the major differentiator of our business and pivotal to everything we do. I continue to be immensely impressed by the dedication and tenacity of our team. Despite the prolonged attrition of COVID-19, in terms of social isolation and logistical challenges, employees have continued to go to extraordinary lengths to continue to safely deliver projects for our customers. I would like to acknowledge this endeavour and thank all Keller employees for their commitment, hard work and expertise during another very challenging year.

On the Executive team, James Hind, Divisional President of Keller North America, retired at the end of 2021, after 18 years' service. James was a highly effective member of the Executive team, from his appointment in 2003 as Finance Director of Keller Group plc and an Executive Director on the Board until 2020, through to his most recent appointment as Divisional President of Keller North America, a post he held since 2018. Under his leadership and with the support of a strong Executive team, Keller North America has undergone significant transformation, with greatly enhanced organisational capability and accelerated collaboration. Eric Drooff, previously Chief Operating Officer, Keller North America, has succeeded James. Over the 29 years Eric has been with Keller North America he has demonstrated his strong leadership capabilities across the organisation and his dedication, passion and depth of geotechnical experience made him the best person to lead Keller North America.

We are deeply concerned about the military invasion of Ukraine and the unfolding humanitarian crisis. Whilst we have no projects in the country, and therefore there is no material impact on our business, we have two employees based in Ukraine and over 20 Ukrainian nationals working for us in our North East Europe Business Unit. Furthermore, many colleagues across Keller have connections with people in Ukraine. Our first thoughts are with them and their families. Our team in Poland has been providing practical support including help at the border with transport, accommodation and medical supplies. Events are unfolding rapidly on the ground, and accordingly we continue to evaluate where to best deploy our Group support to most effectively assist the humanitarian relief effort.

Dividend

The Board is recommending the payment of a 2021 final dividend of 23.3p per share (2020: 23.3p per share) to be paid on 1 July 2022 to shareholders on the register as at the close of business on 6 June 2022. We are very proud of our dividend history and recognise

Even through very challenging times we have consistently increased or maintained the dividend over the last 27 years since first listing on the London Stock Exchange, one of only a few listed companies to have achieved this. The continuation of dividend payments during the challenging macro environment of 2020 and 2021 reflected the financial strength of the Group, its significant liquidity position and the longer-term confidence in the performance of the business. As we advance through 2022 the Board will review the progression of our dividend.

Outlook

We have had a successful year given the extremely challenging business environment. The year developed largely as we anticipated at our 2020 interim results, and whilst inflationary impacts were larger than expected, the resilience of the Group has meant that the financial performance for the year was still ahead of market expectations. We have continued to implement strategic actions to shape Keller's future, while delivering robust operational and financial results built on a strong balance sheet. We have a clear strategy and increasing operational momentum with a record order book of £1.3bn. This, together with the maintenance of the dividend, evidences our confidence in the medium term.

Whilst we are mindful of the recently increased geopolitical and macroeconomic uncertainty and inflationary pressures, our expectations for 2022 are unchanged. We remain strategically well placed to benefit from the anticipated macroeconomic recovery and increasing levels of public infrastructure spending in our chosen markets, although this recovery will naturally vary by geography as countries progressively manage COVID-19 as an endemic rather than pandemic challenge.

Our leading market positions and the strategic actions we have taken to improve the Group's performance, together with our financial resilience, will allow us to benefit from the longer-term structural growth drivers for global infrastructure and urbanisation in the years ahead. We therefore remain confident in our ability to deliver increasing shareholder returns through underlying profit growth and our progressive dividend policy.

Michael Speakman
Chief Executive Officer

Approved by the Board of Directors and authorised for issue on 7 March 2022.

Our strategy

Keller's strategy is to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects.

Our local businesses will leverage the Group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments.

In 2021, we continued to make progress in generating sustainable long-term value for our stakeholders.

Sustainable markets are those markets that appreciate the value of the products and services Keller provides, have a consistent, material demand for those services, and an acceptable level of geopolitical risk.

Strategic lever

What we achieved in 2021

A balanced portfolio

We select sustainable markets (geography, sector and products) in which to set up base businesses and attractive projects.

- Established Europe and AMEA divisions to better reflect portfolio of markets and major project opportunities in these regions.
- Acquired RECON in the US, adding to our existing remediation environmental offering.
- Acquired Subterranean, strengthening our position in the Canadian Prairies.
- Acquired Voges Drilling, a geotechnical foundation company based in Texas.
- Our joint venture in Finland, KFS Finland Oy, acquired NordPile, a driven and drilling piling contractor.

Engineered solutions

We offer the best solutions to our customers by providing alternatives and value engineering, and invest in innovation and digitisation.

- Executed an impressive 6,000 projects around the world despite the challenge of COVID-19.
- Achieved significant milestones on HS2 in the UK.
- Delivering Cape Lambert major project.
- Improved productivity through the Vibrocat double lock system.
- Launched our field app InSite across the Group.

Operational excellence

We are the operational leader providing safe, efficient, on-time and high-quality delivery, and relentlessly strive to improve our operational capability.

- Reduced our accident frequency rate, achieving an all-time low of 0.07.
- Invested more than £45m in new plant and equipment with the latest Tier 4 and Tier 5 engines.
- Continued to embed 5S and other lean manufacturing tools on our sites and in our yards.

Expertise and scale

We develop our people, processes and assets and leverage the global strength of our technical, operational, commercial and financial resources.

- Continued sharing product and safety knowledge and innovations through our global product teams.
- Continued our efforts on workforce engagement, completing engagement surveys and team action planning in multiple business units.
- Continued to embed our diversity, equity and inclusion strategy. Started a reverse mentoring programme.
- Launched wellbeing framework and leadership toolkit.
- Delivered both face-to-face and online training programmes.

Outlook

We will

- Remain customer focused through our branch structure and drive for a leading share in our chosen markets.
- Aim to be profitable through trading cycles as we sustain our revenue streams.
- Continue to introduce new products where we are already established.
- Continue to offer our customers alternative designs and engineered solutions that meet their specifications whilst reducing costs.
- Retain our technical advantage by investing in our people and continuing to influence across our sector.
- Continue to secure complex, high-value projects.
- Make continuous, incremental improvements to remain competitive in our chosen markets.
- Deliver Platform For Success as we migrate to one integrated D365 solution across the Keller world.
- Continue to share best practice in operations, technical knowledge, governance and compliance.

KPIs

Market share in core markets

Share of our core markets

13.3%

(2020: 13.7%)



2.9%

Operating margins¹

Underlying operating profit expressed as a percentage of revenue

4.2%

(2020: 5.3%)



21%

Return on capital employed¹

Underlying operating profit as a net return on capital employed

14.4%

(2020: 16.4%)



12%

Accident frequency rate

Accident frequency per 100,000 hours; lost time injuries are calculated as any incident over one day

0.07

(2020: 0.12)



42%

North America

Business units

North-East	Canada
South-East	Specialty Services
Florida	Moretrench Industrial
Central	Suncoast
West	

KPIs

Revenue (£m)

2021	1,323.1
2020	1,227.5

Underlying operating profit (£m)

2021	73.0
2020	83.2

Underlying operating margin (%)

2021	5.5
2020	6.8

Order book (£m)

2021	787.0
2020	593.9

Accident frequency rate

2021	0.03
2020	0.08

In North America, revenue increased by 15.4%, on a constant currency basis, with improved momentum across all markets and the addition of the recently acquired RECON Services, Inc (RECON) business in Texas, which will contribute to profits in 2022. Underlying operating profit decreased by 5.6% on a constant currency basis to £73.0m, driven by market pricing pressures and the impact of higher costs of materials and labour. These were partly offset by the benefit from the resolution of a historical claim (c£7m) in H1 and strong growth at Moretrench Industrial. The underlying operating margin decreased to 5.5% from 6.8% in the prior year primarily due to the impact of the increased cost of steel strand in the Suncoast High-Rise business and pressure on profitability due to labour and material shortages and the associated operational disruptions. Our continued focus on safety saw our key metric, accident frequency rate, fall from 0.08 in 2020 to 0.03 for 2021, a 63% improvement.

On a like-for-like basis, excluding acquisitions and disposals on a constant currency basis, revenue for the year increased by 11%, and operating profit decreased by 14%.

In 2021 the construction industry in the US grew 8%, driven by a 12% increase in residential construction. Non-residential construction grew 2%.

As anticipated, we had a slow start to the year following the continued impact of the COVID-19 pandemic which curtailed sentiment and activity in the second half of 2020 through to early 2021. In March, trading accelerated and we began to operate more normally given the combination of increased vaccination rates across the North American population and reduced restrictions and lockdowns.

The foundations business demonstrated its resilience with a flat year-on-year profit performance with margins impacted by market pricing pressure and higher input costs.

Our Canadian business delivered a strong performance in terms of revenue and profit, benefitting from a restructuring and a strengthening of the management team in 2020 as well as the acquisition of Subterranean (Manitoba) Ltd, a small, market-leading geotechnical foundations business, for a cash consideration of £7.8m.

Suncoast, the Group's post-tension business serving mostly the residential construction market, experienced high volumes with revenue ahead of the prior year. The high-rise sector continued to be challenged by the increased cost of imported, as well as domestic, steel strand, Suncoast's main raw material, which negatively impacted operating profit. The recent unprecedented increase in the

	2021 £m	2020 £m	Constant currency
Revenue	1,323.1	1,227.5	+15.4%
Underlying operating profit	73.0	83.2	-5.6%
Underlying operating margin	5.5%	6.8%	
Order book ¹	787.0	593.9	+32.5%

¹ Comparative order book stated at constant currency.

Moretrench Industrial, which operates in the highly regulated industrial and power segments, performed well with increased revenue and profit driven by the Florida industrial market.

The Hampton Roads Bridge Tunnel Expansion Project in Virginia, USA, cUS\$120m two-year contract is c65% complete. Work on the South Island has concluded and the team has commenced work on the North Island.

In July 2021, we announced the acquisition of RECON, an environmental, geotechnical and industrial services company headquartered in Houston, Texas. RECON is a specialist geotechnical environmental remediation and industrial services contractor working principally for industrial clients, many in the petrochemical sector, predominantly along the Gulf and East coasts of the United States. Similar to Keller's existing Florida-based Moretrench Industrial business, RECON is focused on environmental remediation activities and the geographic proximity of the two businesses provides revenue synergies from cross-selling opportunities, both between the two businesses and also the Keller foundations businesses. The additional revenue synergies provide the opportunity to increase the Group's overall market share in the important Gulf Coast area where Keller has historically been relatively under-represented and where a significant pipeline of new projects is projected by the petrochemical sector. Cost synergies will also be achieved through this acquisition. The cash consideration on an enterprise value basis was US\$23m (£17m), and an original maximum earn-out of US\$15m (£11m) related to specific future contract wins. As we anticipated, in December 2021 RECON was awarded a contract worth approximately US\$160m (£120m) in revenue over a two years, in connection with the development of an energy facility in the Gulf Coast region of the USA. RECON is integrating well and, during 2022, will together with Moretrench Industrial, be developed as we establish and build our new environmental, geotechnical and industrial services business that will leverage our position in this large and growing sector.

On 1 November 2021, the division acquired Voges Drilling, a geotechnical foundation company based in Texas, for cash consideration of £1.4m and a further deferred consideration of £0.8m is payable over three years.

The order book for North America at the period end was at £787.0m, up 32.5% (on a constant currency basis) from the closing position at the end of 2020. The increase year-on-year is predominantly driven by the newly signed RECON contract worth £120m (\$160m) over

Case study

Keller Canada: A clear plan for the future

Keller's Canadian business has seen a remarkable turnaround over the last 18 months, moving from a struggling business to a profitable, focused company.

We acquired our Canadian business in 2013 when the region was riding the crest of an oil boom. Just a few years later, the price of oil fell by half and, with a fraction of the work, our revenues fell too.

The Prairie, Vancouver and Toronto businesses were restructured and merged with our Geo Foundations business. And, with the retirement of the former president at the end of 2019, Curtis Cook, who previously oversaw Hayward Baker operations in Florida and the Gulf Coast, took over.

A united team

"Getting all our offices and branches pushing in the same direction was key," says Curtis. "We aligned key processes and developed a national team that shares resources and collaborates on key issues. This included rightsizing our equipment fleet and offloading under-used, unreliable equipment.

"With a focus on quality and safety, we're now making sure we're bidding on the right kind of work where we have a competitive advantage. That means projects where we can play to our strengths: more early-contract involvement and value engineering to build strong client partnerships.

Building collaboration

Keller Canada is also increasing collaboration with other business units in North America and looking at acquisitions where they make sense. In October, it acquired Subterranean (Manitoba) Ltd, another highly respected geotechnical contractor with more than 50 years of experience.



We have a great team who are proud to work for Keller and that's made it easier to move the business forward. Combined with lower overheads, a clear strategy that everyone works to, and a larger footprint in our target markets, we have made a record profit this year."

Curtis Cook

Senior Vice President
Canada

Europe¹

Business units

Central Europe	South-West Europe
North-East Europe	UK
South-East Europe and Nordics	

KPIs

Revenue (£m)

2021	549.2
2020	538.5

Underlying operating profit (£m)

2021	24.3
2020	18.4

Underlying operating margin (%)

2021	4.4
2020	3.4

Order book (£m)

2021	332.7
2020	220.3

Accident frequency rate

2021	0.24
2020	0.18

In Europe, revenue increased by 5.2% on a constant currency basis as markets recovered with the COVID-19 related shutdowns and travel restrictions easing as the year progressed. Underlying operating profit was £24.3m, up 38.2% on a constant currency basis, reflecting the higher level of activity, improved efficiencies on site, enhanced contract profitability and cost savings following the prior year restructuring activity. As a result, the underlying operating margin increased to 4.4% (2020: 3.4%).

In early 2021, a tragic fatality occurred following an accident on a site in Austria in which we lost a long-serving employee. Whilst a thorough investigation has determined Keller was not at fault for the accident, we have continued to advance our safety programmes. The accident frequency rate was up slightly at 0.24 from 0.18 in 2020.

Following a relatively slow start to the year due to some harsh winter weather in some parts of Europe and the continued impacts of the pandemic, momentum built as markets opened up with people and equipment permitted to cross borders more easily and the year finished more strongly. Whilst the division was impacted by both material and labour shortages, which were operationally challenging, and the widely-publicised inflationary pressures continued to be felt across the continent, the division generated an exceptional performance from several major projects.

South-East Europe and Nordics delivered record revenue with significant increases in activity levels in Austria and Italy. The Scandinavian region also continued to grow, and benefitted from the Sandbukta-Moss-Sastad rail project (SMS2) in Norway. In September 2021, our joint venture in Finland, KFS Finland Oy, acquired NordPile, a driven and drilling piling contractor. This acquisition reinforces KFS's position as the largest geotechnical specialist contractor in the region offering the broadest range of solutions and is consistent with our wider strategy of building market-leading shares in the regions that play to our strengths.

The UK business, which was adversely impacted in 2020 by the hesitant investment climate following the 2019 general election and uncertainty around Brexit, reported good revenue growth, including the benefit from several contract awards on the High Speed 2 rail project (HS2). Particularly noteworthy are the C1 package at a value of c£84m, awarded in February 2021, and the main packages of work on C2/3 at a value of c£48m which were secured in April.

	2021 £m	2020 £m	Constant currency
Revenue	549.2	538.5	+5.2%
Underlying operating profit	24.3	18.4	+38.2%
Underlying operating margin	4.4%	3.4%	
Order book ²	332.7	220.3	+51.0%

¹ In November 2020 it was announced that from 1 January 2021 the MEA business would be transferred to the APAC division, creating the Asia-Pacific, Middle East and Africa (AMEA) Division, and the remaining EMEA Division becoming Europe. The

Our businesses in Central Europe and North East Europe were impacted by lower volumes at the start of the year due to the weather and project delays related to COVID-19. However, both businesses finished the year with improved activity levels and strong order books. At the end of 2021 North East Europe secured a €26m piling contract for work at an oil refinery in Poland which is expected to be delivered during 2022. We are also exploring the Baltic region for potential expansion with some attractive future projects in the pipeline.

In July 2021, the new South West Europe Business Unit was formed following the successful merger of our French Speaking Countries and Iberia and Latin America businesses. South West Europe was our business most affected by the impact of COVID-19 in the period, with extended country lockdowns and delays to contract starts. In addition, the completion in early 2021 of an oil refinery project in Mexico contributed to reduced revenue and profits compared to the prior year. The combined business unit is now being integrated and is better positioned to benefit from growth opportunities in its domestic and overseas markets.

The European portfolio is more focused following the exit from South America and the disposal of non-core businesses during 2020. As a result of these actions, we were also able to reduce the divisional overhead. Moving forward, we will continue to review our various European markets to ensure that we focus only on sustainable markets and attractive projects that generate long-term returns.

The European core business continues to recover steadily, and we have benefitted from a number of larger projects across the region, particularly in infrastructure. Looking forward, our success in the region will require those larger projects to be replaced. However, our strong regional approach coupled with our divisional support will ensure we are well placed to pursue new contract opportunities.

The Europe order book at the end of the period was €332.7m, up 51% (on a constant currency basis) on the prior year, largely due to the HS2 contracts.

Case study

Keller brings RemediateClay® to Europe

A treatment developed by Keller in the US to improve the stability of swelling clay soils has been trialled in France. If successful, it could open up a major new market in the country – and tackle a growing problem.

Clay soils that swell and shrink due to moisture are a major cause of structural foundation damage. Although watertight membranes, drainage and the removal of nearby vegetation can provide initial protection, more drastic underpinning methods are often needed.

One common answer to the problem is micropiling, but a less well-known and potentially cheaper alternative involves injecting soils with a potassium and ammonium ion solution. This reacts with the clay, modifying its behaviour and making it less sensitive to swelling and has passed rigorous safety and environmental tests to satisfy European regulators.

Keller has recently completed the first trial of its newly patented RemediateClay® technology in France on two 100m stretches of a

As climate change increasingly affects clays, causing more problems in roads and structures, its remediation is becoming more important. RemediateClay® could be significant for us in a market dominated by micropiling and soil substitution."

Serge Lambert

Head of the Technical Department,
South-West Europe

Asia-Pacific, Middle East and Africa (AMEA)¹

Business units

ASEAN	Keller Australia
Austral	Middle East and Africa
India	

KPIs

Revenue (£m)

2021	352.1
2020	296.5

Underlying operating profit (£m)

2021	3.4
2020	15.5

Underlying operating margin (%)

2021	1.0
2020	5.2

Order book (£m)

2021	177.3
2020	182.2

Accident frequency rate

2021	0
2020	0.05

In AMEA, revenues increased by 20.4% on a constant currency basis, driven predominantly by Austral in Australia and India, partly offset by a decline in the Middle East and Africa business which was transferred into the division at the beginning of 2021. Operating profit in the division as a whole decreased by 77.1% on a constant currency basis to £3.4m, driven by operational disruption as a result of COVID-19, particularly in Keller Australia and an extremely challenging trading environment in the Middle East and Africa. The division had a notable achievement in its safety record with no significant accidents reported in the period, resulting in a zero accident frequency rate.

The effects of the COVID-19 pandemic were felt across all our markets in the division to varying degrees. The ASEAN business continued to feel the impact of COVID-19 through the postponement of contracts and border closures. However, trading levels improved in the second half and the business delivered revenue growth for the year. The business continued to benefit from the restructuring activity in 2019 and is well placed for the future with a strong focus on ground improvement projects across the region.

Austral in Australia had another strong performance in terms of revenue and profit growth as it nears completion of Rio Tinto's Cape Lambert Port in the Pilbara, Australia. The business has secured a strong pipeline of projects, including a number of other mining and port-related projects in the Pilbara region, and continues its diversification strategy with key selected projects on Australia's east coast.

Our Keller Australia business had a particularly difficult year, making a loss in the period. The challenges posed by the COVID-19 travel restrictions and state border restrictions in Australia had a very significant impact on operations and profits, amid a continued softness in some markets. The workforce model relies on the fluid movement of employees and equipment around the country and the travel restrictions made movement impossible for long periods of time. Many employees made huge personal sacrifices including long periods away from home due to the strict lockdown rules. Tendering activity has substantially improved, the management team has been strengthened and the outlook is more positive as border restrictions ease.

	2021 £m	2020 £m	Constant currency
Revenue	352.1	296.5	+20.4%
Underlying operating profit	3.4	15.5	-77.1%
Underlying operating margin	1.0%	5.2%	
Order book ²	177.3	182.2	-2.7%

¹ In November 2020 it was announced that our newly formed Middle East and Africa Business Unit would combine with APAC with effect from 1 January 2021, to create an Asia-Pacific, Middle East and Africa (AMEA) division. This brings together under one

Our India business performed strongly in terms of revenue and profit growth with management successfully managing the business in a country that has been severely impacted by the effects of COVID-19. Tendering levels improved and there are a number of good prospects in the pipeline.

The Middle East and Africa business has been the most challenged region in terms of market clarity and recovery from the impacts of COVID-19, with many countries relying on lockdowns and restrictions in advance of vaccination programmes. At the end of the year, we signed a substantial agreement with our client in Mozambique in relation to the suspended LNG project. This largely reversed the contract loss incurred to date and protects the Group in the event that the contract does not resume. Despite the successful Mozambique resolution, the Middle East and Africa business as a whole recorded a loss in the year. The focus is now on turning this business around post COVID-19 and actions are being taken to deliver this. Tendering activity in the region continues to strengthen, though with more variability than other areas of AMEA.

The AMEA order book strengthened strongly through the second half and at the end of the period was £177.3m, down 2.7% (on a constant currency basis) on the prior year.

Case study

Keller ASEAN keeps busy on infrastructure projects

Every day across the world, Keller helps construct major infrastructure projects that drive economies and improve millions of lives. One region where Keller is bringing its expertise to power plants, highways, rail lines and more is ASEAN.

In Indonesia, Keller already has huge experience of high-profile infrastructure projects, having contributed to the 1,000km-long main Java highway and Jakarta airport upgrade in recent years.

At the start of 2021, we finished a heavy foundation project for a major high-speed railway, and more recently, secured a significant contract for a power plant in Java.

"This is a hugely important and complex project of national importance," says Yerikho Purba, Deputy Project Manager. "Originally the project was designed for piling, but by offering stone columns as an alternative, we were able to reduce the cost by a quarter and provide greater earthquake mitigation."

Also in 2021, on one of our biggest-ever projects in Indonesia, we installed foundations for a liquid natural gas plant in a remote area of West Papua, using 6,000 bored piles and 700 corrugated sheet piles.

In neighbouring Malaysia, Keller worked on a ground-improvement project for a large petrochemical plant in the northwestern state of Sarawak, installing 60,000m of stone columns and 45,000m of hybrid concrete columns.

Another huge project involved providing ground improvement for a mass rapid transport system that will significantly upgrade Malaysia's public transport and generate huge economic benefit. The team worked on the first line between 2012 and 2014 and has been involved in the second for the past five years.

We also helped support the embankments for another rapid transit system project in Singapore this year using deep soil mixing for the first time.

We are very proud to be participating in projects that make so many people's lives better... It's good to make a difference in the world."

KJ Tan
Business Development Manager
ASEAN

Chief Financial Officer's review

David Burke

Revenue

Revenue of £2,224.4m (2020: £2,062.5m) was 7.8% up on 2020, driven by increased activity as markets began to recover, particularly in the second half, with significant contract wins together with the benefit of several bolt-on acquisitions. At constant currency, revenue increased by 13.4% and increased across all three divisions.

North America reported an increase in revenue of 15.4% (at constant currency), with improved momentum across all markets and the addition of several bolt-on acquisitions, the largest being RECON Services, Inc (RECON). Of the 15.4% increase in revenue, 4.1% was derived from businesses acquired in 2021 and 11.3% from the existing business. Europe revenue increased by 5.2% (at constant currency) as markets recovered with the COVID-19 related shutdowns and travel restrictions easing as the year progressed. AMEA revenue increased by 20.4% (at constant currency) driven predominantly by Austral in Australia and India, partly offset by a decline in the Middle East and Africa business.

We have a consistently diversified spread of revenues across geographies, product lines, market segments and end customers. Customers are generally market specific and, consistent with the prior year, the largest customer represented less than 3% of the Group's revenue. The top 10 customers represent 15% of the Group's revenue (2020: 11%). The Group worked on more than 6,000 projects in the year with 60% of contracts having a value between £25,000 and £250,000, demonstrating a low customer concentration and a wide project portfolio.

Underlying operating profit

The underlying operating profit of £92.8m was 15.7% down on prior year (2020: £110.1m), which on a constant currency basis was 9.7% down, impacted primarily by the COVID-19 adverse pressure on market pricing and operational disruption across our businesses.

North America underlying constant currency operating profit decreased by 5.6% to £73.0m driven by market pricing pressures and the impact of higher costs of materials and labour. In particular, operating profit at Suncoast reduced by £15.3m, largely due to the increased cost of steel strand in High-Rise. Europe constant currency operating profit increased 38.2%, reflecting the higher level of activity, improved efficiencies on site, enhanced contract profitability and cost savings following the prior year restructuring activity. AMEA constant currency operating profit decreased by 77.1% to £3.4m, driven by operational disruption

	2021 £m	2020 £m
Revenue	2,224.4	2,062.5
Underlying operating profit ¹	92.8	110.1
Underlying operating profit % ¹	4.2%	5.3%
Non-underlying items	(12.3)	(33.1)
Statutory operating profit	80.5	77.0
Statutory operating profit %	3.6%	3.7%

¹ Details of non-underlying items are set out in note 8 to the consolidated financial statements. Reconciliations to statutory numbers are set out in the adjusted performance measures section on page 185

Share of post-tax results from joint ventures

The Group recognised an underlying post-tax profit of £0.4m in the year (2020: £0.8m) from its share of the post-tax results from joint ventures.

The share of the post-tax amortisation charge of £0.6m arising from the acquisition of NordPile by our joint venture KFS Oy is included as a non-underlying item. No dividends (2020: £0.4m) were received from joint ventures in the year.

Statutory operating profit

Statutory operating profit comprising underlying operating profit of £92.8m (2020: £110.1m) and non-underlying items comprising net costs of £12.3m (2020: £33.1m), increased by 4.5% to £80.5m (2020: £77.0m).

Revenue split by geography

£m	North America	Europe ²	AMEA ²	Total
2021				
H1	581.7	242.0	160.4	984.1
H2	741.4	307.2	191.7	1,240.3
Total	1,323.1	549.2	352.1	2,224.4
2020				
H1	636.5	254.7	147.9	1,039.1
H2	591.0	283.8	148.6	1,023.4
Total	1,227.5	538.5	296.5	2,062.5

Year ended	Revenue £m		Underlying operating profit ¹ £m		Underlying operating profit margin ¹ %	
	2021	2020	2021	2020	2021	2020
Division						
North America	1,323.1	1,227.5	73.0	83.2	5.5%	6.8%
Europe ²	549.2	538.5	24.3	18.4	4.4%	3.4%
AMEA ²	352.1	296.5	3.4	15.5	1.0%	5.3%
Central	–	–	(7.9)	(7.0)	–	–
Group	2,224.4	2,062.5	92.8	110.1	4.2%	5.3%

2 From 1 January 2021 Middle East and Africa businesses transferred to APAC Division, to create the Asia-Pacific, Middle East and Africa (AMEA) Division. The remaining EMEA division became our Europe Division. The comparative financials for 2020 are on a proforma basis, aligned with our new structure.

3 Details of non-underlying items are set out in note 8 of the consolidated financial statements.

Revenue increased to £2,224.4m, up 13% (at constant currency) as a result of increased trading activity, particularly during the second half, and several bolt-on acquisitions.

Net finance costs

Net finance costs decreased by 32.6% to £8.9m (2020: £13.2m). The reduction has been driven by the decrease in US LIBOR, which reduces the cost of the Group's private placement debt, and a decrease in the average net debt levels through the year. The average net borrowings, excluding IFRS 16 lease liabilities, during the year were £147.6m (2020: £183.5m).

Taxation

The Group's underlying effective tax rate decreased to 24% (2020: 29%), largely due to a prior year benefit in North America from research and development tax credits. Cash tax paid in the year of £15.9m (2020: £24.9m) was a decrease of £9.0m over the prior year and was mainly attributable to the impact of the additional research and development tax credits.

Other differences are mainly due to the timing and phasing of tax payments which do not necessarily relate to the period in which the profits are earned. Further details on tax are set out in note 11 of the consolidated financial statements.

Non-underlying items

The items on page 28 have been excluded from the underlying results and further details of non-underlying items are included in note 8 to the financial statements. The total pre-tax non-underlying items in the year decreased to £12.3m (2020: £33.1m), due to the reduction in restructuring activity during the year.

Chief Financial Officer's review continued

Non-underlying items

	2021 £m	2020 £m
Exceptional restructuring costs	7.3	16.6
Loss on disposal of operations	0.5	11.6
Acquisition costs	0.5	0.3
Contingent consideration: additional amounts provided	1.3	0.8
Goodwill impairment	–	0.3
Amortisation of acquired intangible assets	2.8	4.2
Amortisation of joint venture acquired intangibles	0.6	–
Contingent consideration received	(0.7)	–
Exceptional contract dispute	–	(0.7)
Total non-underlying items in operating profit	12.3	33.1
Non-underlying taxation	(10.6)	(5.6)
Total non-underlying items	1.7	27.5

Non-underlying items in operating profit

Total exceptional restructuring costs of £7.3m have been incurred in AMEA and Europe as the final costs on the project to rationalise the Middle East and Africa businesses and the restructuring costs incurred in KGS, the in-house equipment manufacturer, following a review of overheads.

The loss on disposal of operations comprises £0.5m loss on disposal arising from the disposal of the non-core Cyntech Anchors business in Canada and the finalisation of the sale price for the disposal of the Brazil business in 2020. Acquisition costs of £0.5m relate to professional fees and other related costs incurred through the acquisitions of RECON and Subterranean.

Additional contingent consideration payable of £1.3m relates to the acquisition of the Geo Construction Group (Bencor) in 2015, following finalisation of items referenced in the sale and purchase agreement.

The £2.8m charge for amortisation of acquired intangible assets relates to the RECON, Moretrench and Austral acquisitions. Amortisation of joint venture intangibles of £0.6m relates to the NordPile acquisition undertaken by our joint venture investment KFS Finland Oy during the year.

Contingent consideration of £0.7m was received in respect of the 2020 Wannenwetsch disposal.

Non-underlying taxation

A non-underlying tax credit of £10.6m (2020: £5.6m) included the £1.5m (2020: £3.7m) tax impact of the non-underlying loss. The remaining £9.1m (2020: £1.9m) tax credit arose from the partial reversal of the valuation allowance against deferred tax assets in Canada and Australia that was recognised through the non-underlying tax charge in prior years.

Earnings per share

Underlying diluted earnings per share decreased by 8.2% to 88.4p (2020: 96.3p) driven by lower operating profit partially offset by the reduction in finance costs and the effective tax rate reduction. Statutory diluted earnings per share was 86.1p (2020: 58.5p) which reflects the reduction in non-underlying items in comparison to the prior year.

Dividend

The Board has recommended a final dividend of 23.3p per share (2020: 23.3p per share) which, following the interim dividend for 2021 of 12.6p (2020: 12.6p), brings the total dividend for the year to 35.9p (2020: 35.9p). The 2021 dividend earnings cover, before non-underlying items, was 2.5x (2020: 2.7x).

The Group's dividend policy is to increase the dividend sustainably whilst allowing the Group to be able to grow, or as a minimum, maintain, the level of dividend through market cycles. The continuation of dividend payments during the challenging macro environment of 2020 and 2021 reflects the financial strength of the Group, its significant liquidity position and the longer-term confidence in the performance of the business. As we advance through 2022 the Board will review recommending the progressive dividend.

Keller Group plc had distributable reserves of £122.9m at 31 December 2021 that are available to support the dividend policy, which comfortably covers the proposed full-year dividend for 2021 of £16.8m. Keller Group plc is a non-trading investment company that derives its profits from dividends paid by subsidiary companies. The dividend policy is therefore impacted by the performance of the Group which is subject to the Group's principal risks and uncertainties as well as the level of headroom on the Group's borrowing facilities and future cash commitments and investment plans.

Acquisitions

On 13 July 2021, the Group acquired RECON Services Inc. for an initial cash consideration of £20.2m and £9.5m of contingent consideration, of which £1.5m had been paid at year-end. The business is a geotechnical environmental remediation and industrial services company based in Texas, US and is included in the North America Division.

On 29 September 2021, the Group acquired the business of Subterranean (Manitoba) Ltd. for cash consideration of £7.8m. Subterranean is a geotechnical contractor in Manitoba, Canada.

On 1 November 2021, the Group acquired the business of Voges Drilling, a geotechnical foundation company based in Texas, for cash consideration of £1.4m. Further deferred consideration of £0.8m is payable over a three-year period.

Prior-year balance sheet reclassification

As noted in the Audit and Risk Committee report, during 2021, the Financial Reporting Council (FRC) included the Group's annual report and accounts for the year ended 31 December 2020 in their thematic review of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', which resulted in the FRC requesting further information in respect of provisions for insurance and legal claims. The Group responded fully to the matters raised in the correspondence and have concluded that the insurance reimbursement receivables of the Group should be separately presented gross on the consolidated balance sheet, rather than netted off against the insurance and legal provision.

The Group has restated the relevant sections of this year's accounts to reflect this. The restatement impacted the balance sheet reported in the 2020 annual report and accounts as detailed in the accounting policies note on page 133. The restatement did not result in any changes to reported profit, earnings per share, net assets or the cash flows reported in the 2020 financial year.

Working capital

Net working capital increased by £3.1m (2020: decrease of £38.2m) reflecting the reversal of the working capital timing benefit achieved in 2020 due to the impact of COVID-19 on business activity and cash collections. The net movement comprised of an £18.3m increase in inventories and a £104.4m increase in trade and other receivables, offset by an increase in trade and other payables of £119.6m.

A reduction in provisions and retirement benefit liabilities increased the cash outflow in respect of working capital by £7.8m (2020: increase of £13.9m). This mainly comprises of payments in respect of retirement benefits. The increase in insurance provisions that offsets with an increase in insurance receivables does not impact the cash flow statement. The £7.8m outflow excludes the cash outflow on restructuring provisions which is presented within non-underlying items in the free cash flow calculation.

Free cash flow

	2021 £m	2020 £m
Underlying operating profit	92.8	110.1
Depreciation, amortisation and impairment	97.4	94.9
Underlying EBITDA	190.2	205.0
Non-cash items	–	1.9
Dividends from joint ventures	–	0.4
Decrease/(increase) in working capital	(3.1)	38.2
Increase/(decrease) in provisions and retirement benefit liabilities	(7.8)	13.9
Net capital expenditure	(74.6)	(65.6)
Additions to right-of-use assets	(23.4)	(22.7)
Free cash flow before interest and tax	81.3	171.1
Free cash flow before interest and tax to underlying operating profit	88%	155%
Net interest paid	(5.3)	(12.0)
Cash tax paid	(15.9)	(24.9)
Free cash flow	60.1	134.2
Dividends paid to shareholders	(25.9)	(25.9)
Purchase of own shares	(3.7)	–
Acquisitions	(31.3)	–
Business disposals	7.1	2.2
Non-underlying items	(2.0)	(11.0)
Right-of-use assets/lease liability modifications	(4.0)	(1.1)
Foreign exchange movements	(1.1)	(1.1)
Movement in net debt	(0.8)	97.3
Opening net debt	(192.5)	(289.8)
Closing net debt	(193.3)	(192.5)

Chief Financial Officer's review continued

Capital expenditure

The Group manages capital expenditure tightly whilst investing in the upgrade and replacement of equipment where appropriate. Net capital expenditure, excluding leased assets, of £74.6m (2020: £65.6m) was net of proceeds from the sale of equipment of £9.8m (2020: £7.4m). The asset replacement ratio, which is calculated by dividing gross capital expenditure, excluding sales proceeds on disposal of items of property, plant and equipment and those assets capitalised under IFRS 16, by the depreciation charge on owned property, plant and equipment, was 127% (2020: 109%).

Free cash flow

The Group's free cash flow of £60.1m (2020: £134.2m) is more than sufficient to fund, in cash terms, the full value of the payment in relation to the total 2021 dividend of £25.9m (2020: £25.9m). The basis of deriving free cash flow is set out on page 29.

Financing facilities and net debt

The Group's total net debt of £193.3m (2020: £192.5m) comprises loans and borrowings and related derivatives of £200.6m (2020: £185.0m), lease liabilities of £75.4m (2020: £73.8m) net of cash and cash equivalents of £82.7m (2020: £66.3m). The Group's term debt and committed facilities principally comprise US private placements of \$75m (£58.1m) which mature in 2024 and a £375m multi-currency syndicated revolving credit facility, which matures in November 2025. During the year, \$50m (£36.2m) of US private placements matured and were repaid and in March 2021 the Group's unused £300m Covid Corporate Financing Facility (CCFF) was withdrawn. At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £291.9m (2020: £672.6m).

The most significant covenants in respect of the main borrowing facilities relate to the ratio of net debt to underlying EBITDA, underlying EBITDA interest cover and the Group's net worth. The covenants are required to be tested at the half year and the year end. The Group operates comfortably within all of its covenant limits. Net debt to underlying EBITDA leverage, calculated excluding the impact of IFRS 16, was 0.8x (2020: 0.7x), well within the limit of 3.0x and at the lower end of the leverage target of between 0.5x–1.5x. Calculated on a statutory basis, including the impact of IFRS 16, net debt to EBITDA leverage was 1.0x at 31 December 2021 (2020: 0.9x). Underlying EBITDA, excluding the impact of IFRS 16, to net finance charges was 30.5x (2020: 21.7x), well above the limit of 4.0x.

On an IFRS 16 basis, year-end gearing was 44% (2020: 47%).

The average month-end net debt during 2021, excluding IFRS 16 lease liabilities, was £147.6m (2020: £183.5m) and the minimum headroom during the year on the Group's main banking facility was £164.2m (2020: £129.4m), in addition to a cash balance at that time of £92.0m (2020: £80.8m). The Group had no material discounting or factoring in place during the year. Given the relatively low value and short-term nature of the majority of the Group's projects, the level of advance payments is typically not significant.

At 31 December 2021 the Group had drawn upon uncommitted overdraft facilities of £0.9m (2020: £4.7m) and had drawn £150.4m of bank guarantee facilities (2020: £167.5m).

Provision for pension

The Group has defined benefit pension arrangements in the UK, Germany and Austria.

The Group's UK defined benefit scheme is closed to future benefit accrual. The most recent actuarial valuation of the UK scheme was as at 5 April 2020, which recorded the market value of the scheme's assets at £49.7m and the scheme being 77% funded on an ongoing basis. The level of contributions are £2.7m a year with effect from 1 January 2021 and will increase by 3.6% per annum on 1 January going forward to 5 August 2024. Contributions will be reviewed following the next triennial actuarial valuation to be prepared as at 5 April 2023. The 2021 year-end IAS 19 valuation of the UK scheme showed assets of £63.7m, liabilities of £58.3m and a pre-tax surplus of £5.4m before an IFRIC 14 adjustment to reflect the minimum funding requirement for the scheme, which adjusts the closing position to a deficit of £6.8m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group before 1997. The IAS 19 valuation of the defined benefit obligation totalled £15.9m at 31 December 2021 (2020: £19.0m). There are no segregated funds to cover these defined benefit obligations and the respective liabilities are included on the Group balance sheet.

All other pension arrangements in the Group are of a defined contribution nature.

The Group has a number of end of service schemes in the Middle East as required by local laws and regulations. The amount of benefit payable depends on the current salary of the employee and the number of years of service. These retirement obligations are funded on the Group's balance sheet and obligations are met as and when required by the Group. The IAS 19 valuation of the defined benefit obligation totalled £3.0m at 31 December 2021 (2020: £2.9m).

Currencies

The Group is exposed to both translational and, to a lesser extent, transactional foreign currency gains and losses through movements in foreign exchange rates as a result of its global operations. The Group's primary currency exposures are US dollar, Canadian dollar, euro, Singapore dollar and Australian dollar.

As the Group reports in sterling and conducts the majority of its business in other currencies, movements in exchange rates can result in significant currency translation gains or losses. This has an effect on the primary statements and associated balance sheet metrics, such as net debt and working capital.

A large proportion of the Group's revenues are matched with corresponding operating costs in the same currency. The impact of transactional foreign exchange gains or losses are consequently mitigated and are recognised in the period in which they arise.

The following exchange rates applied during the current and prior year:

	2021		2020	
	Closing	Average	Closing	Average
USD	1.35	1.38	1.37	1.28
CAD	1.71	1.72	1.74	1.72
EUR	1.19	1.16	1.12	1.12
SGD	1.82	1.85	1.81	1.77
AUD	1.86	1.83	1.78	1.86

Treasury policies

Currency risk

The Group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The Group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the Group's borrowings are held in sterling, US dollar, Canadian dollar, euro, Australian dollar and Singapore dollar.

The Group manages its currency flows to minimise transaction exchange risk. Forward contracts and other derivative financial instruments are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits, intra-Group loan repayments and any foreign currency cash flows associated with acquisitions. The Group's treasury risk management is performed at the Group's head office.

The Group does not trade in financial instruments, nor does it engage in speculative derivative transactions.

Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing.

Credit risk

The Group's principal financial assets are trade and other receivables, bank and cash balances and a limited number of investments and derivatives held to hedge certain Group liabilities. These represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to its credit rating and by regular review of these ratings.

Return on capital employed

Return on capital employed is defined at Group level as underlying operating profit divided by the accounting value of equity attributable to equity holders of the parent plus net debt plus retirement benefit liabilities. Return on capital employed in 2021 was 14.4% (2020: 16.4%).

David Burke

Chief Financial Officer

Approved by the Board of Directors and authorised for issue on 7 March 2022.

Principal risks and uncertainties

Our risk governance framework (see below) has been built to identify, evaluate, analyse and mitigate significant risks, including climate-related risks and opportunities, to the achievement of our strategy. We have processes that seek to identify risks from both a top-down strategic perspective and a bottom-up local operating company perspective.

Important developments in 2021

Continued strengthening of our risk management framework was a key priority for 2021, adding functionality to accommodate the new Task Force on Climate-related Financial Disclosures (TCFD) risk reporting requirements. During the year we undertook several initiatives to achieve this:

- Continued to strengthen our internal control environment, measured against a comprehensive set of Group Finance Standards across a number of disciplines including financial reporting, accounting, audit, taxation and treasury, reinforcing a culture of strong governance and risk management. This has been independently validated through the internal audit programme.

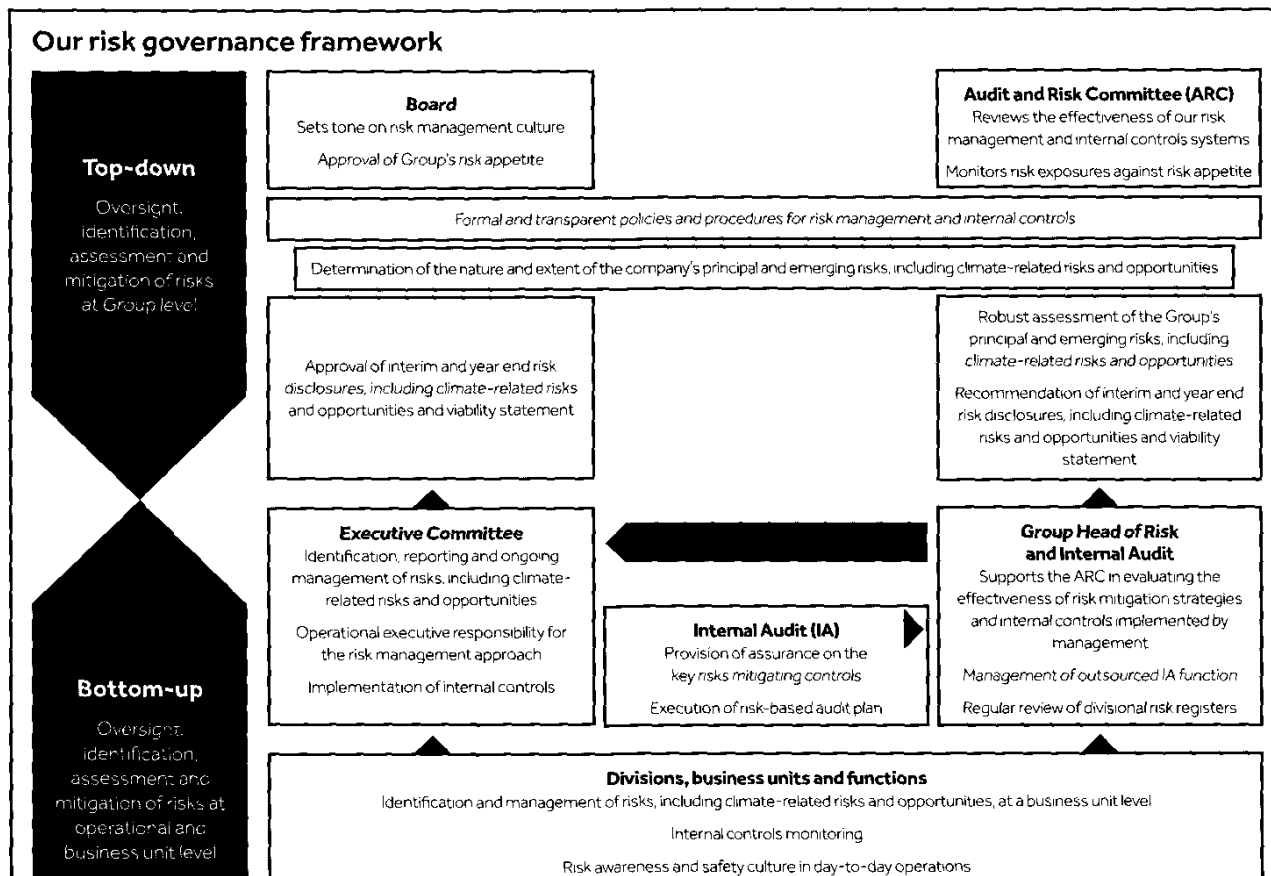
- Successfully developed a solution to capture climate-related risks and opportunities in line with the recommendations of TCFD.
- Continued to improve the quality of data on risk reporting across the Group, including, as mentioned above, the capture of climate-related risks and opportunities data in line with TCFD requirements leading to more robust and engaging management reviews of risk throughout the organisation.

Key areas of focus for 2022

- We will continue to focus on deepening the understanding and use of our risk management data consistently across the Group.
- We will further strengthen our Group risk management framework, continuing to benchmark against current best practice

to support the organisation in effective decision-making supporting delivery of the Group strategy. This will include further refining our risk process to fully incorporate all elements of TCFD risk reporting requirements, including aligning our risk reporting for all climate-related risks to short, medium and long-term horizons, as per TCFD recommendations.

- We will provide training on the updated Group risk management framework to ensure a consistent methodology is used when assessing, managing and reporting on risks.
- We will assess the resilience of our business strategy to climate change by developing a climate-related scenario analysis in line with TCFD requirements.
- These changes will lead to continued improvement and consistency of risk reporting and in turn support a timely and robust decision-making process.
- There will also be considerable focus on both the new ERP system and on the steps required to address proposed UK SOX requirements.



Our risk appetite

The Group's risk appetite drives high standards of health, safety and environmental compliance, and a focus on commercial risks and opportunities. This approach is understood across the organisation, allowing us to collectively build a profitable and leading market share whilst limiting the Group's risk exposures to an acceptable level. This level of risk is considered appropriate for Keller to accept in achieving strategic objectives.

Risk identification and impact

The Group's principal risks are analysed on an inherent (pre-mitigation) and residual (post-mitigation) basis.

Risk trends

The ongoing review of the Group's principal risks focuses on how these risks may evolve as well as a consideration of emerging and climate-related risks, which under TCFD requirements we identified and impact-assessed over the short, medium and long term. As such, horizon scanning and reviewing emerging potential legislation will form key elements of the risk review process. These elements will be adopted and embedded within the Group's day-to-day management of risk and its current risk reporting processes. The Audit and Risk Committee and the Board reviewed the Group's principal risks and uncertainties at their meetings in July 2021 and December 2021. Following a robust discussion, the Audit and Risk Committee concluded that a number of our principal risks and uncertainties have changed since the publication of last year's annual report. These include increasing risk around:

- changing environmental factors;
- not having the right skills to deliver; and
- failure to procure new contracts on satisfactory terms.

Information on these and the Group's other principal risks is set out on page 34 onwards.

Developing the viability statement

In developing the viability statement, management reviewed the principal risks and considered which of these risks might threaten the Group's viability. It was determined that none of the individual risks would in isolation compromise the Group's viability, and so a number of different severe but plausible principal risk combinations were considered. A downside sensitivity analysis, as well as a consideration of any mitigating actions available to the Group, was applied to the Group's three-year cash flows forecasted as part of the business planning

process and presented to the Board for discussion, further to review by the Audit and Risk Committee. The Board discussed the process undertaken by management, and also reviewed the results of stress testing performed to ensure that the sensitivity analysis was sufficiently rigorous. The Board also carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Viability statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a three-year period.

i) The Board selected the three-year period as:

- the Group's business planning and budget processes are carried out over a three-year period which provides the relevant estimates; and
- three years is a reasonable approximation of the maximum time taken from procuring a project to completion and therefore reflects our current revenue earning cycle.

ii) The review included cash flows and other key financial ratios over the three-year period.

These metrics were subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast both individually and collectively. Downside sensitivity analysis was carried out to evaluate the potential impact on the Group of a global downturn in the construction/geotechnical market. Revenues in 2023 and 2024 were assumed to decrease by 10% year on year with an operating margin deterioration in proportion. A number of other downside risks were also modelled including worsening working capital performance, inability to finance the Group's business and unforeseen settlements arising from solution failures or rectifications. As well as combining multiple scenarios and modelling the downside, we also considered scenarios where covenants would be breached.

The circumstances giving rise to these scenarios were considered extreme and remote. Further details of the assumptions can be found in note 2 to the consolidated financial statements.

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Strategic report.

On the basis of the above and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the Group, its cash flows and liquidity position are described in the Chief Financial Officer's review, with details of the Group's treasury activities, long-term funding arrangements and exposure to financial risk included in note 25 to the consolidated financial statements.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. The Group is therefore well placed to manage its business risks. After making enquiries, the Directors have formed the judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of this Annual Report and Accounts. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.



Principal risks and uncertainties

The table on the following pages lists the principal risks and uncertainties as determined by the Board that may affect the Group and highlights the mitigating actions that are being taken. The content of the table, however, is not intended to be an exhaustive list of all the risks and uncertainties that may arise.

The COVID-19 pandemic is having and will continue to have an impact across the entire organisation. We have incorporated commentary into affected principal risks and we will continue to manage mitigation centrally as well as regionally. We have also taken account of the impact of climate-related risks and opportunities on our principal risks and uncertainties.

Principal risks and uncertainties continued


Financial risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2020)
<p>Inability to finance our business</p> <p>Insufficient levels of funding, whether from operating cash flow or external financing facilities, that are necessary to support the business.</p> <p>Link to strategic lever: </p>	<p>A lack of available funds restricts investment in growth opportunities, whether through acquisition or innovation.</p> <p>In an extreme circumstance, the lack of available funds could lead to a failure of the Group to continue as a going concern.</p>	<p>Mixture of long-term committed debt with varying maturity dates which comprise a €375m revolving credit facility with a maturity extended to November 2025 and a US private placement debt of \$75m maturing in 2024. The \$50m note maturing in 2021 was redeemed from existing facilities.</p> <p>Active and open communication with the revolving credit facility banking group ensures that it understands the Group's financial performance and is supportive of funding requirements.</p> <p>Strong free cash flow profile with the ability to turn off capital expenditure and reduce dividends.</p> <p>Embedded procedures to monitor the effective management of cash and debt, including weekly cash reports and regular cash flow forecasting to ensure compliance with borrowing limits and lender covenants.</p> <p>Culture focused on actively managing our working capital; the annual bonus plan is linked to executive remuneration through an operating cash flow metric. Please see the Directors' remuneration report for further information on metrics.</p> <p>Monitoring of and response to external factors that may affect funding availability; as a result of the continued strong cash management, even taking account of the ongoing impact of COVID-19, the Board announced in November 2021 that it expected leverage to be at the bottom end of the 0.5x–1.5x guided range at 31 December 2021.</p>	<p></p> <p>Looking forward, as new facilities are either required or renewed, we will look at ESG-linked funding, alongside traditional funding alternatives.</p>



Key: Strategic lever

- 1** Balanced portfolio **3** Operational excellence
2 Engineered solutions **4** Expertise and scale

Key: Risk movement

-  Increased risk  Reduced risk
 Constant risk  Link to viability

Market risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2020)
A rapid downturn in our markets Inability to maintain a sustainable level of financial performance throughout the construction industry market cycle, which grows more than many other industries during periods of economic expansion and falls more harder than many other industries when the economy contracts.	Reduction in the demand for our products and services may lead to a significant deterioration in financial performance, including cash flow generation. In an extreme circumstance, reduced cash flow generation could lead to a failure of the Group to continue as a going concern.	<p>The diverse markets in which the Group operates, both in terms of geography and market segment, provide protection to individual geographic or segment slowdowns.</p> <p>COVID-19 has continued to cause disruption in economic activity in several of the markets in which we operate. Whilst the Group has shown good resilience to this change in 2021, it is likely that COVID-19 will continue to depress the economies in affected markets over the next 12 months. This may cause a reduction in activity in the construction sector which adversely affects the Group's order book.</p> <p>Having strong local businesses with in-depth knowledge of the local markets enables early detection and response to market trends.</p> <p>Leveraging the global scale of the Group, talent and resources can be redeployed to other parts of the company during individual market slowdowns.</p> <p>The diverse customer base, with no single customer accounting for more than 3% of Group revenue, reduces the potential impact of individual customer failure caused by an economic downturn.</p>	  As expected, we saw a slight shrinking of the construction market in 2021, with recovery moving at different speeds in each geography. North America was the most advanced in recovery, with Europe in line with expectations and AMEA remaining the most challenging. We will continue to mitigate through our market position across a number of sectors of the construction market and are well placed to take advantage of opportunities, especially in infrastructure. We will continue to monitor this risk closely, paying close attention to any impact on the size of our order book, which has recovered to a record level, and take appropriate mitigating actions.

Link to strategic lever:**1 2 3 4**

Principal risks and uncertainties continued


Strategic risks

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2020)
<p>Failure to procure new contracts on satisfactory terms</p> <p>Increasing competition, changing customer requirements or a loss of technological advantage results in a failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets.</p> <p>Link to strategic lever: 1 2 3 4</p>	<p>Failure to negotiate satisfactory and appropriate contractual terms may result in delays and disputes during project delivery, negatively impacting our relationships with our customers and the Group's reputation for delivering quality products and solutions.</p> <p>Inability to enter into commercially viable contracts may have a negative effect on the profitability of our projects and prevent the Group from achieving its targets.</p>	<p>A focus on understanding customers' requirements and competitors' capabilities.</p> <p>Structured bid review processes in operation throughout the Group with well-defined selection criteria that are designed to ensure we take on contracts only where we understand and can manage the risks involved.</p> <p>The Project Lifecycle Management (PLM) Standard has introduced more rigour into how risks are considered during the opportunity, contract approval and project execution phases.</p> <p>Sales training, which includes a focus on contractual and commercial terms.</p>	<p></p> <p>Our business depends on purchasing materials efficiently and in a timely manner, linked to project execution. COVID-19 continues to disrupt supply chains, putting pressure both on the continuity of supply and also on pricing.</p> <p>Fluctuations in these costs cannot always be passed on in full to the customer, especially with increased competition for a reduced number of contracts, which puts pressure on bid pricing. Our focus on maintaining our supply chain and managing material price risk for our critical materials is actively managed through our business unit procurement teams.</p>
<p>Losing our market share</p> <p>Inability to achieve sustainable growth, whether through acquisition, new products, new geographies or industry-specific solutions, may jeopardise our position as the preferred international geotechnical specialist contractor.</p> <p>Link to strategic lever: 1 2 3 4</p>	<p>Delivering sustainable growth is a key component of our strategy. Failure to deliver on our key strategic objective may result in the loss of confidence and trust of our key stakeholders including investors, financial institutions and customers.</p>	<p>A clear business strategy with defined short, medium and long-term objectives, which is monitored at local, divisional and Group level.</p> <p>Continued analysis of existing and target markets to ensure opportunities that they offer are understood.</p> <p>An opportunities pipeline covering all sectors of the construction market.</p> <p>A wide-ranging local branch network which facilitates customer relationships and helps secure repeat work.</p> <p>Continually seeking to differentiate our offering through service quality, value for money and innovation.</p> <p>North American businesses reorganisation delivering on cross-selling opportunities. However, due to COVID-19 there is an ongoing economic squeeze globally, increasing pressure on volume/market share.</p> <p>Minimising the risk of acquisitions, including getting to know a target company in advance, often working in a joint venture, to understand the operational and cultural differences and potential synergies, as well as undertaking these through due diligence and structured and carefully managed integration plans.</p>	<p> </p> <p>While we are seeing improvement across the US, selling a whole range of services not previously offered in regions before One Keller was implemented, due to COVID-19 there is an economic squeeze globally, increasing pressure on volume/market share. This is being somewhat offset by focused, targeted M&A activity.</p> <p>The focus on sustainability continues to increase from both government and private clients and we are well placed to take advantage of opportunities supported by our wide product offering.</p>




Key: Strategic lever

- 1** Balanced portfolio **3** Operational excellence
2 Engineered solutions **4** Expertise and scale

Key: Risk movement

-  Increased risk  Reduced risk
 Constant risk  Link to viability

Strategic risks continued



Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2020)
Ethical misconduct and non-compliance with regulations Keller operates in many different jurisdictions and is subject to various rules, regulations and other legal requirements including those related to anti-bribery and anti-corruption. There is a risk that the Group fails to maintain the required level of compliance.	<p>Non-compliance with relevant laws and regulations could lead to substantial damage to Keller's reputation and/or large financial penalties.</p> <p>Losing the trust of our customers, suppliers and other stakeholders would have an adverse effect on our ability to deliver against our strategy and business objectives.</p>	<p>A Code of Business Conduct that sets out minimum expectations for all colleagues in respect of ethics, integrity and regulatory requirements and is backed by a training programme to ensure that it is fully embedded across the Group.</p> <p>A clear and confidential externally run 'whistleblowing' facility encouraging employees to report any suspected misconduct.</p> <p>An Ethics and Compliance Officer at every business unit who supports the ethics and compliance culture and ensures best practice developed by the Group is communicated and embedded into local business practices.</p> <p>Regular workshops across the Group to ensure compliance risks are identified and addressed.</p>	  Strengthened communication of Keller's tone at the top and a renewed focus on risk management and internal control have maintained the exposure of this risk. Refresher training on code of conduct taking place across the Group.
Inability to maintain our technological product advantage Keller has a history of innovation that has given us a technological advantage which is recognised by our clients and competitors. Inability to maintain this advantage through the continued technological advancements in our equipment, products and solutions may impact our position in the market.	<p>Without a structured innovation approach, including sufficient investment, Keller may lose its competitive advantage.</p>	<p>Innovation initiatives developed at both Group and divisional level to ensure a structured approach to innovation is in place across the Group.</p> <p>Keller's continued investment in both external and internal equipment manufacture.</p> <p>Global product teams set standards, provide guidance and disseminate best practice across the Group.</p> <p>Digitisation initiatives focusing on strategy of facilitating equipment and operational data capture, bringing information together and making it accessible on a single platform. It will include all technical information from Keller and third-party sources at each stage of delivery, including data analysis and visualisations where possible, and it will also be BIM-compatible.</p>	

Link to strategic lever:

1 **2** **3** **4**

Principal risks and uncertainties continued

Strategic risks continued

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2020)
Changing environmental factors Changes in environmental legislation and relevant standards that impact our product and service offerings and an increasingly active public response to environmental concerns in the sectors in which we operate.	Inability to achieve Keller's commitment to deliver solutions in an environmentally conscious manner may have a negative impact on our reputation, affect employee morale and lead to loss of confidence from our customers, suppliers and investors.	Collaboration with the University of Surrey's Centre for Environment and Sustainability to apply sustainability best practice to all business functions. The Sustainability Steering Committee is responsible for integrating sustainability targets and measures into the Group business plan to successfully drive changes important to the company. Scope 1 and 2 carbon emissions verified by accredited external third party (Carbon Intelligence). Carbon calculator tool used to identify/improve carbon efficiency. Project team created to develop processes to meet Task Force on Climate-related Financial Disclosures (TCFD) requirements. Further details can be found in the ESG and sustainability section on pages 42 to 67.	 While the focus around environmental legislation is increasing, we believe this will also present opportunities to us that we are well placed to exploit. Our increasing activity to improve sustainability will put us in a good position to compete with our peers as opportunities arise. We have now put in place targets for Scopes 1, 2 and 3. For Scope 3, the target covers transportation of materials, business travel and waste disposal. We have also developed a process to capture climate-related risks and opportunities in line with TCFD reporting requirements and now have a climate-related risk and opportunity register.
Link to strategic lever: 	Product offerings become obsolete because they are no longer compliant with environmental standards. We may be required to remediate at our own cost to maintain compliance.		

Climate-related risks and opportunities

Climate change is a global threat and, as such, will continue to have many impacts across our business over the short (1 year), medium (2–5 years) and long term (6–30 years). Nonetheless, we believe there are also many opportunities as we, and the rest of the world, look to decarbonise. We fully support the aims of the TCFD and are using this framework to record and communicate the impacts of climate change on our business. We also use this to improve our disclosure of climate-related financial information. Please see our TCFD dashboard on page 52 for further information. An update on significant climate-related risks and opportunities is provided below:

Physical-Acute	Policy and Legal	Transition
<p>Flooding, drought, heavy precipitation and other extreme weather events, which are expected to increase over the medium and long term, can affect our ability to conduct geotechnical projects. Forest fires have impacted our Australian and Western North America business, directly delaying projects in this area, which could lead to lost revenue. Flooding in Europe also delayed projects in that region. These events may also cause harm to our employees as well as damage to our buildings, yards and equipment.</p> <p>Our management and project teams take a view on the risk factors that might adversely impact their ability to successfully deliver any given project. These are formalised within the Group-wide PLM Standard.</p> <p>Keller continues to offer new and sustainable techniques for working in our markets. See pages 47, 49 and 51 for more details. Where these markets are exposed to acute or chronic climate extremes, our design skills, global reach and product range enable us to deliver some of the most complex projects in the industry. We believe these factors set us apart from our competitors and therefore also present an opportunity.</p> <p>We will look at these impacts, alongside chronic physical</p>	<p>Current and emerging legislation could impact our financial performance over the medium term. As governments introduce carbon taxes and other legislation, operating costs and the costs of raw materials may increase.</p> <p>Keller is committed to reducing the carbon intensity of our work, which will aid mitigation of the impact of any laws or regulations. For more details on what Keller is doing, please refer to page 47.</p>	<p>There is a risk that our customer base contracts and switches to our competitors over the medium or long term as a result of not responding to client demand for lower-carbon solutions. This could prove more costly for projects related to the climate transition, such as flood defence projects. More carbon-intensive projects, such as those using jet grouting, may see a decrease in client demand.</p> <p>Keller has therefore developed a number of more sustainable construction solutions which will help mitigate these market risks. For example, Keller's vibro stone column solution can be used instead of the traditional continuous-flight auger piling; this technique can reduce the embodied carbon dioxide produced by up to 90%. Most of this saving is achieved by replacing the use of concrete and reinforced steel, which have high embodied carbon, with lower embodied carbon stone aggregate.</p> <p>To highlight the benefits of these lower embodied carbon techniques, we use the European standardised EFFC-DFI carbon calculator to demonstrate the carbon savings from alternative solutions.</p>

Key: Strategic lever

- 1** Balanced portfolio **3** Operational excellence
2 Engineered solutions **4** Expertise and scale

Key: Risk movement

- Increased risk Reduced risk
 Constant risk Link to viability

Operational risks

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2020)
Service or solutions failure <p>In designing a product or a solution for customers, many factors need to be considered including client requirements, site and loading conditions and local constraints (eg neighbouring buildings, other underground structures). Inadequate design of a customer product and/or solution may lead to an inability to achieve the required standard.</p> <p>Misinterpretation of client requirements or miscommunication of requirements by the client may lead to a poorly designed solution and consequently failure.</p>	<p>Failure to meet quality standards could damage our reputation, result in regulatory action and legal liability, and impact financial performance.</p> <p>The liability limitation period of our products is generally 12 years; consequently, a poorly designed product/solution could have an impact on our long-term profitability.</p>	<p>Continuing to enhance our technological and operational capabilities through investment in our product teams, project managers and our engineering capabilities.</p> <p>Employing geotechnical engineers that are focused purely on design.</p> <p>Disaster Recovery/Business Continuity Plans in place and reviewed across the Group.</p> <p>The global product teams set standards, provide guidance and disseminate best practice across the organisation for our eight key products.</p> <p>We seek to agree liability limits in our contracts with customers.</p> <p>Insurance solutions are in place to limit financial exposure of a potential customer claim.</p>	

Link to strategic lever:
Ineffective execution of our projects

Failure to manage our projects to ensure that they are delivered on time and to budget due to unforeseen ground and site conditions, weather-related delays, unavailability of key materials, workforce shortages or equipment breakdowns.

Link to strategic lever:

Inability to successfully deliver projects in line with the agreed customer requirements may result in cost overruns, contractual disputes and reputational damage.

Ineffective project delivery may also expose the Group to long-term obligations including legal action and additional costs to remedy solution failure.

Ensuring we understand all of our risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance.

Ensuring we have high-quality people delivering projects. Keller's Project Management Academy and Field Leadership Academy are designed to create project managers with a consistent skill set across the entire organisation. The academies cover a broad range of topics including contract management, planning, risk assessment, change management, decision-making and finance.

Keller Data Acquisition (KDAQ) system enabling comparison of performance across sites using similar products, identification of areas of best practice and quickly raising awareness of where improvement is needed.

Safety Standards for operations (eg platform, cage handling), Equipment Standards and fleet renewal.

The PLM Standard aims to drive a consistent approach to project delivery with robust controls at every project phase.

A formal, structured approach to Lean and 5S is being rolled out across the organisation, which is improving processes and strengthening Keller's working culture.



Principal risks and uncertainties continued

Operational risks continued

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2020)
<p>Causing a serious injury or fatality to an employee or a member of the public</p> <p>Failure to maintain high standards of health and safety, and an increase in serious injuries or fatalities leading to an erosion of trust of employees and potential clients.</p> <p>Link to strategic lever:    </p>	<p>Inability to maintain a positive health and safety culture may lead to damage to morale, an increase in employee turnover rates and a decrease in productivity.</p> <p>Deterioration in health and safety performance may lead to loss of customer, supplier and partner confidence and damage to our reputation in an area that we regard as a top priority.</p>	<p>Board-led commitment to drive health and safety programmes and performance with a vision of zero harm.</p> <p>An emphasis on safety leadership to ensure both HSEQ professionals and operational leaders drive implementation and sustainment of our safety standards through ongoing site presence, using safety tours, safety audits, safety action groups and mandatory employee training.</p> <p>Ongoing improvement of existing HSEQ systems to identify and control known and emerging HSEQ risks, which conform to internal standards.</p> <p>Incident Management Standard and incident management software driving a robust and consistent management process across the organisation that ensures the cause of the incident is identified and actions are put in place to prevent recurrence.</p>	<p> </p>
<p>Not having the right skills to deliver</p> <p>Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce.</p> <p>Link to strategic lever:    </p>	<p>Failure to maintain satisfactory performance in respect of our current projects and failure to deliver our strategy and business targets for growth.</p>	<p>Continuing to invest in our people and organisation in line with the four pillars of the Keller People agenda as noted below.</p> <p>Ensuring that the 'Right Organisation' is in place with people having clear accountabilities; each organisational unit is properly configured with a matrix of line management, functional support and product expertise.</p> <p>As an industry leader, that Keller is made up of 'Great People' that are well trained, motivated and have opportunities to develop to their full potential. Project managers and field employees receive comprehensive training programmes which cover a broad range of topics including contract management, planning, risk assessment, change management, decision-making and finance.</p> <p>A strong focus on the 'Exceptional Performance' of employees in delivering commercial outcomes safely for Keller based upon project successes for our customers. Business leaders are incentivised to deliver their annual financial and safety commitments to the Group.</p> <p>The 'Keller Way' provides guidance to the company's employees and leaders to comply with local laws and work within Keller's values and Code of Business Conduct.</p>	<p></p> <p>We are seeing increased competition for skilled personnel as well as inflationary pressure on pay across many locations where Keller operates. This is leading to increased risk around recruiting and retaining staff with the right skills to deliver.</p>

Key: Strategic lever

- 1 Balanced portfolio 3 Operational excellence
2 Engineered solutions 4 Expertise and scale

Key: Risk movement

- ↑ Increased risk ↓ Reduced risk
→ Constant risk ↻ Link to viability

Operational risks continued

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2020)
<p>Risk of potential disruption in the business operations, reputational damage and/or loss or corruption of data through external or internal technical threats and malicious action</p> <p>Information security and cyber threats are a concern across industries worldwide. The introduction of digital solutions such as InSite and KDAQ increases the Group's reliance on IT and its inherent cyber risk exposure.</p> <p>Link to strategic lever: 1 2 3 4</p>	<p>Cyber security breach could result in leakage of proprietary information, operational disruptions, and loss of employee and customer data.</p>	<p>Building a cyber security and information assurance team and services.</p> <p>Building a zero trust layered technology capability.</p> <p>Creation of an Information Security Management System framework, referencing industry standards to ensure appropriate governance, control and risk management and then onward management for compliance, maturity and development of service.</p> <p>Introduction of technical capabilities and services to further enable prevention, detection, prediction and response services.</p> <p>Multi-factor authentication for all users prevents unauthorised access to Keller's networks and applications.</p> <p>Advanced threat protection on all IT equipment delivers comprehensive, ongoing and real-time protection against viruses, malware and spyware.</p> <p>Data protection framework to ensure compliance with the General Data Protection Regulation (GDPR) and other standards of data protection.</p>	<p>→</p> <p>The threat landscape continues to evolve each year and so we continue to adapt our monitoring, detection, prevention and education processes to maintain a balanced risk perspective.</p> <p>We assess cyber risks and determine appropriate actions for our business. Existing capabilities continue to be deployed and enhanced if needed.</p> <p>As an example, having seen over the last two years the rise in the number of ransomware attacks and the increased number of reported attacks that target backup as well as production environments across all industries, we have implemented a backup solution for key services that is immutable and cannot be encrypted.</p>

ESG and sustainability

Peter Hill CBE
Chairman



We have set our first net zero targets by 2050.



Our corporate purpose, 'building the foundations for a sustainable future', is at the heart of everything we do. As the Director responsible for ESG and sustainability on the Board I am passionate and committed to this topic.

To reflect the growing importance of ESG matters and to provide greater focus and oversight, we announced in July 2021 that the Board had established two new Board Committees: the Environment Committee and the Social and Community Committee. In addition, the Audit and the Nomination Committees were renamed the Audit and Risk and the Nomination and Governance Committees respectively, to better reflect their remits.

Further detail with regard to the membership and terms of reference for these Committees can be found on page 78. This new Committee structure allows for greater depth of engagement and conversation and clear focus in driving forward our ESG agenda; a quarterly report on all ESG initiatives and deliverables by the Group Company Secretary and Legal Advisor, to the Board, assures a clear reporting line on all ESG matters to me. In 2022 we have put in place a number of measures and targets to both reflect Keller's ESG priorities and meet increased reporting and compliance obligations in this area.

We structure our approach to ESG and sustainability according to the four Ps – Planet, People, Principles and Profitable projects – and align our sustainability strategy with the United Nations Sustainable Development Goals (SDGs). See page 44. These provide a holistic language to communicate our sustainability framework with all our stakeholders, regardless of size, complexity or location. Of the 17 SDGs, we specifically focus on those that are most closely aligned to Keller's core business and where we can have the greatest impact. We actively target SDGs 3, 4, 5, 10, 11, 12, 13, 15, 16 and 17, spanning a range of environmental, social and economic priorities.

Our key ESG and sustainability metrics

ESG and sustainability area	UN SDG alignment	Objective	2021 KPI performance	Further reading
Planet 	Carbon reduction	We are committed to reducing the carbon intensity of our work and increasing the quality and granularity of our carbon reporting.	CDP score, B	Page 47
			Absolute tonnes of CO ₂ e per Em revenue, 85	Page 48
People 	Safety	We want every person who works for us, or with us, to go home safely at the end of each day.	Accident frequency rate, 0.07 per 100,000 hours worked	Page 58
			Total recordable incident rate, 0.63 per 100,000 hours worked	Page 58
	Gender equality	We are committed to recognising and embracing the broadest definition of diversity. Gender equality and empowerment is a UN sustainability development goal we have committed to progressing.	% of women in senior leadership, 18%	Page 56
			% of women engineers, 13%	Page 56
	Quality education	We are committed to investing in our emerging talent and building diverse capability for the future.	% of women engineering graduates and apprenticeships, 13%	Page 56
			Number of engineering graduates, apprenticeships, intern and co-op opportunities, 238	Page 63
Principles 	Good governance	We want an effective internal framework of systems and controls in place which clearly defines authority and accountability and promotes success whilst permitting the appropriate management of risk.	ESG Committee structure and reporting framework in place	Page 64
	Partnerships	We want to partner with 'like-minded' organisations to drive change in our organisation and the wider geotechnical industry.	Donation to UNICEF's Vaccines Appeal, £300,000	Page 65

This year we saw continued progress against our four global SDG initiatives, focused on carbon reduction, gender DEI, safety, and good governance. There are a number of additional local initiatives, where our business units can focus on areas of sustainability that are most relevant to their local markets.







Importantly, in respect of carbon reduction, we have set ambitious and achievable net zero targets by 2050. We believe that carbon targets are essential to mitigate global climate-related risks while we pursue climate-related opportunities in our operations and contracts. We divide our emission targets using the scopes set out in the Greenhouse Gas Protocol. We will be net zero across all three emission scopes by 2050; net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on Operational Scope 3. We have started the journey to implement the short, medium and long-term actions required to achieve these goals. We have also started to report against the requirements set out in the Task Force on Climate-Related Financial Disclosures; however, understanding the costs and opportunities of climate change to our business will take some time and we are actively progressing this understanding in 2022. Further information can be found on page 52.

I was pleased that our CDP score improved in 2021 to a B and would like to thank our workforce for their efforts across the ESG agenda.

Our role in building the foundations for a sustainable future

Sustainability is at the heart of Keller's strategy for building the foundations for a sustainable future. At Keller, we are committed to better understanding our contribution to sustainable development and work collaboratively with our customers and stakeholders to improve sustainability. We define what sustainability means to Keller using the four Ps:

How we define ESG

 <p>Planet</p> <p>We are helping to build a sustainable future by using less resources, reducing carbon emissions and reducing waste across our operations, whilst playing a positive role in our local communities, the environment and wider society.</p> <p> For more information See pages 45 to 52</p>	 <p>People</p> <p>We operate in a way that respects people and their health, safety and environment, always striving for zero harm. Our motivating and inclusive culture makes us a good employer that people are proud to work for.</p> <p> For more information See pages 53 to 63</p>	 <p>Principles</p> <p>An effective framework of systems and controls ensures we manage risk and run our company well, and we seek out partners who understand our principles and the standards we operate by.</p> <p> For more information See pages 64 and 65</p>
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	<p>Profitable projects</p> <p>We continually innovate to support more environmentally sustainable construction, actively transforming our product portfolio to help our customers use fewer resources, reduce their carbon emissions and improve their environmental impact. Making sustainability core to our business helps differentiate us from our competitors and helps us achieve long-term profitability and growth.</p>
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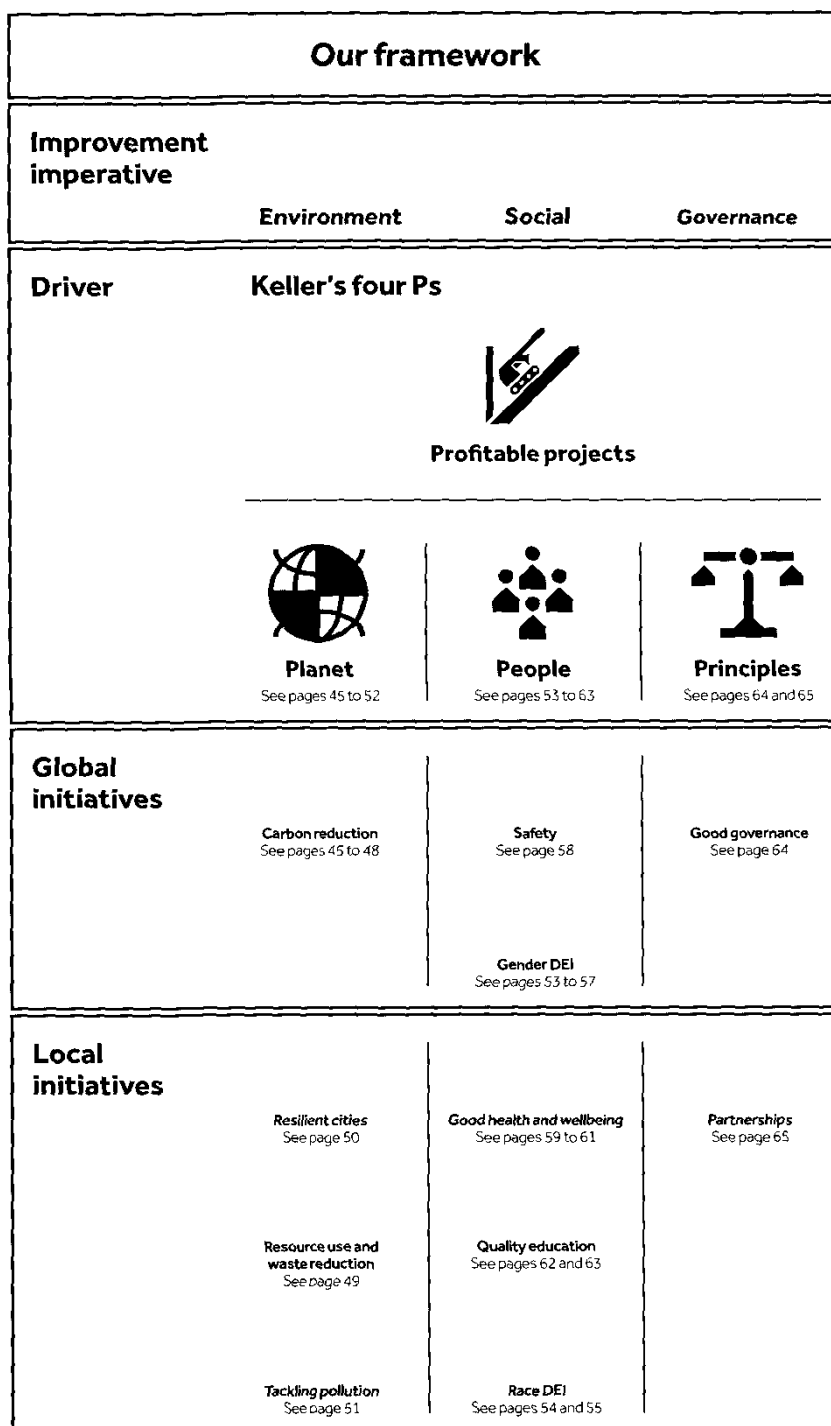
ESG and sustainability continued

Beneath each of the four Ps, we align our initiatives to the UN Sustainable Development Goals (SDGs).

These goals provide a common language for us to communicate sustainability initiatives globally, both to our internal and external stakeholders. We have four global SDG initiatives, with the whole Keller Group focused on carbon, gender DEI, safety and good governance. We then have a number of other local initiatives, where our business units can focus on areas of sustainability that are most relevant to our local markets. To measure progress on these SDGs, we use metrics from GRI and the SDG compass.

Keller's Chairman has ultimate responsibility for ESG and sustainability on the Board, including climate change topics. This reflects the importance of these issues to our core business, ensuring sustainability-related risks and opportunities are viewed at the highest level. We describe this further on page 64 and in the Governance report.

Both the Executive Committee and Keller's divisions are represented on the Sustainability Steering Committee. This Management Committee allows divisions and functions to raise sustainability challenges, including climate-related topics, to the executive and ultimately to the Board. It also acts as a place to share sustainability best practices between divisions and discuss sustainability strategy. Meetings are held quarterly and are structured around Keller's four Ps, dedicating time to Planet, People, Principles and Profitable projects.



Planet

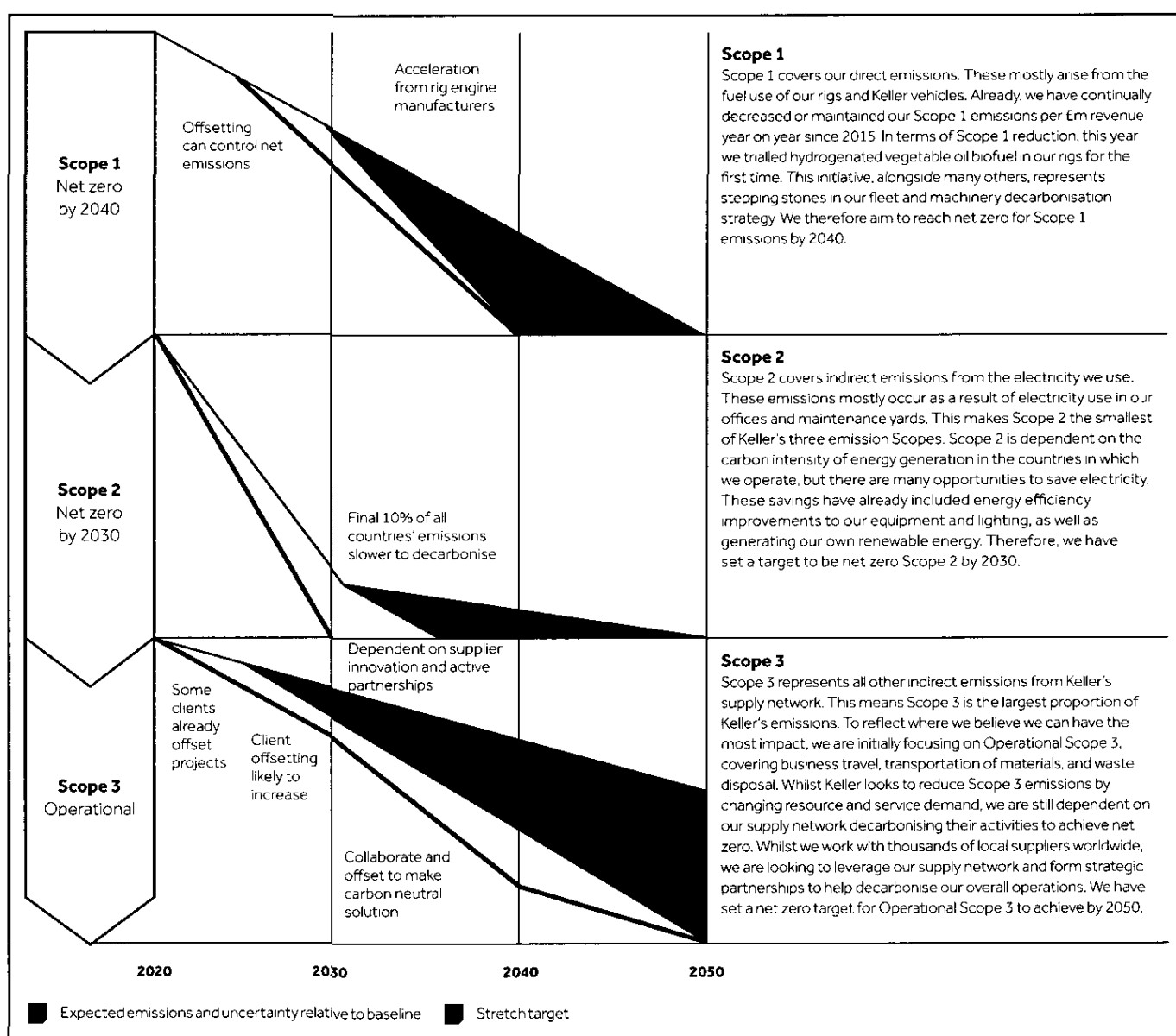
Journey to net zero

This year, we set our first-ever net zero carbon targets. These targets represent Keller's commitment to the planet as we build the foundations for a sustainable future.

These absolute targets will help us mitigate future climate-related risks and recognise climate-related opportunities. We divide our emissions targets using the scopes set out in the GHG Protocol.

Emissions targets

Scope	Net zero target
1	Net zero by 2040
2	Net zero by 2030
3 Operational	Net zero by 2050



ESG and sustainability continued

Planet continued

The time frame and leading targets we set for each net zero commitment reflect the size and the level of control we have over each emission Scope (see below).

To achieve our net zero targets, we have set a number of leading targets. These are mostly initially focused on improving our measurement and innovation. To achieve these leading and net zero targets, we apply the carbon hierarchy to reduce the carbon intensity across all our operations. This helps us decarbonise all our functions, from procurement to our site operations. First, we look to eliminate emissions

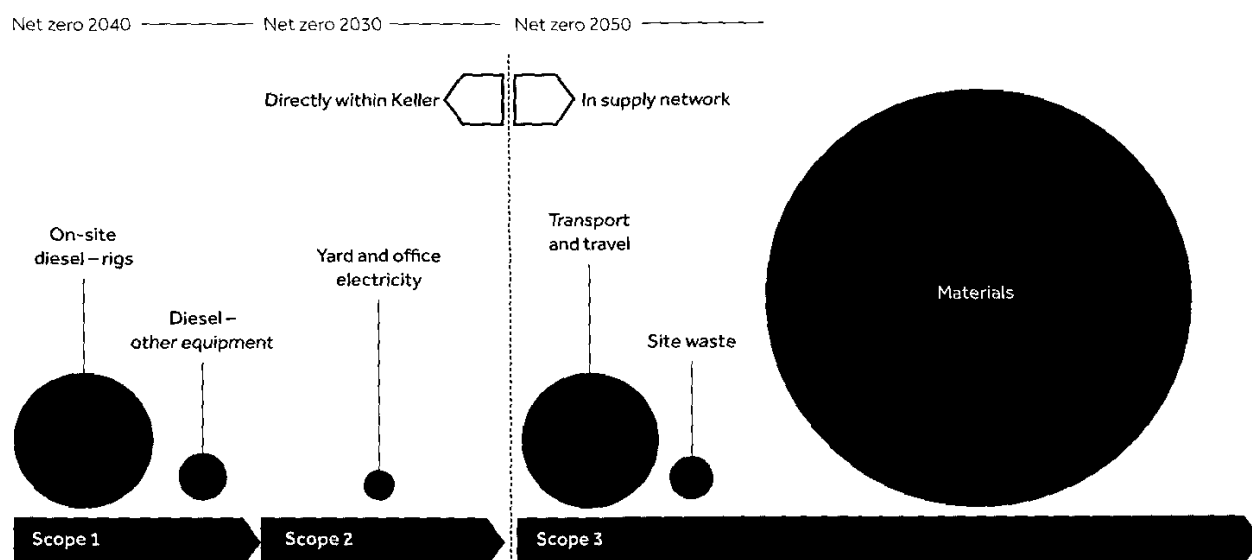
completely; this includes using Microsoft Teams rather than travelling, or using ground improvement to eliminate the need for concrete and steel foundations.

Next we look to reduce emissions, such as through reducing the number of piles on a project, reducing pile diameter and length, and through using more energy-efficient equipment. From there, we look to substitute emission sources, such as using lower carbon cement, recycled materials or lower carbon energy. Finally, for those remaining emissions, we will ultimately look to use accredited carbon schemes to offset

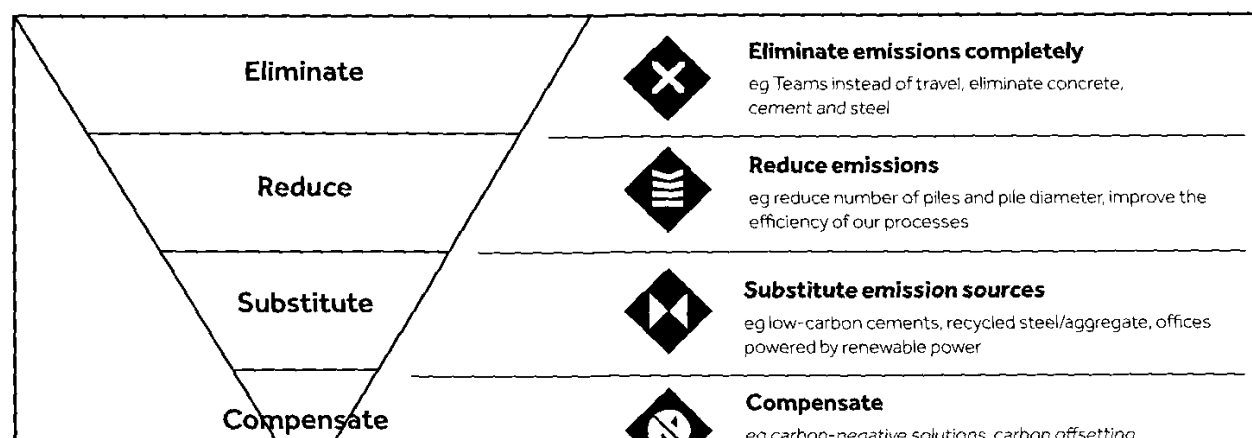
these emissions. Additionally, multiple Keller business units already offer clients the ability to purchase carbon offsets for the embodied carbon of their foundations.

Many carbon savings, such as eliminating travel, using ground improvement or reducing the size of piles, offer financial savings. However, we acknowledge that some innovations, such as the use of biofuels or upgrading our rigs, will represent an initial capital expenditure or cost to the business. This will be captured in the TCFD scenario analysis in next year's annual report disclosure.

Relative size of our emissions (approximate)



The carbon hierarchy



Carbon reduction

As we highlight in our journey to net zero, Keller is committed to reducing the carbon intensity of our work and increasing the quality and granularity of our carbon reporting. Throughout 2021, we continued to measure our performance on carbon reduction, and wider climate change governance, in a number of different ways.

As in previous years, Keller disclosed our performance to CDP: CDP assesses the carbon intensity of Keller's operations, as well as our ability to identify and mitigate climate-related risks and opportunities. In 2021, we achieved a score of B. This is an improvement on our score in 2020, with improvements in all disclosure categories. This means Keller remains above the global average CDP score of a B-. Since this CDP score reflects our progress in 2020, the score does not include our progress on setting net zero targets, nor our improvements on TCFD climate risks and opportunities disclosures. These should be reflected in next year's CDP score.

Keller has a number of ongoing initiatives to improve the energy efficiency of our operations. In terms of Scope 1 reductions, all the rigs we produced in 2021 were electrohydraulic or fitted with the latest tier 5 engines. This reduces our emissions on site, improves fuel efficiency and reduces our fuel consumption. Through our in-house rig manufacturers, we are constantly innovating to develop the rigs of the future; this includes developing more efficient machinery and trialling biofuels in our rigs. Our vehicle fleet is also a large source of emissions. Therefore, in North America, where vehicle emissions are largest, we are trialling hybrid trucks as a way to reduce carbon emissions and improve air quality.

Our Scope 2 emissions are predominantly from permanent operations in our offices and yards. In particular, our rig manufacturing division, KGS, has one of the largest individual yard emissions in Keller Group. We have therefore placed particular focus on decarbonising this yard, with a specific carbon reduction strategy. This has been funded from KGS' existing rolling budget for improving their yard and equipment. All our European business units are implementing recommendations from Energy Efficiency/ESOS audits, with improvements including installing LED lights, replacing old single-glazed windows and educating employees about saving energy. Certain offices, such as the UK and Austria, generate their own renewable energy using solar panels. Similarly, multiple branches, such as Germany and the UK, have switched to entirely green energy tariffs.

Both Keller's Scope 1 and Scope 2 emissions are independently third-party verified. This is an important step that we take to properly monitor progress on our carbon targets and mitigate key climate-related risks.

In 2021, we started proactively monitoring our Scope 3 emissions on key projects, training over 100 employees on the EFFC – DFI embodied carbon calculator. This has enabled us to offer lower-carbon solutions to our clients, as well as helping identify carbon-intensive Scope 3 hotspots to target with future carbon reduction initiatives.

Case study

Focusing engineering on sustainability

Kimberly Martin joined Keller in December 2020. As Senior Engineer for Innovation and Sustainability, she is North America's first engineer focused on sustainability.

Kimberly is a leading light in the geotechnical sector's sustainability journey. She is an active member of the Geo-Institute and Deep Foundations Institute sustainability committees. She has also been selected to sit on the board for the Institute of Civil Engineers' Engineering Sustainability journal.

As part of this journey, Kimberly has begun to roll out the sector's standard carbon calculator in Keller North America.

"To make it easy for project managers to use, we've connected the calculator to our estimation spreadsheet," says Kimberly. "This allows us to quickly compare techniques and highlight low-carbon options to our clients, putting us in a stronger position to

Kimberly is also looking at how we can reduce the carbon footprint of our techniques. In a series of innovation projects, Kimberly is working alongside the North America Soil Mixing Product Team to investigate the use of lower-carbon materials and mix designs. The team's goals are to decrease Portland cement consumption and, in some cases, improve mixability which can lead to a reduction in diesel use.

As well as being the right thing to do, sustainability is becoming more important for clients, particularly those who want support in reaching their own targets."

Kimberly Martin

Senior Engineer for Innovation and Sustainability, Keller North America

ESG and sustainability continued

Planet continued

Third-party assurance statement

Independent verification in accordance with best practices required by ISO 14064-3 Standard on the Scope 1 and Scope 2 GHG accounts has been provided by Carbon Intelligence. Their summary opinion is provided below (full opinion and recommendations are available on request). Based on the data and information provided by Keller and the processes and procedures conducted, Carbon Intelligence concludes with limited assurance that the GHG assertion:

- is materially correct;
- is a fair representation of the GHG emissions data and information; and
- is prepared in accordance with the criteria listed above.

It is our opinion that Keller has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.

Keller's 2021 Scope 1 emissions increased since 2020. Scope 1 fuel emissions are highly dependent on the projects completed annually. Therefore, since we have completed more work this year than during the COVID-19 restrictions of 2020, our emissions have increased. However, the carbon intensity of our operations per £m revenue has remained level. Ongoing COVID-19 pressures on market pricing and operational disruption across our business meant this relative metric remained unchanged, despite a number of carbon saving initiatives. Scope 2 electricity emissions are mostly from office and yard operations. Therefore, the continued decrease in Scope 2 location-based emissions this year, even as some businesses returned to hybrid or office working, reflects the improving energy efficiency of our permanent site operations. The growing difference between location-based and market-based Scope 2 emissions also reflects how some of our business units are now procuring renewable electricity for the first time.

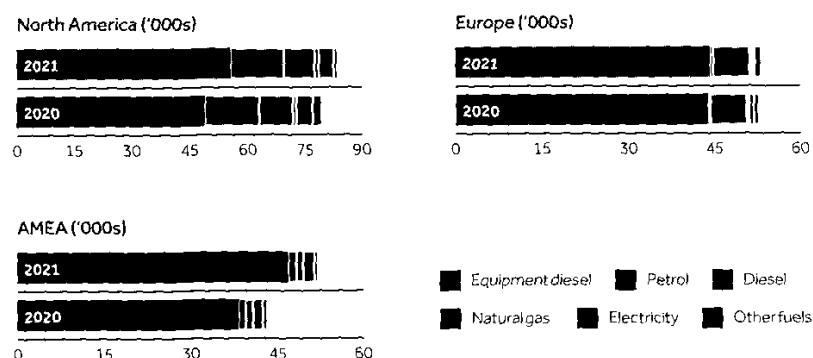
Since we work with local suppliers on each project, we have thousands of suppliers in our value chain. This complexity means that we have initially focused our Scope 3 reporting disclosure on business travel in key markets. Scope 3 business travel has increased since 2020 as COVID travel restrictions were lifted. We continue to develop our Scope 3 reporting to include the rest of our Operational target.

Group	2021	2020	2019	2018
Energy use MWh	741,579	691,074	811,881	817,256
Scope 1 tonnes CO ₂ e	183,112	169,216	198,289	202,238
Scope 2 (market-based) tonnes CO ₂ e	6,574	7,091		
Scope 2 (location-based) tonnes CO ₂ e	6,723	7,094	9,159	9,349
Total Scope 1 & 2 (market-based) tonnes CO ₂ e	189,686	176,307		
Total Scope 1 & 2 (location-based) tonnes CO ₂ e	189,835	176,310	207,448	211,587
Absolute tonnes of CO ₂ e per £m revenue	85	85	90	95

Keller UK	2021	2020	2019	2018
Energy use MWh	19,699	12,949	16,724	16,496
Scope 1 tonnes CO ₂ e	4,961	3,033	3,915	3,850
Scope 2 (market-based) tonnes CO ₂ e	0	218		
Scope 2 (location-based) tonnes CO ₂ e	69	219	265	295
Total Scope 1 & 2 (market-based) tonnes CO ₂ e	4,961	3,251		
Total Scope 1 & 2 (location-based) tonnes CO ₂ e	5,030	3,252	4,180	4,145
Absolute tonnes of CO ₂ e per £m revenue	50	53	64	66
Scope 3 business travel tonnes CO ₂ e	97	26		

Note that some of the fuel we use in our equipment is purchased by the main contractor and we are currently unable to report on these emissions due to difficulties with collecting accurate data.

Keller Group 2021 and 2020 greenhouse gas emissions (tCO₂e)



Resource use and waste reduction

This initiative reflects the contribution Keller can make towards the circular economy. In particular, we look to reduce raw material use, increase our use of secondary materials, reduce waste to landfill and allow for pile reuse.

We recognise the large volumes of materials used and produced on our sites, so have started a number of projects to improve these impacts. Keller routinely promotes ground improvement solutions as a way to reduce raw material use on site. Ground improvement uses natural or recycled materials to improve ground load carrying capacity. This reduces or completely removes the need for heavy foundations. In turn, this reduces the volume of cement and steel used on site, saving primary resource use, and potentially offering a financial saving to our clients. The reduced need for heavy foundations also reduces the carbon intensity of the overall project.

As well as addressing our use of raw materials, we are also keen to reduce waste. Of all the geotechnical solutions we offer, our jet grouting solutions have traditionally used the most water and created the most waste spoil. Therefore, our research and development teams have been trialling ways to monitor and reduce these impacts.

Using a combination of filter chamber presses, centrifuges and shale shakers, we are now able to reduce the volumes of waste water and spoil produced on jet grouting sites. As well as reducing the cost of waste disposal, this has the added benefit of reducing the number of trucks required to transport materials off site. This reduces congestion around our sites, improving air quality and reducing our impact on the local community.

We also have a number of ongoing research projects looking to use alternative materials for jet grouting. Building on the success of our Halocrete[®] and NeutroGel[®] innovations announced in the 2020 annual report, we are now developing other, non-toxic, low-carbon grouts for other geotechnical purposes.

ESG and sustainability continued

Planet continued

Resilient cities

With this SDG, we focus on improving our impact on the local communities in which we operate. We also focus on ensuring our solutions offer resilience for cities and communities facing the physical risks of climate change.

Many of our business units work with local organisations and wildlife trusts to improve their local environment. For example, our Indian Business Unit used remaining cement left over from one project to make bricks for local community construction projects.

As subcontractors and contractors on site in urban areas, we make use of dust suppression and baffling to minimise the impact of dust and noise on the local environment. We also typically use local material suppliers to support local businesses, reduce transport distances and reduce congestion around our sites.

We recognise that every community and city that we operate in has different sustainability needs. Therefore, alongside our Group-wide commitments, each of our business units have their own local sustainability priorities. We take this same approach to our projects. For example, on treating the physical effects of climate change, Keller works on flood defence projects and projects focused on ground remediation treating desertification. We continue to develop our product portfolio to meet these growing markets. We promote these products both directly to clients and through our existing sustainability brochure.

Case study

Sustainable solution sets Keller apart

We are committed to improving our environmental impact by offering clients more environmentally sustainable solutions wherever possible. Strengthening weak soils with columns of compacted crushed concrete, recycled from other construction projects, is one such solution.

Tudor Park is an upscale housing development project in Hoofddorp, near Amsterdam. We proposed vibro stone columns for a multi-storey, 31-unit apartment block as the best technical, economical and sustainable ground improvement solution.

The technique involves penetrating the ground using a depth vibrator, filling the void with crushed recycled concrete and then compacting it with the vibrator. Each column is then checked for quality, and surveys are carried out to ensure the soils in between meet the required density.

The process is fast, easy to do and doesn't require any additives such as cement. The method is also ideal for contaminated ground, as it doesn't create any spoil that would otherwise have to be disposed of.

We estimate that using stone columns on this project, rather than a heavy foundation using cement and steel, saved around 260 tonnes of CO₂e. This is equivalent to saving 56 cars running for a whole year. Using recycled materials also saved some 2,500 tonnes of aggregate from being mined.

Solutions like this demonstrate our commitment to a more sustainable future. We look forward to offering many more clients quality, low-carbon solutions for both infrastructure and residential projects."

Richard Looij
Project Manager
Central Europe

Tackling pollution

Keller is committed to delivering its solutions in a socially and environmentally conscious manner. Over recent years reporting processes have improved and performance is generally encouraging.

We did not have any environmental prosecutions in 2021. The overall number of environmental incidents remained in line with those reported the previous year, with most incidents being minor hydraulic leaks. We have therefore begun implementing an updated equipment inspection process using our site software prior to each shift commencing, in an effort to reduce the number of minor spills.

We continue to work on our preventative maintenance programmes to ensure that we address any issues before the event occurs. In addition, we ensure that secondary containment is in place for stored equipment and materials. We continually seek to improve our processes on site, specifically around job planning, to ensure that we identify, mitigate and control our risks and minimise our environmental impact.

Whilst as subcontractors we have minimal control on biodiversity on site, multiple business units continue to engage with wildlife trusts to promote local biodiversity.

Case study

Keller brings expertise to hospital project

Combining a range of geotechnical products and environmental innovation, Keller is helping create a new future for Norway's leading cancer hospital.

The Radiumhospitalet in Oslo is undergoing a major transformation, replacing outdated buildings with a state-of-the-art treatment centre.

Keller's foundation solution combined bored piles with a jet grout seal, and anchors. A back-flow treatment plant for jet grouting was also included. This filters the water in the spoil, which can then be reused, reducing the amount of spoil sent to landfill. To avoid overconsumption of the concrete caused by the soft clays, the ground was pre-stabilised using deep soil mixing.

Noise reduction was a priority on the live hospital site. Keller mitigated this through reverse circulation drilling. This involved water-powered, rather than air-powered, machinery, which is quieter, and also reduces vibration and the risk of settlement.



The government was looking for a quality solution, but also one that considered the environment. We were able to design a complete solution that reduced risk, noise and waste, and worked in difficult and low-headroom areas."

Dominik Gächter
Regional Manager
South East Europe and Nordics

ESG and sustainability continued

Planet continued

TCFD dashboard (Non-financial and sustainability information statement)

In meeting the requirements of Listing Rule 9.8.6.R we have concluded that:

- We comply with recommended disclosures around Governance, Risk management, and Metrics and targets.
- We partially comply with recommended disclosures around Strategy.

In the table below we cross-refer to where the disclosures are located or provide reason for partial compliance. On assessing compliance we took into consideration the guidance documents referred to in the guidance notes to the Listing Rules.

Status key



Complete



In progress



Not yet started

TCFD elements	TCFD recommended disclosures	Cross-reference	Status	Next steps and other comments
Governance 	Board's oversight of climate-related risks and opportunities	See pages 44, 77, and 78		A quarterly report on all ESG initiatives and deliverables by the Group Company Secretary and Legal Advisor, to the Board, assures a clear reporting line on all ESG matters, including climate change, to the Chairman and the Board.
	Management's role in assessing and managing climate-related risks and opportunities	See pages 44, 77, and 78		The Sustainability Steering Committee oversees environmental matters and climate-related risks and opportunities.
Strategy 	Climate-related risks and opportunities Keller has identified over the short, medium and long term	See pages 32 and 38		As our maturity grows and we embark on scenario planning, we will incorporate insight from the wider business and across our value chain to identify and assess climate-related risks and opportunities.
	Impact of climate-related risks and opportunities on Keller's businesses, strategy and financial planning	See pages 32 and 38		The impact of these risks and opportunities was considered in the preparation of our sensitivity analysis for the 2021 viability statement. The longer-term impacts, including the costs of mitigation measures such as reaching our net zero goals, will be considered in our financial planning processes during 2022.
	Resilience of Keller's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	See page 32		As above. In addition, some qualitative assessment has been conducted to support our CDP disclosures. This is our starting point to prepare for full disclosure next year.
Risk management 	Keller's processes for identifying and assessing climate-related risks	See pages 32 and 38		We continually assess our overall risk management process to ensure it remains fit for purpose and will review the integration of TCFD requirements into our existing process to ensure we continue to gain maximum benefit through harmonising our risk management processes. We will strive to improve our approach to identifying, assessing and managing all risks and opportunities.
	Keller's processes for managing climate-related risks	See pages 32 and 38		
	How processes for identifying, assessing and managing climate-related risks are integrated into Keller's overall risk management	See pages 32 and 38		
Metrics and targets 	Metrics used by Keller to assess climate-related risks and opportunities in line with strategy and risk management process	See pages 46 and 48		These metrics will continue to develop as we grow our scenario analysis.
	Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and related risks	See page 48		We will be net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on Scope 3 Operational. We have already started to implement the actions required to measure progress and achieve these goals.
	Targets used by Keller to manage climate-related risks and opportunities and performance against targets	See pages 45 and 46		We continue to develop internal leading targets to mitigate climate risks and realise opportunities.

People

Diversity, equity and inclusion (DEI)

'We are Keller' sets out our Inclusion Commitments and brings together what we are doing to build a more diverse, equitable and inclusive workplace. While gender equality and empowerment remains a priority, 'We are Keller' recognises and embraces the broadest definition of diversity. This is important because our employees represent the broadest range of backgrounds, cultures, experiences, perspectives and insights. We believe this is fundamental to the successful delivery of our business strategy and to best serve our customers around the globe.

Our Inclusion Commitments



Case study

New reverse mentoring programme

Keller introduced a reverse mentoring programme this year to enable senior executives to have in-depth conversations with employees with different backgrounds and life experiences to them.

Jose Martinez, Vice President Operations, Keller North America mentored Kerry Porritt, Group Company Secretary and Legal Advisor.

Jose says: "It was a little intimidating because Kerry is on the Executive Committee, but with a bit of training and time, I became more at ease with the process.

"I was born and raised in Puerto Rico, left home at 17 and didn't speak good English, but I went to college and got my degree. I talked with

Kerry about being treated differently because of the colour of my skin and times when I hid my culture to fit in."

Kerry says: "I was really fortunate to be partnered with Jose because he was so committed to the process and so open about sharing his life experiences.

"What the sessions highlighted is that, although the challenges and opportunities everyone has growing up can be so different, it seems to me everyone is looking for a sense of belonging – of being listened to and heard."

Conscious leadership is one of our Inclusion Commitments. It is a unique and critical capability that will help us adapt to diverse customers, markets, ideas and talent.

Kerry Porritt
Group Company
Secretary and
Legal Advisor

Jose Martinez
Branch Manager
(Texas)

ESG and sustainability continued

People continued

Progress in 2021

We developed 'We are Keller'; our commitment to making our sites and offices more inclusive in 2020.

Following its launch, we spent a significant amount of time delivering Inclusive Leadership workshops to our global leadership team and wider workforce.

This first step was critical to help our teams understand the broader concept of DEI and how it connects with our business, and to provide them with the means to contribute to our aspiration of becoming a diverse, equitable and inclusive workplace.

Diversity, equity and inclusion: Recent progress



Established Keller Women in Construction ('KWIC') in Europe and AMEA and celebrated the one-year anniversary of KWIC North America.



Developed a best practice toolkit which provided our global leadership teams with tools and resources to identify activities and initiatives that will help us deliver on our strategy and drive change in the longer term.



Delivered an extensive DEI communications campaign across the Group based on our Inclusion Commitments to raise awareness.



Developed and launched our Foundations of Wellbeing, an inclusive, people-led approach to wellbeing (see page 57).



Launched the Pitcairn Geotechnical Engineering Scholarship to attract the best of the next generation of experts with a particular focus on improving gender and ethnic diversity.

January

April

July



Partnered with the 30% Club, a global campaign committed to improving gender and ethnicity representation at board and senior management levels.



Partnered with conscious and inclusive resourcing firms such as FDM Group, who provide opportunities for ex-military, returners to work and graduates.



Keller UK continued to partner with SCS, Women in Construction and Tideway on a six-month pilot programme to develop their approach to gender diversity and DEI.



Held listening sessions to understand the benefits, barriers and opportunities of working on site as an underrepresented minority. The outcomes were shared with local management to consider appropriate actions to retain and attract diverse talent.



Established a Race Advisory Committee. This has focused on outreach events with underprivileged school kids in Chicago and raised awareness through targeted campaigns linked to key global events including Black History Month, Asian Pacific Islander Heritage Month and Juneteenth.



Mandated diverse candidate slates for leadership vacancies and introduced an internal recruitment process that advertises vacancies globally to encourage mobility and provide broader opportunities across the business.

Key

**Conscious leadership**

Improve accountability through inclusive and conscious leadership

**Evolve**

Continue to evolve as the employer of choice in our industry

**Listen**

Listen and engage with our workforce

**Partner**

Partner with 'like-minded' organisations through inclusivity

**Empower**

Empower and invest in our workforce

**Celebrate**

Celebrate our differences and all that unites us

**Continued to celebrate and recognise key global events**

that represent the breadth of our workforce. During the year we recognised Lunar New Year, International Women's Day, Ramadan, Eid ul-Fitr, Earth Day, Pride month, Global Day of Parents, International Women in Engineering Day, World Suicide Prevention Day, Global Diversity Month, World Mental Health Day, Diwali, International Men's Day, Hanukkah and Christmas.

**Started a reverse mentoring programme**

for our executive team. Pairing them with colleagues from different backgrounds to broaden their understanding of DEI issues affecting our workforce and helping them develop additional inclusive leadership skills.

**Took part in Construction Inclusion Week**

which unites the industry in celebrating diversity and building inclusivity. Keller crew toolbox talks covered leadership commitment and accountability, unconscious bias, supplier diversity, jobsite culture and community engagement.

Keller India partnered with Bhumi

to educate disadvantaged children, including educational sessions at schools for girls.

September

December

**Held diverse hiring webinars to share best practice**

across the Group and some regions adjusted their interview guides to recommend mixed gender panels.

**Built visibility of our female talent pipeline**

through the delivery of our Unearthing Potential talent development programme and are looking at targeted interventions to improve representation.

**Developed/enhanced inclusive workforce policies**

in some regions including improved parental leave, flexible working, phased return to work from maternity including advising managers on pregnancy safety, PPE requirements and arranging designated nursing facilities, implementing paid domestic violence leave for Keller employees and emergency accommodation.

**The National Centre for Diversity awarded Keller UK Senior Leadership Team of the Year.**

This celebrates excellence in promoting fairness, respect, equality, diversity, inclusion and engagement. Keller UK was also shortlisted for five categories at the Ground Engineering Awards including EDI Champion of the Year Award.

ESG and sustainability continued

People continued

Measuring and evaluating our success

Having an effective feedback culture is essential to drive improvement and monitor progress. At Keller, inclusion is primarily measured via engagement surveys and focus groups and we have spent a significant time during the year checking in with colleagues to understand whether our working environment is one where everyone feels respected, accepted, supported and valued. The following positive data points relating to inclusion are based on the four surveys undertaken during the year:

➔ 'Keller respects individual differences'

Current Keller score:

81%

(Score above global construction and heavy industry benchmark of 78%)

➔ 'I can voice a contrary opinion without fear of negative consequences'

Current Keller score:

73%

(Score above global construction and heavy industry benchmark of 70%)

We acknowledge that representation matters and are committed to measuring and monitoring gender diversity throughout the organisation. Building Balanced Teams, a new robust reporting framework, will enable us to measure representation at every level of the organisation and identify specific activities that will not only attract and retain a more diverse group of talent, but continue to enhance our culture of inclusion. The framework includes tracking key metrics relating to the talent cycle such as hiring, promotion and turnover rates which will highlight specific workforce processes that may need addressing. In addition, the Executive team provide quarterly updates on their divisional and functional DEI priorities and progress updates are shared with the Social and Community Committee (see page 86).

Our inclusion and diversity data

	As at 31 December 2021		As at 31 December 2020	
	No	%	No	%
Gender (female representation)				
Board members	4	57%	4	57%
Executive Committee	2	18%	2	15%
Global leadership team	5	9%	5	9%
Engineers	200*	13%	106	7%
Engineering graduates and apprentices	20	13%	NR	NR
Total workforce	1,061	11%	955	10%

Notes: All data as at 31 December 2021. Global leadership team excludes Executive Committee members. NR: Not reported
*Engineers includes Engineering, Project Management, Business Development and Estimating workforce.

Our gender diversity statistics show an increase in female representation at Executive Committee (3%), engineering roles (6%) and total workforce (1%). Whilst global leadership team remains unchanged, we are committed to improving representation in this population.

Case study

Keller Women in Construction (KWIC)

KWIC are committed to improving gender representation and equality and continued to raise the profile of women at Keller.

KWIC (North America) celebrated their first anniversary in February and this was an opportunity to celebrate 'Girl Day Challenge' where employees were encouraged to engage with girls and younger women in engineering. The team also featured in the external publication Piledriver Magazine, hosted a women's health webinar at Keller, and successfully launched a female mentoring programme pilot for North America. They hosted three webinars and facilitated a discussion on women's health with the support of the local HR community. For women in the field, KWIC worked alongside providers to develop PPE specifically for women.

KWIC (Europe), established in April, are committed to attracting, inspiring, supporting and developing women in Keller. They have four working groups, each tasked with addressing one of their key 'pillars'. They are currently undertaking a gender pay gap assessment for Europe which will highlight underlying causes that may need addressing. In addition, they are collaborating with KWIC (North America) to understand best practice and lessons learnt in developing a mentoring scheme for the division.

KWIC (AMEA), established earlier this year, are committed to understanding female experiences in the workplace, career development, recruitment and retention and fostering a supportive environment. They have predominantly focused on facilitating listening sessions with a selection of women working across the division to understand where to focus their efforts. The outcomes of this exercise, together with that of business unit employee surveys, will give local management concrete actions in terms of next steps.

KWIC (Europe) are committed to attracting, inspiring, supporting and developing women in Keller

Attract	Inspire	Support	Develop
Education engagement	Role models	Talk	Communication
Community engagement	Allyship	Listen	Coaching
Onboarding and new starter support	Social media promotion	Tools and resources	Mentoring and reverse mentoring
Survey and engagement			

Case study

Keller colleagues tell it like it is

All leading companies want to get better – no matter how good they already are. One of the best ways to do this is to ask employees for their opinions and this is something we're now doing more of at Keller.

Our culture and engagement programme encourages employees to share their thoughts in an anonymous survey, and then discuss the results and decide actions to improve as a team. One of the first business units to be involved was Moretrench Industrial.

"If we're going to attract the best people and get them to stay, we have to have the right culture. That means having a better understanding of what employees like, what they don't, and what's on their mind. This helps to address issues as they arise and keep people happy," says John Carpenter, President Moretrench Industrial. "The new Keller employee survey facilitates all of this."

Results across the board were broadly very positive, with the majority saying they were happy with the company and their position in it. Attention to health and safety scored particularly highly and people also said they believe the company is heading in the right direction.

A critical part of the survey process is acting on the results. John and his management team discussed the findings, which in turn were communicated to site teams as part of morning briefing sessions.

"The survey is very much a starting point for discussion; once you have that mechanism you can dig deeper and people are much more likely to open up," he says.

The survey made Justin Schuman, Equipment Manager, realise the value of talking to his team more. "I have all these analytics telling me what my equipment is doing, but you sometimes lose sight of the fact that we have these incredibly experienced operators who can give you so much more information when you talk to them."

Wanting to better leverage that experience, Moretrench is now implementing a mentor scheme. Other improvements to come out of the survey are a new employee-recognition scheme, and the introduction of more formal performance reviews for some colleagues.

"At the end of the day," concludes Justin, "it's our employees who are getting the work done, so giving them the chance to speak freely is the only way we're going to find out what they need, and what we need to do to support them and grow as a company."



ESG and sustainability continued

People continued

Safety

We want every person who works for us, or with us, to go home safely at the end of each day. To achieve this, we are committed to effective HSE leadership and management, continually developing a positive safety ethos of understanding, transparency and learning, and the promotion of healthy behaviours to help avoid illness or injury arising from people's work or lifestyle.

Our safety performance continues to improve. The Group's overall accident frequency rate (AFR) for 2021 improved by 42% to 0.07 per 100,000 hours worked, and our AMEA Division had an excellent year, achieving an AFR of zero.

Our total recordable incident rate also improved by 32% in 2021 to 0.63 per 100,000 hours worked, meaning we had 37 fewer 'recordable' injuries.

We are very proud of our industry-leading performance and improving track record. And, holding safety as paramount, we continue to push for further improvement in pursuit of our goal of zero harm.

As our number of recordable incidents decreases, it is ever more important to identify and address near miss events that could have caused damage or harm. Year-on-year near miss reports are up and leadership site interaction is strong, even with the site access challenges created by COVID-19.

Keeping our people safe

Our AVA incident reporting and analysis system helps us understand incidents and root causes and use the lessons learned to further mitigate risk.

This system is supplemented by our Incident Review process that is jointly owned between our functions and operations. This provides us with a very healthy review of our incidents, an opportunity for our leadership teams to role model expectations and to share, learn and grow our culture collectively.

A major focus area over the last few years has been the education on our key health and safety risks, known as our Work Safe 6, and the subsequent Group standards relating to these.

We held a Platform Safety day in May to keep attention on the risks related to large plant and equipment. Collective progress on this topic has helped reduced rig topples from eight in 2018 to one in 2021 (not platform related).

At the beginning of the year, a tragic fatality occurred following an accident on a site in Austria in which we lost a long-serving and valued employee. Whilst it has been determined Keller was not at fault for the accident, the incident has caused us to re-double our efforts and we have continued to advance our safety programmes.

Responding to COVID-19 challenges

The local ebbs and flows of the global COVID-19 pandemic created additional operational challenges in 2021. We continued to provide guidance and support to our employees in line with World Health Organization guidelines, supplemented by local authority guidance in the regions in which we operate. This approach enabled us to work in a safe and productive manner on sites wherever the local regulatory regime allowed, using applicable personal protective equipment and social distancing.

The Group has actively encouraged and supported employees to become vaccinated against COVID-19 wherever possible. In recognition of the benefit of free vaccination that many of the Group's employees and their families have received from their national governments, we donated £300,000 to UNICEF's COVID-19 Vaccines Appeal. This amount approximately equates to the cost of vaccinating the Keller workforce and their immediate families and will help UNICEF to deliver 1.9 billion doses of vaccines this year for frontline health workers, social workers, teachers and those at highest risk.

Good health and wellbeing

At Keller, we already have a strong, established culture of keeping our people physically safe. To build on these strong foundations, we have increased our focus on all aspects of our people's wellbeing. We believe that prioritising wellbeing not only enhances our employees' health and happiness, it makes good business sense, improving resilience, productivity and performance.

This year we launched **Our Foundations of Wellbeing**, a global framework, which explains our overall approach to wellbeing at Keller. To equip our leaders with the tools to carry out wellbeing in a strategic way, we also created a Wellbeing toolkit, based on best practice specific in our industry.

Driving wellbeing means supporting our people's unique and individual needs. Our Foundations of Wellbeing underpin everything we do and ensure we give equal focus to each of them.

At Keller we define wellbeing as: Being healthy and fulfilled – at work and at home, now and in the future

Community

"Being connected – building positive relationships with each other and our communities"

Our goal – To build a sense of belonging in the workplace and create opportunities for shared positive experiences

Body

"Being at your best physically by keeping fit, eating and sleeping well"

Our goal – To encourage balanced and healthy lifestyles and the ability to thrive in life

Financial security

"Being financially fit – managing your money well for greater security"

Our goal – To provide educational tools and resources to help everyone manage their day-to-day finances and prepare for the future

Mind

"Being emotionally healthy and resilient – positive attitudes to life and its challenges"

Our goal – To create an environment to support everyone's mental health and resilience to life's events

Growth

"Being empowered and supported in your career – positive work experiences that produce pride, fulfilment, meaning and happiness"

Our goal – To encourage career conversations and growth opportunities that help everyone reach their full potential

ESG and sustainability continued

People continued

We will continue to listen to our people via local focus groups and engagement surveys to understand whether we are making an impact and adapt our approach to support our people in the best possible way.

Earlier in the year, we also delivered on our commitment to provide global coverage of employee assistance programmes across Keller. This was a key and timely milestone that enables our colleagues and their families to obtain additional support during COVID.

Wellbeing requires long-term commitment, consistency and regular engagement to be effective. To help us stay focussed and measure progress, we developed a wellbeing maturity model. This enables us to understand what excellence looks like and our progress towards it. We believe we are at a Level 2 today, with an ambition to reach Level 4 by 2025. Local business units will use the maturity model to establish action plans to fulfil each step so that we ensure collective improvement over time.

➔ 'My immediate manager(s) genuinely cares about my wellbeing'

Current Keller score:

78%

Target: Score above global construction and heavy industry benchmark of 85%

➔ 'Generally, I believe my workload is reasonable for my role'

Current Keller score:

80%

Target: Score above global construction and heavy industry benchmark of 72%

COVID-19 vaccination approach

Keller's response to the COVID-19 pandemic in 2021 began as a continuation of our activities in 2020 – protecting our people and protecting our business. Our operations had become used to the protocols we had established during 2020 and the closure of sites was less of an issue than in preceding year. Our attention soon began to establishing vaccination guidance which was developed by the Heads of HSEQ, Legal and HR.

Wellbeing maturity model

- Strategy ■ Leadership ■ Engagement
■ Ways of working ■ Measurement



Due to the multiple jurisdictions within the Keller portfolio, and the matter of personal choice around whether to be vaccinated or not, the company determined that its approach would be to strongly encourage and support our workforce in becoming vaccinated.

Our approach to encouraging and supporting vaccination has been led by management at all levels of the organisation and tailored locally. In some countries we have been able to achieve a vaccination rate of 100% whilst others are significantly lower than this. When we have suffered the death-in-service of employees, the vaccination status of those that have died is consistent with the external benchmark globally.

The outbreak of the Delta variant in India during 2021, and the potential for significant health implication for Keller and nationally, was of concern for the company. The approach by the management team of Keller India in terms of responding to the crisis was, as ever, first class.

Keller worked closely with government medical facilities to ensure 100% of all Keller India employees (and contract employees) were double vaccinated. In recognition of Keller India's efforts, the Construction Industry Development Council (CIDC) awarded the team a special category Corona Warriors award.

Case study

Employee assistance programmes go global

We have extended our employee assistance programmes so employees and their families in every business unit can benefit.

From time to time, everyone experiences situations that affect their general wellbeing. Dealing with COVID-19 over the last year or so has been particularly challenging for many people. This came through in Keller's COVID-19 employee survey, as well as its employee focus groups.

As a result, we extended our employee assistance programmes to ensure global coverage this year. The programmes offer practical information and free counselling on a variety of topics for employees and their direct family.



These programmes provide more support to our people. They help them take the very best care of themselves and their families and to be more successful at meeting their responsibilities at home and at work. Wellbeing is a leadership priority and we support our people to be healthy and fulfilled at work and at home, today and in the future."

Sandy-lee Connolly

Group Head of Talent and Diversity

ESG and sustainability continued

People continued

Quality education

We invest in our people's professional and personal development and provide a challenging environment for them to exercise their skills. We also take a leadership role in our industry and the communities in which we operate to encourage personal and economic growth.

Learning and development programmes

Keller's ability to deliver its business strategy depends on employees with relevant skills, knowledge and experience. Our group-wide learning and development programmes promote a culture that empowers our people to drive innovation and focus on Keller's principal activities of winning and executing work on behalf of clients.

From mid-2021, the North America division was able to reactivate its learning and development programmes with the workforce. These started with some online refresher training for those that had previously attended the Project Manager academy prior to the pandemic to ensure that the previous learning outcomes realised remained relevant and current. In person academies then followed for Project Managers and Field Superintendents; as well as a cohort of sales training.

A major focus for North America following the One Keller reorganisation has been cross-training our teams in new products offerings for clients. An online offering has been developed that supports our sales, engineering and project management teams develop awareness of the full catalogue of technical capabilities that Keller has. This has been a valuable tool in upskilling our teams to be able to offer multiple solutions for our clients projects.

AMEA have prioritised leadership development and introduced a new Conscious Leadership Programme, developed an Emerging Leaders Programme and delivered on an intensive Inclusive Leadership workshop during the year.

Europe continued to adapt their approach to deliver local programmes via digital platforms due to mobility restrictions related to COVID. Leadership on Site training as well as Leading Teams Remotely were delivered during the course of 2021. The Sales Counsellor Programme is well established and seeks to increase the company's capabilities in winning higher quality work from our clients.

We are committed to developing our future talent pipeline of leaders and investing in our people to ensure they are equipped with the skills to drive the organisation forward within an ever changing and complex market. Our Unearthing Potential talent development programme enables us to build this capability and to respond to the future needs of the business. It also allows us to actively engage a diverse range of talent as well as develop future leader learning for all. We believe that every employee should have the opportunity for regular career conversations and development plans, and during the year, included an additional module to facilitate discussions that form part of the talent development programme.

Case study

Keller teams up with children's charity

We are partnering with Bhumi, one of India's largest charities, to support and educate disadvantaged children and encourage future generations to protect the environment.

Bhumi has over 30,000 mainly youth volunteers and has helped educate more than 25,000 children across India since its formation in 2006. The new partnership will see us supporting scholarships for young people affected by COVID and terminal illness, as well as sponsoring education for girls and promoting eco workshops.

COVID has had a devastating impact on families throughout India, so Keller will be working with Bhumi to identify children who have lost a breadwinner to the coronavirus or terminal illness over the past two years. This will include asking for nominations from employees, subcontractors and others with links to Keller. The selected children will then

We will also be sponsoring Bhumi educational sessions at schools for girls and donating IT equipment. And employees will be encouraged to get involved in the charity's Eco-Champs programme, where children plant trees, learn about recycling and take part in art workshops with an environmental focus.



We really hope to be able to make a positive difference to people's lives."

J'Subbu' Subramanian
Head of HR, Keller India

Case study

Keller launches engineering scholarship

Keller has set up an annual scholarship to attract the best geotechnical engineers and strengthen ties with leading universities.

The Pitcairn Geotechnical Engineering Scholarship commemorates Colin Pitcairn, the architect of Keller's global learning and development programmes, who sadly died in 2020.

Each year the scheme offers a grant of up to £10,000 each to three promising engineering undergraduates looking to take a master's degree in geotechnical engineering.

Jorge Malave is one of the first recipients of the scholarship and recently began his master's programme in Structural and Geotechnical Engineering at the University of Central Florida.

"I find structural and geotechnical engineering projects more interesting than any other area of civil engineering and receiving this scholarship means the world to me."

To fulfil our ambition to be the leading provider of specialist geotechnical solutions, we have to attract the best engineers with potential to become our future leaders.

Partnership is one of our Inclusion Commitments. It recognises the importance of collaborating and partnering with like-minded organisations through inclusivity to drive change in the industry."

Graeme Cook

Group People Director

In November 2021, we held our Project Managers' conference in Texas. This brought together some 380 people from across North America Division to learn, network and share ideas and best practice. Attendees were able to learn and grow their expertise through technical and leadership presentations, workshops, exhibitions and group activities.

Emerging talent

We are committed to investing in our emerging talent and building diverse capability for the future. This year we took on over 104 engineering graduates and provided 53 apprenticeship and 81 intern and co-op opportunities across the group.

Over the last few years we've seen progress with a diverse intake for entry-level engineering roles and cultivating relationships with key universities that have a higher proportion of underrepresented minorities. For example, North America, as part of a pilot, put more focus on balanced representation with early career recruitment during 2021 (5% increase of female interns and co-ops and a 10% increase of black engineers). The biggest contributing factors of success have been leader sponsorship, targeted recruitment focussed on DEI initiatives and the adoptions of inclusive workforce policies such

The progress achieved in North America will serve as a blueprint for other divisions to consider.

The Pitcairn Geotechnical Engineering Scholarship was launched during the year which is designed to attract the best geotechnical engineers and strengthen our ties with leading universities. Each year the scheme will offer a grant of up to £10,000 to each of three civil engineering graduates considering a masters' degree in geotechnical engineering. An opportunity to not only strengthen our future talent pipeline, but to improve diversity at Keller by attracting more women and other individuals from under-represented minority groups.

Workplace mentoring programme

We pride ourselves on creating a company culture that values learning and development and giving our colleagues the opportunity to grow and thrive. During the year, a workplace mentoring programme was launched in North America for the purposes of accelerating personal and professional development, encourage and empower employees to realise their potential and to strengthen leadership capability.

Global product teams

Keller's global product teams focus on sharing product-specific knowledge around the world, making sure we are best equipped to offer safe, productive, market-leading technologies to our customers. We have a team for each of our eight major product lines. This year, we continued monthly educational webcasts, each attended by several hundred people from our global engineering and operations communities.

Geotechnical community

Our businesses take a leadership role within their industry by providing employees, customers, suppliers and potential employees with technical papers, seminars, field trips and site visits. Staff from companies throughout the Group maintain close contact with partner universities to share best practice and provide examples of their leading-edge engineering.

ESG and sustainability continued

Principles

Good governance

Good governance is about helping to run the company well. It involves being satisfied that an effective internal framework of systems and controls is in place which clearly defines authority and accountability and promotes success whilst permitting the appropriate management of risk.

Keller's ways of working

Our Code of Business Conduct ('Code') sets out clear and common standards of behaviour for everyone who works in and with Keller, as well as a framework to guide decision-making when situations aren't clear-cut. It also ensures a positive culture that keeps us successful, operating in a way we can all be proud of. It is a public statement of our commitment to high standards that tells others they can rely on our integrity.

The Code is supported by our Group policies, our modern slavery and human trafficking statement for 2022, our tax strategy and our new Supply Chain Code of Business Conduct. Our ethics and compliance programme, which comprises training of our employees across the business, is now in its sixth year of supporting our employees to do the right thing – maintaining ethical and honest behaviour, respecting employees' rights and diversity, and staying free from bribery and corruption.

Keller's Code of Business Conduct and Group policies, can be found at: www.keller.com under 'How we work'

Committee structures

To reflect the growing importance of Environmental, Social and Governance (ESG) matters and provide greater focus and oversight on these issues, we announced on 30 July 2021 that the Board had established two new Board Committees: the Environment Committee and the Social and Community Committee. In addition, the Audit and the Nomination Committees were renamed the Audit and Risk Committee and the Nomination and Governance Committee respectively to better reflect their remit. Further detail on the membership and terms of reference for these Committees can be found on our website and on pages 78 and 79 of this report.

This new Committee structure allows for greater depth of engagement and conversation and clear focus in driving forward our ESG agenda.

ESG reporting framework

In addition to the new Committee structure, the Board agreed a reporting framework on ESG matters.

ESG is the responsibility of the Board as a whole, with the Chairman as designated Director for ESG matters, reporting through the Group Company Secretary and Legal Advisor to the Board. The Board receives quarterly reports which summarise the activities, initiatives and challenges on ESG during the period and track progress. These quarterly reports inform the content of this section of the annual report and assure a clear reporting line on all ESG matters to the Chairman.

Net zero targets

The company has identified safety, good governance, gender DEI and carbon reduction as the most important areas of sustainability that the Group can focus on globally. These align with UN Sustainable Development Goals 3, 5, 13 and 16. In respect of carbon reduction, the Executive team has set ambitious but achievable net zero targets by 2050. We will be net zero across all three emission scopes by 2050; net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on operational Scope 3 (as opposed to client-originated Scope 3). We have started to implement the short, medium and long-term actions required to achieve these goals. More information on pages 45 and 46 – Journey to net zero.

Human rights

Keller expects all employees and suppliers to adhere to international standards on human rights, including with respect to child and forced labour, land rights and freedom of association, among other elements. We take a zero-tolerance approach to slavery and human trafficking and are strongly committed to ensuring that all employees, as well as the people who work on our behalf, are protected. Our full expectations are included in our Supply Chain Code of Business Conduct and modern slavery and human trafficking statement, which are available on our website. We conduct appropriate due diligence on our partners, and all of our suppliers are obliged to adhere to the principles set out in the Code, including on human rights.

Anti-bribery and corruption

Keller's Anti-Bribery and Anti-Fraud Policy and whistleblowing procedures are designed to ensure that employees and other parties including contractors and third parties are able to report any instances of poor practice safely through an independent organisation.

All reports received via this or any other reporting mechanism are thoroughly investigated and reported to the Audit and Risk Committee, which reviews each case and its outcomes. None of our investigations during 2021 identified any systemic issues or breaches of our obligations under the Bribery Act 2010. The Anti-Bribery and Anti-Fraud Policy is supported by periodic audits and reminders.

Governance and oversight

We recognise that assurance over our business activities and those of our partners and suppliers is essential. In 2021 our employees completed mandatory training on competition compliance and data privacy and in 2022 will complete mandatory Code of Business Conduct training. You can read more about our risk management and principal risks from page 32 onwards.

Tax strategy

We publish our tax strategy on our website and are committed to managing our tax affairs responsibly and in compliance with relevant legislation. Our tax strategy is aligned to our Code of Business Conduct and Keller's values and culture and is owned and approved by the Audit and Risk Committee and the Board annually.

Partnerships

At Keller, we recognise the importance of collaborating with organisations that understand our values and commitments, and the ways of working and the standards by which we operate. Partnering with these 'like-minded' organisations helps us drive change in our organisation and the wider geotechnical industry.

Industry partnerships

Many of our senior managers play key roles in the geotechnical professional associations and activities around the world.

In Europe, a number of employees are part of the European Federation of Foundation Contractors (EFFC), which is also chaired by Andreas Körbler from Keller. In Keller North America, employees are active participants in geotechnical engineering and construction trade groups, including the Deep Foundations Institute (DFI), ASCE/Geo-Institute and ADSC International Association of Foundation Drilling. Our North American engineers also hold leadership positions on multiple national technical committees (including committees on sustainability) and local and university chapters; many have served as members of the board of directors for these organisations.

Finally, in AMEA, Keller plays an important role in the local professional societies, with Keller employees holding leading positions in multiple trade associations, including in ASEAN and India.

We also support trade conferences across our divisions, including the combined American and European trade conference.

Sustainability is an increasing focus in the industry. We work with a number of universities on sustainability initiatives, focusing on whole-company innovation, specific geotechnical products like grouting and vibro stone columns, and key geotechnical projects.

We wrote the sustainability overview for the European Federation of Foundation Contractors and helped with the drafting of the American DFI sustainability guide.

We are also helping to compile sustainability best practice guides with the European and American trade associations.

Charitable partnerships

Our business units support a broad range of groups and charities, depending on what is most important to them locally. This may involve fundraising or donating money, time or skills.

In recognition of the benefit of free vaccinations that many of the Group's employees and their families have received from their national governments, following a recommendation of the Social and Community Committee, the Board approved a funding contribution of £300,000 to UNICEF's COVID-19 Vaccines Appeal.

We again supported The Brilliant Breakfast in 2021 with a donation of £5,000. Working with The Prince's Trust, this UK initiative aims to change the lives of young women by helping them gain the skills needed to live, learn and earn. More information on this can be found in the report of the Social and Community Committee on page 86.

This year we more clearly defined the structure and approach for charitable and community giving in Keller in a new Charitable Giving Policy.

Case study

Keller donates £300,000 to Vaccines Appeal

Keller has donated £300,000 to UNICEF's COVID-19 Vaccines Appeal. This has helped UNICEF deliver more than two billion doses of vaccines for frontline health workers, social workers, teachers and those at highest risk.

This funding contribution recognises the benefit of free vaccination that many Keller employees and their families have received from their national governments. It roughly equates to the cost of vaccinating the Keller workforce and their immediate families.

"We have actively encouraged and supported our employees to become vaccinated against COVID-19 wherever possible."

Mike Speakman
Chief Executive Officer

Non-financial reporting statement

Introduction

Pursuant to the Non-financial Reporting Regulations, which apply to the Group, the tables below summarise where further information on each of the key areas of disclosure can be found. Further disclosures, including our Group policies, can be found on our website at www.keller.com

Reporting requirement	Relevant section of this report
1. Description of our business model	<ul style="list-style-type: none"> • Business model – pages 12 and 13 • Our strategy – pages 18 and 19
2. The main trends and factors likely to affect the future development, performance and position of the Group's business	<ul style="list-style-type: none"> • Our market – pages 10 and 11 • Divisional reviews – pages 20 to 25
3. Description of the principal risks and any adverse impacts of business activity	<ul style="list-style-type: none"> • Principal risks and uncertainties – pages 32 to 41
4. Non-financial key performance indicators	<ul style="list-style-type: none"> • Customer satisfaction – page 13 • Safety, good health and wellbeing – pages 58 to 61 • Gender diversity – pages 53 to 56 • Greenhouse gas emissions and energy – page 48

Reporting requirement	Policies, processes and standards which govern our approach ¹	Risk management	Embedding due diligence, outcomes of our approach and additional information
5. Environmental matters	<ul style="list-style-type: none"> • ESG and sustainability – pages 42 to 67 	<ul style="list-style-type: none"> • Changing environmental factors – page 38 • Ethical misconduct and non-compliance with regulations – page 37 • Losing market share – page 36 • Inability to maintain technological product advantage – page 37 	<ul style="list-style-type: none"> • Our market – pages 10 and 11 • Divisional reviews – pages 20 to 25 • Greenhouse gas emissions and energy data, trend analysis and assurance – pages 47 and 48 • Environment Committee report – pages 84 and 85 • Section 172 statement – pages 76 and 77
6. Employees	<ul style="list-style-type: none"> • HR Policy • Code of Business Conduct • Whistleblowing Policy • Wellbeing Foundations • Sustainability Policy • ESG and sustainability – pages 42 to 67 	<ul style="list-style-type: none"> • Serious injury or fatality to employees or public – page 40 • Ethical misconduct and non-compliance with regulations – page 37 • Not having the right skills to deliver – page 40 • Changing environmental factors – page 38 	<ul style="list-style-type: none"> • Diversity, equity and inclusion – pages 53 to 56 • Training and development – pages 62 and 63 • Health and wellbeing – pages 59 to 61 • Employee engagement – page 57 • Section 172 statement – pages 76 and 77 • Social and Community Committee report – pages 86 and 87
7. Social and community matters	<ul style="list-style-type: none"> • Code of Business Conduct • Wellbeing Foundations • Sustainability Policy • ESG and sustainability – pages 42 to 67 • Procurement Policy • Supply Chain Code of Business Conduct 	<ul style="list-style-type: none"> • Ethical misconduct and non-compliance with regulations – page 37 • Changing environmental factors – page 38 	<ul style="list-style-type: none"> • Business model – pages 12 and 13 • Divisional reviews – pages 20 to 25 • Safety, good health and wellbeing – pages 58 to 61 • Social and Community Committee report – pages 86 and 87 • Section 172 statement – pages 76 and 77

Reporting requirement	Policies, processes and standards which govern our approach ¹	Risk management	Embedding due diligence, outcomes of our approach and additional information
8. Human rights	<ul style="list-style-type: none"> • Code of Business Conduct • Supply Chain Code of Business Conduct • Modern slavery and human trafficking statement • Wellbeing Foundations • Sustainability Policy • Privacy Policy 	<ul style="list-style-type: none"> • Ethical misconduct and non-compliance with regulations – page 37 • Serious injury or fatality to employees or public – page 40 • Changing environmental factors – page 38 	<ul style="list-style-type: none"> • Safety, good health and wellbeing – pages 58 to 61 • Social and Community Committee report – pages 86 and 87 • Section 172 statement – pages 76 and 77
9. Anti-corruption and anti-bribery	<ul style="list-style-type: none"> • Anti-Bribery and Anti-Fraud Policy • Competition Law Compliance Policy • Conflicts of Interest Policy • Whistleblowing Policy 	<ul style="list-style-type: none"> • Ethical misconduct and non-compliance with regulations – page 37 	<ul style="list-style-type: none"> • Audit and Risk Committee report – pages 90 to 95

Some policies, processes and standards shown here are not published externally.

The Strategic report has been approved, authorised for issue and signed by order of the Board by:



Kerry Porritt

Group Company Secretary and Legal Advisor

7 March 2022

Chairman's introduction

Peter Hill CBE
Chairman

We have met or exceeded the diversity targets we set ourselves in the Board's Diversity Policy approved in January last year.

Dear shareholder

On behalf of the Board, I am pleased to introduce our Governance report for the year ended 31 December 2021. This report sets out our approach to effective corporate governance and outlines key areas of focus of the Board and its activities undertaken during the year as we continue to drive long-term value creation for all our stakeholders.

Board succession and diversity

When I arrived in 2016, I set out an ambition to have a Board from multiple industries and geographies that had varied and valuable experiences as well as gender and ethnic diversity. I believe that different viewpoints and different experiences ensure that better informed decisions are made when applying judgements in challenging business-related circumstances. We have met or exceeded the diversity targets we set ourselves in the Board's Diversity Policy approved in January last year and as recommended by the Hampton-Alexander and Parker Reviews, which set targets of a 33% female share of Board Directors by 2020 and a minimum of one Board Director from an ethnic minority background by 2022.

On 1 February 2022, we announced the appointment of Juan G. Hernández Abrams, who has joined the Board as an independent Non-executive Director and will be Chair of the Environment Committee. Our Nomination and Governance Committee, led by me, with support from the whole Board and the Group Company Secretary and Legal Advisor, oversaw the appointment process. Juan's biography is set out on page 70. Juan brings rich and diverse experience to the Board and I warmly welcome him to Keller.

On behalf of the Board I would like to pay tribute to Nancy Tuor Moore for her significant contribution since joining the Board as a Non-executive Director in 2014 and her valuable input at various Committees – the Audit and Risk, Nomination and Governance, Remuneration and Social and Community – and as Chair of the Environment Committee. The Board and the wider Group have benefitted greatly from her extensive knowledge and experience, particularly of the US engineering and construction sector. Nancy will retire from the Board following this year's AGM, and we wish her well.

The Board and the Nomination and Governance Committee will continue to drive the agenda of diversity, equity and inclusion across the Group.

Planet, People and Principles

To reflect the growing importance of ESG matters and to provide greater focus and oversight, we announced in July 2021 that the Board had established two new Board Committees: the Environment Committee and the Social and Community Committee. In addition, the Audit and the Nomination Committees were renamed the Audit and Risk Committee and the Nomination and Governance Committee respectively, to better reflect their remits. Further detail with regard to the membership and terms of reference for these Committees can be found on pages 78 and 79. This new Committee structure allows for greater depth of engagement and conversation and clear focus in driving forward our ESG agenda; a quarterly report on all ESG initiatives and deliverables by the Group Company Secretary and Legal Advisor, to the Board, assures a clear reporting line on all ESG matters to me. In 2022 we have put in place a number of measures and targets to both reflect Keller's ESG priorities and meet increased reporting and compliance obligations in this area and I am proud that we have set ambitious and achievable net zero carbon targets by 2050. We believe that carbon targets are essential to mitigate global climate-related risks while we pursue climate-related opportunities in our operations and contracts.

We will be net zero across all three emission scopes by 2050; net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on operational Scope 3. More information can be found in the ESG and sustainability report on pages 42 to 67.

Company purpose and culture

The Board is cognisant that it has the ultimate responsibility for ensuring an appropriate company culture to act as a backdrop to the way in which Keller behaves towards all its stakeholders. Our culture provides the foundation to drive our purpose and delivery of our strategy. As a Board, we continue to spend time focused on ensuring that our culture enables us to build the organisational capability required to deliver on our promises to our stakeholders, customers, employees, society and shareholders. More information on our purpose and culture can be found on page 2.

Engagement with our stakeholders

Balancing stakeholders' needs and views is a key part of Board decision-making. The Board recognises the importance of two-way communications with our employees. The role of our designated workforce engagement director has been in place since 2017 and, supported by the Social and Community Committee, continues to be a successful way of ensuring that the Board appropriately considers the interests of employees in its deliberations and, in doing so, makes better decisions.

Towards the end of 2021 we commissioned a third party to undertake an independent perception audit of a number of investment managers. The outcome has not only enabled the Board to obtain a deeper level of understanding of the views of our shareholders and potential investors, but also gives the executive management additional input as they formulate the strategy for the years ahead.

Whilst for much of the year it has not been possible to meet physically with employees and other stakeholders, the Board has recently resumed face-to-face Board meetings and activities, and all Board members are looking forward to meeting and connecting more personally with stakeholders in a COVID-19 safe environment over the next year.

Board evaluation

It is extremely important that the Board, its Committees and individual Directors rigorously review their performance and embrace the opportunity to develop, where necessary. This year an external effectiveness review was undertaken with support from the Group Company Secretary and Legal Advisor. Progress on last year's areas of focus as well as the outcome of this year's effectiveness review can be found on pages 82 and 83.

Looking forward

We continued to make good strides as a business in 2021, with our performance exceeding market expectations. As a Board we are focused on further driving the delivery of our strategy over 2022 and beyond, whilst maintaining the highest standards of corporate governance expected by our stakeholders. The outcome of the BEIS consultation on audit and corporate reform, and its impact on the way we work, will be a key theme on our agenda as well.

I encourage all our stakeholders to take every opportunity presented to engage with the company and, subject to any COVID-19 restrictions in place at the time, I would welcome you to attend, and in any case vote at, the forthcoming AGM.

Needless to say that if we cannot meet in person in May, if you wish to ask a question of the Board relating to this report or the business of the AGM, please feel free to do so by emailing the Group Company Secretary and Legal Advisor at secretariat@keller.com. We will consider and respond to all questions received and, to the extent practicable, publish the answers on our website.

Yours faithfully,

Peter Hill CBE

Chairman

Approved by the Board of Directors and authorised for issue on 7 March 2022.


Compliance with the Code

The company was subject to the Code in respect of the year ended 31 December 2021 (the full text of which can be found at www.frc.org). The Board is pleased to confirm that the Group applied the principles and complied with the provisions of the Code. The remainder of this report contains the narrative reporting variously required by the Code, the Listing Rules and the Disclosure, Guidance and Transparency Rules, setting out in greater detail the framework and processes that Keller has in place to ensure the highest levels of corporate governance.

Board leadership and company purpose

 Read more on page 74


Division of responsibilities

 Read more on page 80

Composition, succession and evaluation

 Read more on page 82

Audit, risk and internal control

 Read more on page 83

Remuneration

 Read more on page 96

Board of Directors

Peter Hill CBE

Non-executive Chairman

Nationality: British

Appointed:
2016

Keller Committees:

Chairman of the Nomination and Governance Committee

Skills and experience:

A mining engineer by background, Peter was Non-executive Chairman of Volution Group plc until January 2020; Non-executive Chairman of Alent plc from 2012 to the end of 2015; Chief Executive of the electronics and technology group Laird PLC from 2002 to late 2011; a Non-executive Director on the boards of Cookson Group plc, Meggitt plc and Oxford Instruments plc. He has been a non-executive board member of UK Trade and Investment, and a Non-executive Director on the board of the Royal Air Force, chaired by the UK Secretary of State for Defence. His early career was spent with natural resources companies Anglo American, Rio Tinto and BP; he was an Executive Director on the board of the engineering and construction company Costain Group plc, and he has also held management positions with BTR plc and Invensys plc.

Other appointments:

Peter is the Non-executive Chairman of Petra Diamonds Limited.

Paula Bell

Non-executive Director

Nationality: British

Appointed:
2018

Keller Committees:

Chair of the Audit and Risk Committee and member of the Nomination and Governance, Remuneration, Environment, and Social and Community Committees

Skills and experience:

Paula has extensive FTSE 250 board experience as both an Executive and Non-executive Director. From 2013 to 2016 she was Chief Financial Officer of support services group John Menzies plc and between 2006 and 2013 was Group Finance Director of the advanced engineering group Ricardo plc. Prior to that Paula held senior management positions at BAA plc, AWG plc and Rolls-Royce plc. Paula was a Non-executive Director and Chairman of the Audit Committee of the global engineering and technology group Laird PLC from 2012 until its acquisition and delisting in July 2018, including a period as Senior Independent Director.

Paula is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant.

Other appointments:

Paula is the Chief Financial and Operations Officer of Spirent Communications plc.

David Burke

Chief Financial Officer

Nationality: Irish

Appointed:
2020

Keller Committees:

Member of the Executive Committee

Skills and experience:

David is a highly experienced finance executive who has worked in a variety of industries and geographies over the last 30 years. Most recently he was Chief Financial Officer of J. Murphy & Sons Limited, a leading international specialist engineering and construction company. He has held senior finance roles at Serco Group plc and at Barclays plc.

David trained as an accountant with KPMG in London and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Juan G. Hernández Abrams

Non-executive Director

Nationality: American

Appointed:

1 February 2022

Keller Committees:

Member of the Environment, Audit and Risk, Nomination and Governance, Remuneration, and Social and Community Committees

Skills and experience:

Juan has served in multiple senior roles with Fluor Corporation, including General Manager and Vice President of the Mining and Metals business in South America, as well as President of the Industrial Services business including the Operations and Maintenance group. His responsibilities included the strategic direction, operations and financial performance across a wide range of industries and sites throughout Europe, USA, Asia, Australia, and the Middle East.

Juan was born and raised in Puerto Rico and holds a Bachelor's degree in Environmental Sciences from the University of Maine. He is a graduate of Thunderbird University International Management Program, the INSEAD International Competitive Strategy Program, and the London Business School's International Business Program.

Other appointments:

Juan is President of Fluor Corporation's Advanced Technologies & Life Sciences business. He is a member of the Board of Directors for the US National Association of Manufacturers.

Kerry Porritt

Group Company Secretary
and Legal Advisor

Eva Lindqvist

Non-executive Director

Nationality: Swedish

Appointed:
2017

Keller Committees:

Chair of the Remuneration Committee and member of the Audit and Risk, Nomination and Governance, Environment, and Social and Community Committees

Skills and experience:

Eva graduated with a Master of Science in Engineering and Applied Physics from Linköping Institute of Technology and holds an MBA from the University of Melbourne. She is a member of the Royal Swedish Academy of Engineering Sciences. Eva began her career in various positions with Ericsson working in Continental Europe, North America and Asia from 1981 to 1990 followed by director roles with Ericsson from 1993 to 1999. She joined TeliaSonera in 2000 as Senior Vice President before moving to Xelerated, initially as Chairperson and later as Chief Executive from 2007 to 2011.

Other appointments:

Eva is a Non-executive Director of Bodycote plc and Tele2 AB.

Baroness Kate Rock

Senior Independent Director and designated Non-executive Director with responsibility for workforce engagement

Nationality: British

Appointed:
2018

Keller Committees:

Chair of the Social and Community Committee and member of the Audit and Risk, Nomination and Governance, Remuneration, and Environment Committees

Skills and experience:

Kate was a Non-executive Director and Chairman of the Remuneration Committee of Imagination Technologies plc, the former global FTSE 250 high technology company, until November 2017. She is a Board member of the world's first Centre for Data Ethics and Innovation. She sits on the House of Lords Science and Technology Select Committee and from 2017 to 2018 was a member of the House of Lords Select Committee on Artificial Intelligence. Kate was a partner at College Hill for 12 years from 1996 and was Vice-Chairman of the Conservative Party with responsibility for business engagement until July 2016. She holds a BA in Publishing and History.

Other appointments:

Kate is a Non-executive Director of Unbound Group plc (formerly Electra Private Equity plc). She is also a Director and Trustee of The Prince's Countryside Fund. She was appointed a Life Peer in 2015 and is also a Senior Adviser at Instinctif Partners and at Newton Europe.

Michael Speakman

Chief Executive Officer

Nationality: British

Appointed:
2018 and CEO in 2019

Keller Committees:

Chairman of the Executive Committee and member of the Environment, and Social and Community Committees

Skills and experience:

Michael joined Keller from Cape plc, a leading international provider of industrial services, where he was Chief Financial Officer. He has over 30 years of experience across a range of industries, holding senior operational, divisional and corporate roles within TI Group plc and Smiths Group plc between 1982 and 2004, before his appointment as Chief Financial Officer for the oilfield services company Expro International Group plc. Michael holds a BSc in Engineering and is a Fellow of the Chartered Institute of Management Accountants.

Nancy Tuor Moore

Non-executive Director

Nationality: American

Appointed:
2014

Keller Committees:

Chair of the Environment Committee and member of the Audit and Risk, Nomination and Governance, Remuneration, and Social and Community Committees

Skills and experience:

Nancy's extensive international business experience, together with a proven record in winning and safely delivering both global and local contracts, was gained at CH2M Hill, Inc., where she held the board position of Group President and Corporate Sponsor for Sustainability before retiring in 2013.

Other appointments:

Nancy is a Non-executive Director of Terracon, Inc. and IMA Financial Group, Inc., and is a member of the Board of Governors for Colorado State University.

Executive Committee

Graeme Cook

Group People Director

Nationality: British

Member since:
2017

Skills and experience:

Graeme joined Keller from EnQuest, a FTSE oil and gas production company, where he was the Group HR Director. He has significant international experience having been assigned to management roles in the UK, Africa and the Middle East. Graeme has over 30 years' experience in both finance and HR leadership roles in a number of blue-chip companies. Graeme was Group Head of Talent and Leadership for Legal & General, HR Director, Mediterranean Basin and Africa region for BG Group, and spent most of his early career with Schlumberger in various HR and financial controller roles.

Graeme received an MA (Hons) in Accountancy and Economics from the University of Dundee.

Jim De Waele

President, Europe

Nationality: British

Member since:
2018

Skills and experience:

Before his appointment as President, Europe in January 2021, Jim was Group Strategy and Business Development Director from January 2019 until December 2020. Jim has over 30 years' experience in the industry and has held various senior positions, including 10 years as Managing Director of Keller's North-West Europe business. He has served the UK trade association, the Federation of Piling Specialists, for many years, including two as Chairman.

Jim is a Chartered Engineer and a fellow of the ICE and RICS.

Eric Drooff

President, North America

Nationality: American

Member since:
2018

Skills and experience:

Eric has been involved in the design and construction of foundation and ground stabilisation projects for over 35 years. He managed the successful acquisition and integration of Catch Drilling, Inc. in New York, G. Donaldson and Geo-Instruments in Rhode Island; Geo-Foundations in Ontario, and Moretrench American in New Jersey. With a technical specialty in grouting, notable projects managed by Eric include North America's first compensation grouting project at the St. Claire River Tunnel in Ontario, compaction grouting for seismic mitigation for the Paiton Power Station in Indonesia, and chemical grout ground stabilisation for the CA/T, C11A1, Atlantic Avenue Tunnel.

Eric holds a BSCE from Bucknell University and he is a member of the ASCE Geo Institute, the Deep Foundations Institute, and The Moles.

Kerry Porritt

Group Company Secretary and Legal Advisor

Nationality: British

Member since:
2013


Skills and experience:

Kerry has over 25 years' experience of company secretarial roles within large, complex FTSE listed companies across a broad range of sectors. Kerry is a Fellow of the Chartered Governance Institute and holds an Honours degree in Law. She is also a member of the European Corporate Governance Council and the Chartered Governance Institute's Company Secretaries' Forum. Kerry is an Ambassador for Women Supporting Women, a group enabling The Prince's Trust to support more young women through its programmes.

Kerry has been Keller's Group Ethics and Compliance Officer since 2015 and she is also a member of the Disclosure Committee.

Michael Speakman

Chief Executive Officer

 **For full biography**
See page 71

David Burke

Chief Financial Officer

John Raine

Group HSEQ Director

Nationality: British

Member since:
2018

Skills and experience:

John is an experienced HSEQ practitioner who has lived and worked in Europe, Asia-Pacific and the US. He was, most recently, at AMEC Foster Wheeler, an international engineering and project management company, where he was Chief HSSE Officer.

Before that, he was Vice President QHSSE for Weatherford International, one of the world's largest multinational oil and gas service companies.

Venu Raju

Engineering and Operations Director

Nationality: Singaporean

Member since:
2012

Skills and experience:

Venu began his career with Keller in Germany in 1994 as a geotechnical engineer. He has held the roles of Managing Director Keller Singapore, Malaysia and India; Business Unit Manager, Keller Far East in 2009; and Managing Director, Asia. Venu has extensive operational and strategic management experience. He served as an Executive Director from January 2017 until June 2020.

Born in India, Venu studied civil engineering in India and the USA, has a PhD in structural engineering from Duke University and a Doctorate in geotechnical engineering from the University of Karlsruhe in Germany.

Katrina Roche

Chief Information Officer

Nationality: British

Member since:
2020

Skills and experience:

Katrina has over 25 years of experience in delivering technology-driven change and business transformation in multiple industries such as Aerospace Defence, Telecommunications, Transport and Technology. She joined Keller from Cobham Plc, where she held the position of Executive Vice President IT. Katrina has also held senior IT roles in Raytheon, Systems Union and MCI WorldCom as well as senior roles in Product Development and Transformation at Cable & Wireless and Verizon.

Katrina has a BSc in Mathematics and an MSc in Operational Research.

Peter Wyton

President, AMEA

Nationality: Australian

Member since:
2018

Skills and experience:

Peter joined Keller after 25 years at AECOM, a leading global infrastructure firm. He is an experienced business leader and engineering professional with extensive knowledge of the Asia-Pacific region. He has supported the delivery of major infrastructure projects in transport, building, utilities, mining and industrial markets across APAC. Peter received a Bachelor of Civil Engineering from the Queensland University of Technology.

Former member:

James Hind

President, North America

Nationality: British

James served as an Executive Director from July 2003 until June 2020, and was a member of the Executive Committee from its formation in 2012 until December 2021. Prior to his appointment as President, North America, James had been Group Finance Director of Keller Group plc for 15 years.

Board leadership and company purpose

Leadership

Board and Committee meetings and attendance

All Directors are expected to attend each Board meeting and each Committee meeting for which they are members, unless there are exceptional circumstances preventing them from participating. The table below shows that during the year the Directors attended all of the meetings they were eligible to attend, except for Nancy Tuor Moore who missed the December Audit and Risk Committee meeting due to the last minute rescheduling of her flights as a result of the Omicron variant of COVID-19 outbreak in the UK. On that occasion, she reviewed the supporting papers and provided comments to the Chairman and the Committee Chair.

	Board	Audit and Risk Committee	HSEQ Committee	Environment Committee	Nomination and Governance Committee	Remuneration Committee	Workforce Engagement Committee	Social and Community Committee
Paula Bell	9/9	4/4	1/1	1/1	2/2	3/3	–	1/1
David Burke	9/9	–	–	–	–	–	–	–
Peter Hill	9/9	–	–	–	2/2	–	–	–
Eva Lindqvist	9/9	4/4	1/1	1/1	2/2	3/3	–	1/1
Nancy Tuor Moore	9/9	3/4	1/1	1/1	2/2	3/3	1/1	1/1
Kate Rock	9/9	4/4	1/1	1/1	2/2	3/3	1/1	1/1
Michael Speakman	9/9	–	–	1/1	–	–	1/1	1/1
Graeme Cook	–	–	–	–	–	–	1/1	–
Kerry Porritt	–	–	–	–	–	–	1/1	–

The Environment and Social and Community Committees were established in July 2021 and assumed, where relevant, the responsibilities of the former Health, Safety, Environment and Quality (HSEQ) and Workforce Engagement Committees respectively.

Effectiveness

Directors and Directors' independence

The Board currently comprises the Chairman, five independent Non-executive Directors (NEDs) and two Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on pages 70 and 71.

The NEDs constructively challenge and help to develop proposals on strategy and bring strong independent judgement, knowledge and experience to the Board's deliberations. Periodically, the Chairman meets with the NEDs without the Executive Directors present. Apart from formal contact at Board meetings, there is regular informal contact between the Directors.

Paula Bell, Eva Lindqvist, Baroness Kate Rock, Nancy Tuor Moore and Juan G. Hernández Abrams are all considered to be independent NEDs. Their other professional commitments are as detailed on pages 70 and 71. Peter Hill was independent at the time of his appointment as Chairman on 26 July 2016. Peter's other professional commitments are as detailed on page 70.

All Directors are subject to election by shareholders at the first AGM following their appointment and to annual re-election thereafter, in accordance with the Code.

Directors' conflicts of interests

Under the Companies Act 2006 (the '2006 Act'), a Director must avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with Keller's interests. The 2006 Act allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association (the 'Articles') contain a provision to this effect. The Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with. To address this issue, at the commencement of each Board meeting, the Board considers its register of interests and gives, when appropriate, any necessary approvals.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. Firstly, only Directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision, the Directors must act in a way that they consider, in good faith, will be most likely to promote Keller's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. These procedures on conflicts have been followed throughout the year and the Board considers the approach to operate effectively.

Board activities and principal decisions

Business development and strategy	People	Operational performance
<ul style="list-style-type: none"> Evaluated and further focused the Group's strategy. Restructured the Europe Division. Reviewed divisional performance. 	<ul style="list-style-type: none"> Commenced the appointment of a new Non-executive Director. Considered the Executive Committee succession plan. Participated in employee engagement workshops. 	<ul style="list-style-type: none"> Reviewed and considered the monthly operational performance of the divisions. Reviewed the company's contracts performance and revenue over the year. Revised the company's delivery of initiatives against its sustainability and ESG objectives. Initiated an investor perception audit and received feedback.
Finance	Governance and risk	
<ul style="list-style-type: none"> Evaluated and approved the 2022 business plan and budget, and the approach and process for the viability and going concern statements. Reviewed the company's forecast net debt levels, facility headroom and covenants and working capital. Considered and agreed the recommendation of the 2021 final dividend and the payment of the 2021 interim dividend. 	<ul style="list-style-type: none"> Considered the principal and emerging risks and uncertainties which could impact the Group. Reviewed the risk management framework with particular regard to its going concern and impact on making the viability statement. Implemented actions following the 2020 external Board and Committees' performance evaluation. Received updates on legal and regulatory changes. 	

Summary of Committees' activities and initiatives

The table below summarises the activities carried out and initiatives promoted by the Main Board Committees following the restructuring put in place in July 2021 to better reflect the growing importance of ESG matters and to provide greater focus and oversight.

What	Status	When	Further information	What's next
ESG reporting framework formalised, with terms of reference in place for all new and rebranded Committees. Stock Exchange announcement issued, along with website disclosures	✓	July 2021	Page 64	ESG website disclosures to be reviewed with an aim to improve transparency.
Charitable Giving Policy approved	✓	July 2021	Page 87	<p>The Charitable Giving Policy will be communicated across the Group and implemented fully during 2022.</p> <p>To complement the policy, a standard setting out the protocols and rules for applying and granting charitable donations will be created and communicated.</p> <p>Regular reporting of charitable giving will be made to both the Executive and the Social and Community Committees by the Group Company Secretary.</p>
TCFD reporting framework agreed	✓	July 2021	Page 52	Develop disclosures to ensure full compliance in 2022.
UK MAR refresher training for Executive Committee members	✓	June 2021	n/a	Session on the treatment of inside information scheduled for later in 2022.
Reinforcement of subsidiary governance standard and training of directors of the three divisions	✓	November 2021 and February 2022	n/a	More jurisdiction-specific training is currently being developed, to be delivered during 2022 along with training on Directors and Officers' liability insurance.
Review, relaunch and refreshed training – Code of Business Conduct (Keller Ways of Working)	✓	December 2021	Page 64	German, Spanish, French, Polish and Czech versions of the training will be launched in March 2022.
Board Diversity Policy implementation	✓	February 2022	Page 82	Work by the Nomination and Governance Committee will continue throughout the year.

Section 172 statement

As a Board, we have always taken decisions for the long term. Collectively and individually, our aim is always to uphold the highest standards of conduct. We understand that our business can only grow and be successful over the long term if we understand and respect the views and needs of our employees, customers and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable.

In summary, as required by section 172 of the 2006 Act, a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The Directors of Keller – and those of all UK companies – must act in accordance with a set of general duties. These duties are detailed in the 2006 Act and include a duty to promote the success of the company, which is summarised above. As part of their induction, the Directors are briefed on their duties and they can access professional advice on these – either through the company or, if they judge it necessary, from an independent provider. The Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the company. The Board recognises that such delegation needs to be much more than simple financial authorities and, in this section of the report, we have summarised our governance structure. This covers: the values and behaviours expected of our employees; the standards they must adhere to; how we engage with stakeholders; and how the Board looks to ensure that we have a robust system of control and assurance processes.

For more detail on our governance framework, see pages 78 and 79. Details about the principal decisions the Board made during the year and the activities of the Committees can be found on page 75.

Our stakeholders, why they are important to us and the duties we perform

Shareholders

Delivering for our shareholders ensures that the business continues to be successful in the long term and can therefore continue to deliver for all our stakeholders.

Strategy

The Chief Executive Officer and Chief Financial Officer met major shareholders following the preliminary announcement of the Group's 2020 results to discuss a number of matters, including progress against the Group's strategy. The Chief Executive Officer and the Chief Financial Officer had calls with major shareholders following the announcement of the Group's 2021 interim results. Following these announcements, analysts' notes were circulated to the Board.

Performance

The Board initiated an investor perception audit and received feedback.

The Chief Executive Officer and the Chief Financial Officer had calls with major shareholders following the Group's trading update announcement in November 2021. The Chairman and the Senior Independent Director had calls with shareholders to discuss Group performance and risk management throughout the year.

Website

The investor relations section of our website provides information on the financial calendar, dividends, AGMs and other areas of interest to shareholders. Copies of annual reports and investor presentations are available to view and download. Shareholders can also register to receive 'news alerts' relating to the Group's activities.

AGM

The Board uses the AGM as an opportunity to communicate with shareholders, who are invited to attend, ask questions and meet Directors prior to, and after, the formal proceedings. The Chairs of the Main Board Committees are present at the AGM to answer questions on the work of their Committees.

The results of the voting at the 2021 AGM can be found on our website.

Dividend

We have consistently either grown or maintained our dividend in the 27 years since listing. We have strong cash generation and a robust balance sheet, which together support our ability to continue to increase the dividend to shareholders sustainably through the market cycle.

Outcomes for our shareholders:

- Keller is a stable business with a long-term track record.
- Continued growth opportunities.

Employees

Our people are our most valuable asset. We want them to be inspired and motivated, equipped with the right skills, tools and standards to be successful.

Workforce engagement

During 2021, the Board continued its approach to engagement with the workforce led by Baroness Kate Rock, Keller's designated Non-executive Director for employee engagement matters.

Our Non-executive Directors each led engagement focus groups on topics ranging from safety to innovation.

Also in 2021 we introduced our Diversity, Equity and Inclusion commitments and implemented our *Wellbeing Foundations*.

Communications

We communicate regularly with our employees through face-to-face meetings, webcasts, our company intranet and newsletter and site and office visits.

Outcomes for our employees:

- Local and global opportunities.
- Development and training.
- Long-term employment.

Customers

Our customers are central to our business – without them we would not exist. We want to deliver a consistently high performance in an efficient and continuously improving way across all our strategic levers so as to meet our customers' needs.

Suppliers

Building strong relationships with our suppliers enables us to obtain the best value, service and quality. We want to work with suppliers who understand us and adhere to our ways of working.

Communities

What we do is an integral part of the community and the community is ultimately our customer. Poor relationships can damage and even destroy our reputation. Good relationships win us goodwill.

Contact

The Chief Executive Officer and the Divisional Presidents are in regular contact with our customers, and they regularly brief the Board on our performance in delivering on our commitments to customers and the quality of these critical relationships.

Research

We conduct a wide range of customer research to better understand their expectations of us.

During the year, our local teams engaged with our customer network to better understand their requirements throughout the pandemic.

Outcomes for our customers:

- Benefit from Keller's global strength and local focus.
- Provision of cost-effective geotechnical solutions.

Procurement

Established in 2016, our procurement function continued to work hard to understand our supply chain and how to develop deeper and more strategic relationships with key suppliers.

Working together to do the right thing

Keller's Supply Chain Code of Business Conduct sets out our expectations that our supply chain should respect the human rights of their employees and contractors and treat them fairly, in accordance with all applicable laws.

Increased communications with our suppliers during the year has assisted us in managing our resources and materials on site.

Outcomes for our suppliers:

- Local relationship with a financially strong global company.
- Support in meeting global supply chain standards.

Contributing to the community

The Board recognises the importance of leading a company that not only generates value for shareholders but also contributes to wider society.

The Board adopted a Charitable Giving Policy in 2021 and approved a donation of £300,000 to UNICEF in support of COVAX.

Our environmental impact

As a geotechnical engineering specialist, we understand that environmental and climate risks could impact us directly. We are committed to protecting the environment, and aim to have a positive impact on it – so we safeguard the future.

Outcomes for our communities:

- Local employment.
- Charitable partnerships.
- Participation by our employees in community events.
- Sustainable commitments.

Governance framework

The Board is appointed by shareholders, who are the owners of the company. The Board's principal responsibility is to act in the best interests of shareholders as a whole, within the legal framework of the 2006 Act and taking into account the interests of all stakeholders, including employees, customers, suppliers and communities. Ultimate responsibility for the management and long-term success of the Group rests always with the Board, notwithstanding the delegated authorities framework detailed below.

Board

Develops strategy, grows shareholder value, provides oversight and corporate governance, and sets the tone from the top.

Provides entrepreneurial leadership of the Group, driving it forward for the benefit, and having regard to the views, of its shareholders and other stakeholders.

Governs the Group within a framework of prudent and effective controls, which enable risks to be assessed and managed to an appropriate level.

Approves the Group's strategic objectives.

Ensures that sufficient resources are available to the Group to enable it to meet strategic objectives.

The Board delegates authority to manage the business to the Chief Executive Officer (CEO) and also delegates other matters to its Committees and management as appropriate. The Board has formally adopted a schedule of matters reserved to it for its decision, which is available on our website. Details about the principal decisions the Board made during the year can be found on page 75.

The CEO in turn chairs the Executive Committee for day to day management matters and delegates other matters to various Management Committees.

Main Board Committees

Committees	Remit	Membership	Quorum
Audit and Risk Committee	Oversight of the Group's financial and non-financial reporting, risk management (including TCFD) and internal control procedures and the work of its internal and external auditor.	Independent Non-executive Directors (NEDs)	Two
Nomination and Governance Committee	Review of the composition of the Board and senior management, and plans for its progressive refreshing with regard to balance and structure as well as succession planning, taking account of evolving legal and regulatory requirements as well as stakeholders' expectations. <i>Responsibility for governance matters.</i>	Chairman and independent NEDs	Two
Remuneration Committee	Framework, policy and levels of remuneration of the Executive Directors and senior executives.	Independent NEDs	Two
Disclosure Committee	Inside information determination and advice on scope and content of disclosures to the market.	Any two Directors (incl. CEO or Chief Financial Officer) and the Group Company Secretary and Legal Advisor	Two
Environment Committee	Oversight of the Board's responsibilities in relation to environmental matters, incl. climate-related matters and TCFD.	Independent NEDs and CEO	Two
Social and Community Committee	Understanding of the key concerns of the workforce and wider stakeholders, apart from shareholders.	Independent NEDs and CEO	Two

Other Board Committees

Committees	Summary	Membership	Quorum
Share Plans Committee	Consideration of administrative matters related to the provision of share-based employee benefits for the company and its subsidiaries.	All Directors and the Group Company Secretary and Legal Advisor	Two
Bank Guarantees and Facilities Committee	Consideration of matters related to the provision of bank guarantees and facilities for the company and its subsidiaries.	All Directors and the Group Company Secretary and Legal Advisor	Two

The terms of reference for each of these Other Board Committees can be found on our website.

Main Management Committees

Committees	Remit	Membership	Chair	Quorum
Executive Committee	Day-to-day management	CEO, CFO, Group Company Secretary and Legal Advisor and any other officers as invited by the CEO. Minimum of six.	CEO or Chief Financial Officer (CFO) in CEO's absence	Four (incl. CEO or CFO)
Safety Leadership Committee	Safety culture	CEO, Divisional Presidents of Europe, North America and AMEA, Group HSEQ Director, Group Company Secretary and Legal Advisor and any other direct reports as required by the CEO. Minimum of six.	CEO	Four (incl. CEO or Group HSEQ Director)
Sustainability Steering Committee	Mostly climate-related and environmental matters but also people, community, governance and reputational matters.	A minimum of six representatives of each division and Group's relevant functions.	Group Engineering and Operations Director	Four (incl. Group Engineering and Operations Director)

Other Management Committees

Committees	Remit	Membership	Chair	Quorum
Treasury Committee	Management of the Company's financial risks in accordance with the objectives and policies approved by the Board.	CFO, Group Financial Controller, Group Head of Treasury, Group Head of Tax	Group Head of Treasury	Two (incl. CFO)
Data Protection Steering Committee	Implementation of Keller's strategy for compliance with data protection laws.	Legal representatives from each division (Europe, North America, AMEA) and Group	n/a	n/a

Governance framework continued

Keller Group Charter of Expectations and Role Profiles

The Charter of Expectations and Role Profiles document sets the role profiles for all of the key positions on the Keller Group plc Board, and states the expectations that are demanded of each of the Directors.

It is available on our website so that there is complete transparency of the standards we set ourselves for all our stakeholders. The performance of the Board and Board Committees and of each of the Directors individually is measured against these expectations.

Key roles	Responsibilities
Chairman	<p>Responsible for leading the Board, its effectiveness and governance.</p> <p><i>The Chairman is also responsible for the following matters pertaining to the leadership of the Board:</i></p> <ul style="list-style-type: none"> • Being the ultimate custodian of shareholders' interests. • Ensuring appropriate Board composition and succession. • Ensuring effective Board processes. • Setting the Board's agenda. • Attends meetings with major shareholders to obtain an understanding of their issues and concerns, ensuring effective communication with them. • Ensuring that Directors are properly briefed in order to take a full and constructive part in Board and Board Committee discussions. • Ensuring constructive relations between Executive and Non-executive Directors. • Being the designated Director for ESG and sustainability matters, in particular climate-related issues.
Chief Executive Officer	<p>Responsible for the formulation of strategy, and the operational and financial business of the Group.</p> <p><i>The CEO is also responsible for the following matters.</i></p> <ul style="list-style-type: none"> • Formulating strategy proposals for the Board. • Formulating annual and medium-term plans, charting how this strategy will be delivered. • Apprising the Board of all matters which materially affect the Group and its performance, including any significantly underperforming business activities. • Leading executive management in order to enable the Group's businesses to meet the requirements of shareholders. • Ensuring adequate, well-motivated and incentivised management resources. • Ensuring appropriate succession planning. • Ensuring business processes for long-term value creation.
<p>The roles of the Chairman and the CEO are quite distinct from each other and are clearly defined in written terms of reference. They do collaborate and have a close working relationship.</p>	
Senior Independent Director	<ul style="list-style-type: none"> • Works closely with the Chairman, acting as a sounding board and providing support. • Acts as an intermediary for other Directors as and when necessary. • Is available to shareholders and other NEDs to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication. • Meets at least annually with the NEDs to review the Chairman's performance and carries out succession planning for the Chairman's role. • Attends sufficient meetings with major shareholders to obtain a balanced understanding of their issues and concerns.

Key roles	Responsibilities
Chief Financial Officer	<p>Responsible for financial management and control, budgeting and forecasting, tax and treasury and investor relations.</p> <p>The CFO is also responsible for the following matters:</p> <ul style="list-style-type: none"> • Adherence within the company to all applicable accounting standards. • Internal financial controls within the company. • Custodian of the Group's financial resources. • Oversight of the company's financial functions and staffing including motivation, development and succession. • Maintaining adequate financial liquidity and ensuring the viability and resilience of the Group.
Group Company Secretary and Legal Advisor	<ul style="list-style-type: none"> • Ensures good information flows to the Board and its Committees and between senior management and NEDs. • All Directors have access to their advice and services. • Responsible for ensuring that the Board operates in accordance with the governance framework it has adopted and that there are effective information flows to the Board and its Committees and between senior management and the NEDs. • Advises on evolving standards and supports the Chairman on the continuing development of the Board. • Their appointment and resignation is a matter for consideration by the Board as a whole.
Committee Chairs	<p>Responsible for the effectiveness of each Committee and individual member Directors.</p>

Board composition, succession and evaluation

Nationality (%)

■ British	57%
■ Other	43%

Gender (%)

■ Female	57%
■ Male	43%

Length of tenure (%)

■ 1–3 years	57%		
■ 4–6 years	29%		
■ 7–9 years	14%		

Number of Board members with relevant experience

■ Oil and Gas	3			
■ Technology	5			
■ Construction	5			
■ Engineering	5			

Number of Board members with relevant international experience

■ Americas	6				
■ Europe	7				
■ Middle East	4				
■ Africa	3				
■ Asia Pacific	5				

Data as at 31 December 2021

Board composition

At the beginning of 2021, the structure of the Board Committees and their operation were considered by the Board and, in recognition of the increased focus on Environmental, Social and Governance (ESG) matters, were realigned and reconstituted from May 2021 to allow more focus on Keller's ESG priorities.

More information can be found in the ESG and sustainability section of this report.

Board diversity

Building on the work of our Group-wide Inclusion Commitments, our Board Diversity Policy has been in place since January 2021.

In 2021, Keller's Board of Directors had a 57% female share (2020: 44%), meeting the Hampton-Alexander Review target of 33% female share of Board Directors by 2020.

With the appointment of Juan G. Hernández Abrams to the Board from 1 February 2022, we also meet the Parker Review target with one Board Director from an ethnic minority background by 2022.

The selection of candidates to join the Board continues to be made based on merit and the individual appointee's ability to contribute to the effectiveness of the Board, which in turn is dependent on the pool of candidates available. All appointments and succession plans will seek to promote diversity of gender, ethnicity, skills, background, knowledge, international and industry experience and other qualities.

Our commitment to equality, diversity and inclusion aligns with our values of integrity, collaboration and excellence and is underpinned by our Inclusion Commitments.

The Board is committed to promoting equality, diversity and inclusion in the boardroom, to ensure all are able to contribute to Board discussions, and aims to meet industry targets and recommendations wherever possible. This includes our objective of meeting the diversity targets recommended by the Hampton-Alexander Review and Parker Review.

The Board, supported by the Nomination and Governance Committee, is also committed to:

- ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds;
- only engaging search firms who are signed up to the Voluntary Code of Conduct for Executive Search Firms;
- ensuring that Board appointment 'long lists'

- considering candidates for Non-executive Director Board appointments from a wide pool, including those with no listed company board-level experience; and
- reporting annually on the diversity of the executive pipeline as well as the diversity of the Board.

The annual evaluation of the Board effectiveness considers the composition and diversity of the Board.

We also aim to develop a strong pipeline of diverse candidates for executive Board roles and for the Executive Committee with a goal of ensuring that it is made up of an appropriate balance of skills, experience and knowledge required to effectively oversee the management of the company in the delivery of its strategy.

Our gender diversity statistics across the Group are shown on page 56.

Board evaluation and review of the Chairman's performance

The 2021 Board evaluation was conducted by Donata Denny, Leadership Coach and Professional Development Advisor.

Building on the 2020 Board evaluation, feedback of the performance of the Board as a whole and its Committees, the Board's 2021 Strategy Day, and the Chairman and individual Directors was sought from the Board and, in the case of the Chairman, also from key external advisers.

Feedback on the Board and its Committees and the Board's 2021 Strategy Day was reviewed at the Board's meeting in January 2022. Individual feedback sessions for the Directors with the Chairman, and feedback on the Chairman, will be carried out in the first quarter of 2022.

The evaluation of the Chairman and his performance in 2021 will be led by Baroness Kate Rock, the Senior Independent Director.

Participants provided full and frank feedback and reported that the dynamics of the Board continued to improve and progress over the year with recognition that this was an ongoing process.

The new Board Committees' structure, membership and operation were felt to be working well and, in particular, the Chair of each Committee received praise from the members for their role and effectiveness.

Whilst the 2021 Board Strategy Day was felt to be the best for a number of years, suggestions for further improvement of the event were fed back to the Executive Directors and the Group

The Company expects to update shareholders on the progress made in relation to the matters identified above in its 2022 annual report.

The Chairman has confirmed that the Directors standing for election and re-election at this year's AGM continue to perform effectively and to demonstrate commitment to their roles.

Board development

On appointment, Directors are provided with induction training and information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board Committees and the latest financial information about the Group. This is supplemented by meetings with the company's legal and other professional advisers, and, where appropriate, visits to key locations and meetings with certain senior executives to develop the Directors' understanding of the business.

Throughout their period of office, Non-executive Directors are continually updated on our business, markets, social responsibility matters and other changes affecting the Group and the industry in which we operate, including changes to the legal and governance environment and the obligations on themselves as Directors. Specific updates this year revolved around ESG and TCFD and were provided by the Keller Sustainability, Risk and Company Secretariat teams.

Information and support

The Board and Committees are satisfied that they receive sufficient, reliable and timely information in advance of meetings and are provided with all necessary resources and expertise to enable them to fulfil their responsibilities and undertake their duties in an effective manner.

The Chairman and the Group Company Secretary and Legal Advisor keep under review the forward agendas for the Board and the content and construct of management papers to allow for greater focus by the Board as a whole on strategic matters and avoiding unnecessary operation detail.

For each Board and Committee meeting, Directors are provided with a tailored Board pack in advance of the meeting. To improve the delivery and security of meeting papers, we use an electronic system that allows the Board to easily access information, irrespective of geographic location. Directors regularly receive additional information between Board meetings, including a monthly Group performance update which from 2022 will include carbon reduction, gender DEI and good governance performance. If a Director is unable to attend a meeting, they are provided with all the papers and information relating to that meeting and have the opportunity to discuss issues arising directly with the Chairman and Chief Executive Officer.

Accountability

Internal controls

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and accords with the guidance of the Financial Reporting Council.

Details on the identification and evaluation of risk, as well as on the management of project risk, can be found in the section headed Principal risks and uncertainties on pages 32 to 41.

The key elements of the Group's system of internal controls are explained in the Audit and Risk Committee report on page 94.

The management of financial risks is described in the Chief Financial Officer's review on pages 26 to 31.

Board visit to HS2 site

In October 2021, the Board visited the site of one of the ventilation shafts that services the main tunnels running under London to and from Euston Station.

Keller is carrying out grouting to seal off fissures in the chalk and jet grouting to stabilise the ground, working for the Principal Contractor SCS (Skanska Costain Strabag Joint Venture) as part of the S1/S2 section of HS2. GEO-Instruments is also on the site monitoring the adjacent infrastructure.

The picture below shows the Chairman, the Non-executive Directors and the Chief Executive Officer accompanied by the President, Europe and Contracts Engineer Kanan Garayev and Contracts Manager Sam Cawthorne.

Information included in the Directors' report

Certain information that fulfils the requirements of the Corporate governance statement can be found in the Directors' report in the sections headed 'Substantial shareholdings', 'Repurchase of shares', 'Amendment of the company's Articles of Association', 'Appointment and replacement of Directors' and 'Powers of the Directors' and is incorporated into this Corporate governance section by reference.

Environment Committee report

Nancy Tuor Moore
Chair of the Environment Committee



The Committee will work with management to oversee ways of improving the environmental performance of the Group, and to agree priorities that consider the needs of our stakeholders and drive the right behaviour."

Composition of the Committee

Nancy Tuor Moore, Paula Bell, Eva Lindqvist, Baroness Kate Rock, Michael Speakman, Juan G. Hernández Abrams (from 1 February 2022)

 **For full biographies**
See pages 70 and 71

Role of the Committee

The role of the Committee is to help the Board of Directors fulfil its oversight responsibilities in relation to environmental and related sustainability matters arising out of the activities of the Group.

Highlights of the Committee's activities in 2021

- Recommended new terms of reference of the Committee to the Board.
- Approved the Group's approach to TCFD reporting.
- Recommended carbon targets.
- Monitored progress against the year's environment objectives.
- Monitored progress of the Group's sustainability initiatives.
- Reviewed the effectiveness of the Committee.
- Reviewed the Committee's priorities for 2022.

Dear shareholder

On behalf of the Board, I am pleased to present the first report of the Environment Committee for the year ended 31 December 2021.

A new Committee

The Committee was established in July 2021 and assumed, where relevant, the responsibilities of the former Health, Safety, Environment and Quality Committee. Since then, the Board has continued to oversee Safety and Quality via the Chief Executive Officer and the Executive Committee. Further information can be found in the ESG and sustainability section of this report.

The purpose of the changes was to reflect the growing emergence of Environmental, Social and Governance matters and to provide greater focus and oversight on these issues which the Board considers of key importance.

Carbon targets and TCFD

At its first meeting in July, the Committee approved Keller's first net zero carbon targets for recommendation to the Board.

These targets, covering Scopes 1 to 3, set out Keller's ambition to build the foundations for a sustainable future. For more information on the specific carbon targets and reduction initiatives, please see the ESG and sustainability section of this report.

The Committee also oversaw the strengthening of Keller's climate-related risks and opportunities process, in line with TCFD guidance, to ensure Keller is better equipped to manage and mitigate/realise these key risks and opportunities.

The Committee is ideally placed to provide Board-level governance and scrutiny of strategic, climate-related topics.

For more information on the specific climate-related risks and opportunities, please see page 38 in the Principal risks and uncertainties section of this report.

CDP score

We were pleased to see that our CDP score went up this year, from a C to a B, putting us in line with the construction sector average and above the global average.

This increase reflected the fact we:

- Planned to set net zero targets.
- Could account for a small proportion of our Scope 3 emissions.
- Could explain more about our change in emissions over 2020.

Corporate governance

The remit of the Committee is set out in its new terms of reference which were approved during the year and are available on the Group's website (www.keller.com) and on request, from the Committee Secretary. During this financial year we met once, with attendance at this meeting shown on page 74. We had another meeting scheduled for December but this had to be rescheduled to January due to the Omicron variant of COVID-19 outbreak in the UK.

The Committee is comprised of the independent Non-executive Directors of the company and the CEO. The Committee may invite members of the senior management team to attend meetings where it is felt appropriate and the Board Chairman, the CFO, the Group Company Secretary and Legal Advisor and the Engineering and Operations Director regularly attend meetings of the Committee.

The Committee conducted an effectiveness review of the business covered during the year against its terms of reference.

In addition, the Committee's performance, and that of its members, was evaluated in an exercise facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The Committee and its members were found to be operating effectively. The outcome of this exercise can be found on pages 82 and 83.

The new Board Committees' structure, membership and operation, to respond to ever-increasing ESG demands, were felt to be working well and, in particular, the Chair of each Committee received praise from the members for their role and effectiveness.

Looking forward

We are a new Committee and we are still developing our programme of work. Our priorities for 2022 will revolve around:

- Horizon scanning on climate-related and environmental matters, in particular the implications of the Task Force on Nature-related Financial Disclosures.
- Supporting the company in its progress towards net zero.
- Assisting the Remuneration Committee in monitoring the impact of ESG targets on remuneration.
- Supporting the company in developing its disclosures under TCFD, in line with the framework we agreed this year, and working closely with the Audit and Risk Committee on scenario analysis.

Public health and safety legal requirements permitting, I look forward to meeting shareholders who attend our AGM this year to answer any questions on this report or on the Committee's activities. Shareholders are also encouraged to email their questions to the Committee Secretary at secretariat@keller.com.

This will be my last AGM and at that time Juan G. Hernández Abrams will replace me as Chair of this Committee. It has been a privilege to serve at the Keller Board and to chair the HSEQ and the Environment Committees.

Nancy Tuor Moore

Chair of the Environment Committee

Approved by the Board of Directors and authorised for issue on 7 March 2022.

Social and Community Committee report

Baroness Kate Rock


Chair of the Social and Community Committee



The Committee will continue to ensure that our workforce and wider stakeholders are represented appropriately in the Board's decision-making process."

Composition of the Committee

Baroness Kate Rock, Paula Bell, Michael Speakman, Nancy Tuor Moore, Juan G. Hernández Abrams (from 1 February 2022)

 **For full biographies**
See pages 70 and 71

Role of the Committee

The role of the Committee is to understand key concerns of the workforce and wider stakeholders, define the term 'workforce' in the context of Keller, and review relevant people, social and community policies and practices.

We are also responsible, along with the Audit and Risk Committee, for ensuring that the company has policies in place to encourage, understand and address employee concerns and feedback.

Finally, we work closely with the Remuneration Committee, making recommendations to the Board on whether Keller's policies and practices are in line with the purpose and values, and support the desired culture.

Highlights of the Committee's activities in 2021

- Oversaw the implementation of DEI initiatives.
- Reviewed and challenged management on the delivery of the employee engagement programme.
- Recommended a Charitable Giving Policy to the Board.
- Recommended new terms of reference of the Committee to the Board.
- Reviewed the effectiveness of the Committee.

Dear shareholder

It is my pleasure as Chair, to present this, our first report of the Social and Community Committee, for the year ended 31 December 2021 on behalf of the Board.

A new Committee

The Committee was established in July 2021 and assumed, where relevant, the responsibilities of the former Workforce Engagement Committee. I continued in my role as Senior Independent Director and designated Non-executive Director for workforce engagement, with responsibility to ensure that the Board engages effectively with our workforce and understand and learns from the views of all our stakeholders.

The purpose of the changes was to reflect the growing emergence of environmental, social and governance matters and provide greater focus and oversight on these issues which the Board considers of key importance in support of delivering the Group's long-term strategic objectives and is committed to understanding and learning from the views of all our stakeholders.

Our obligations are delivered by:

- Ensuring that the 'voice of the employee' is considered within the boardroom.
- Reviewing formal data and informal feedback that has been obtained from the workforce with management.
- Regularly reviewing Keller's HR strategy as to its appropriateness in delivering the strategy and supporting our values and desired culture.
- Identifying consistent themes received via feedback from employees.
- Ensuring that they are incorporated within Keller's updated HR strategy, along with the introduction of any Board identified topics that support the company's business strategy and desired culture.

Supporting The Brilliant Breakfast 2021

Keller supported The Brilliant Breakfast with a donation of £5,000. Working with The Prince's Trust, this UK initiative aims to change the lives of young women by helping them gain the skills needed to live, learn and earn.



The Julia and Hans Rausing Trust has pledged to match fund all 2021 donations of £5,000 or over to The Brilliant Breakfast, meaning that Keller's donation will allow an incredible £10,000 of support for young women in the UK."

Kerry Porritt

Group Company Secretary
and Legal Advisor

Our Committee met once this year since its establishment and I reported on the Committee's activities at the Board meeting the following day. We had another meeting scheduled for December but this had to be rescheduled to January due to the Omicron variant of COVID-19 outbreak in the UK.

The Committee's new terms of reference can be found on our Group website (www.keller.com) and on request from the Committee Secretary.

Activities

Further detail on the Committee's activities can be found in the ESG and sustainability section of this report, but I would like to highlight the following topics considered during the year.

The Committee reviewed and challenged management on the delivery of the employee engagement programme, which comprised focus groups led by each of the Non-executive Directors. The themes were health, safety and wellbeing; systems, processes and ways of working; communications; and diversity, equity and inclusion.

During 2021, management introduced Keller's Wellbeing Foundations, which focused on equipping our workforce to be healthy and fulfilled across five key pillars, including body, mind, community, growth and financial security. The Committee reviewed this framework prior to launch.

We also designed and agreed a Charitable Giving Policy for recommendation to the Board. Under such policy we were proud to make a funding contribution of £300,000 to UNICEF's COVID-19 Vaccines Appeal. This helped UNICEF to deliver two billion doses of vaccines by the start of 2022 for frontline health workers, social workers, teachers and those at highest risk.

The Committee was kept abreast of the implementation of our Diversity, Equity and Inclusion Commitments, which continued at pace, with a focus on investing in our workforce and strengthening and diversifying our talent pipeline.

In line with best practice, the Committee conducted an effectiveness review of the business covered during the year against its terms of reference.

In addition, the Committee's performance, and that of its members, was evaluated in an exercise facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The Committee and its members were found to be operating effectively. The outcome of this exercise can be found on pages 82 and 83.

The new Board Committees' structure, membership and operation, to respond to ever-increasing ESG demands, were felt to be working well and, in particular, the Chair of each Committee received praise from the members for their role and effectiveness.

Looking forward

We are a new Committee and we are still developing our programme of work.

As we evolve towards becoming a company that is representative of the local communities in which we operate, it's essential to ensure that our talent programmes and promotion practices continue to be based on merit and are inclusive. As such, one of our priorities for next year will be talent and skills development.

I will continue to give the Board feedback on the thoughts and ideas of our employees, ensuring that our workforce and wider stakeholders are represented appropriately in the Board's decision-making process.

Baroness Kate Rock

Chair of the Social and Community Committee
Approved by the Board of Directors and
authorised for issue on 7 March 2022.

Nomination and Governance Committee report

Peter Hill CBE

Chairman of the Nomination and Governance Committee



The Board is committed to promoting equality, diversity and inclusion in the boardroom, to ensure all are able to contribute to Board discussions."

Composition of the Committee

Peter Hill CBE, Paula Bell, Eva Lindqvist, Nancy Tuor Moore, Baroness Kate Rock, Juan G. Hernández Abrams (from 1 February 2022)

 **For full biographies**
See pages 70 and 71

Role of the Committee

The role of the Nomination and Governance Committee is to recommend the structure, size and composition of the Board and its Committees. It is also responsible for succession planning of the Board and executive management, for promoting the overall effectiveness of the Board and its Committees, and for governance matters in general.

Highlights of the Committee's activities in 2021

- Recruitment of Juan G. Hernández Abrams as a Non-executive Director.
- Evaluation of the Board and its Committees, the Board Strategy Day and the Chairman and Directors.
- Continued to develop and monitor succession plans for the Board and senior management.
- Monitored the length of tenure of the Non-executive Directors.
- Reviewed and refreshed the terms of reference of the Committee and changed the Committee's name to better reflect its responsibility for governance matters.

Dear shareholder

Welcome to the report of the Nomination and Governance Committee for the year ended 31 December 2021.

The Committee has continued to review the balance of skills on the Board as well as the knowledge, experience, length of service and performance of the Directors. During the year, we held two meetings. The attendance at the meetings is shown on page 74.

Particular areas of focus this year included the recruitment of a new Non-executive Director, Juan G. Hernández Abrams, who joined the Board with effect from 1 February 2022.

Nancy Tuor Moore, who has been on the Board since 2014, will retire after the Annual General Meeting in May 2022.

Board evaluation

The 2021 Board evaluation was conducted by Donata Denny, Leadership Coach and Professional Development Advisor. Building on the 2020 Board evaluation, feedback of the performance of the Board as a whole and its Committees, the Board's 2021 Strategy Day, and the Chairman and individual Directors was sought from the Board and, in the case of the Chairman, also from key external advisers.

Feedback on the Board and its Committees and the Board's 2021 Strategy Day was reviewed at the Board's meeting in January 2022. Individual feedback sessions for the Directors with the Chairman, and feedback on the Chairman, will be carried out in the first quarter of 2022.

We welcomed the full and frank feedback received from all participants, who reported that Board dynamics continued to improve and progress over the year with recognition that this was an ongoing process. The Board Committees' structure, membership and operation were felt to be working well and, in particular, the Chair of each Committee received praise from the members for their role and effectiveness. Whilst the 2021 Board Strategy Day was felt to be the best for a number of years, suggestions for further improvement of the event were fed back to the Executive Directors and the Group Company Secretary and Legal Advisor.

Board effectiveness and skills

As part of our work regarding Board effectiveness, Committee activities included:

- Considering the number of Executive and Non-executive Directors on the Board, and whether the balance is appropriate to ensure optimum effectiveness.
- Reviewing the balance of industry knowledge, relevant experience, skills and diversity on the Board.
- Assessing and confirming that all the Non-executive Directors remain independent.

We are confident that each Director remains committed to their role. In our view, the Board continues to work well and benefits from an appropriate and diverse mix of skills and industry knowledge. Collectively, the Directors bring a range of expertise and experience of different business sectors to Board deliberations, and this encourages constructive and challenging debate around the boardroom table.

Our Committee continues to work to balance the skills and experience of the Board members to meet the changing needs of the business.

Having a good mix of skills plays an important role in keeping the Board relevant and up to date with the market.

Board diversity

In January 2021 the Board and the Nomination Committee approved a Board Diversity Policy. Keller's Board Diversity Policy sets out the approach to diversity both on the Board of Directors of Keller Group plc and more widely across the organisation.

Our commitment to equality, diversity and inclusion aligns with our values of integrity, collaboration and excellence and is underpinned by our Inclusion Commitments.

The Board is committed to promoting equality, diversity and inclusion in the boardroom, to ensure all are able to contribute to Board discussions, and aim to meet industry targets and recommendations wherever possible. This includes our objective of meeting the diversity targets recommended by the Hampton-Alexander and the Parker Reviews.

In 2021, Keller's Board of Directors had a 57% female share (2020: 44%) meeting the Hampton-Alexander Review target of 33% female share of Board Directors by 2020. With the appointment of Juan G. Hernández Abrams to the Board from 1 February 2022, we also meet the Parker Review target with one Board Director from an ethnic minority background by 2022.

For further information on diversity at Board level, as well as more generally at Keller, please see the ESG and sustainability section of this report.

Non-executive appointments and time commitments

When we make recommendations to the Board regarding Non-executive Director appointments, we will consider the expected time commitment of the proposed candidate, and any other existing commitments, to ensure that they have sufficient time available to devote to the company.

Before accepting any additional commitments, Non-executive Directors will discuss them with the Chairman of the Board, or in the case of the Chairman, with the Senior Independent Director and the CEO. Board agreement is required to ensure that any conflicts of interest are identified and that the individual will continue to have sufficient time available to devote to the company.

Corporate governance

The Committee's terms of reference are available on the Group's website (www.keller.com) and on request from the Group Company Secretary and Legal Advisor. The terms of reference were amended this year and the name of the Committee changed to better reflect its remit.

Only the Chairman and Non-executive Directors are members of the Committee, and no other person is entitled to be present at Committee meetings. We may invite members of senior management to attend meetings where we feel it is appropriate, and the CEO and Group People Director both attended certain meetings during the year.

Our 2021 evaluation of the Committee concluded that, consistent with the Code and our own terms of reference, the Committee is discharging its obligations in an effective manner.

In accordance with the requirements of the Code, all members of the Board will seek election/re-election at the AGM in May 2022, with the exception of Nancy Tuor Moore, who will retire after the AGM.

Peter Hill CBE

Chairman of the Nomination and Governance Committee

Approved by the Board of Directors and authorised for issue on 7 March 2022.

Audit and Risk Committee report

Paula Bell

Chair of the Audit and Risk Committee



This has been another busy year and we expect the momentum gained will carry the progress forward into 2022."

Composition of the Committee

Paula Bell, Eva Lindqvist, Nancy Tuor Moore, Baroness Kate Rock, Juan G. Hernández Abrams (from 1 February 2022)

 **For full biographies**
See pages 70 and 71

Dear shareholder

On behalf of the Audit and Risk Committee, I am pleased to present our report for the financial year ended 31 December 2021.

The Group operates within a large, global and fast-changing environment, which requires an adaptive approach to assurance. The COVID-19 pandemic continued to pose challenges to the Group so it was important to ensure that the Group's risk management and internal control systems operated effectively. We were pleased with the actions delivered by management, in particular the focus on

Role of the Committee

The Committee is responsible for overseeing the internal risk management framework, ensuring effective internal controls are in place, financial and non-financial reporting and appropriate external and internal audit arrangements.

Highlights of the Committee's activities in 2021

- Continued to oversee the development of the Group's financial control framework.
- Monitored the implementation of the Group's risk management framework.
- Monitored the implementation of key business change initiatives including Platform for Success, new Group-wide operating model and cyber risk review.
- Reviewed and challenged the output of management's assurance map to assess controls maturity in the context of the forthcoming audit and corporate governance reform.
- Reviewed the company's response to the audit and corporate governance reform proposals, and monitored and challenged management plans in preparation.
- Reviewed the detailed output of the evaluation of the external auditor, EY.
- Reviewed and challenged the implementation of the internal audit programme to ensure appropriate coverage of matters of business risk.
- Reviewed and approved the results of the Group's annual Electronic Internal Control Questionnaire.
- Reviewed its terms of reference and recommended changes to the Board.
- Reviewed the effectiveness of the Committee.

The Committee retained its focus on the development of the risk management and internal control systems. Being mindful of the increasing depth of review and reporting required of audit committees, we continued to follow a detailed programme of work which ensured the personnel and systems were in place to enable the Board to perform a robust assessment of principal and emerging risks and the Group's responses to them. The continued focus on risk management activity, following the appointment of the Group Head of Risk and Internal Audit in 2020, resulted in a more integrated and consistent approach to risk identification, assessment and

Throughout the year the Committee received regular updates from management on the development of the financial control environment and systems of internal control. The Committee remains fully committed to championing good financial and risk reporting and to ensuring we have in place an effective internal control framework. The internal and external assurance programmes operated effectively during 2021.

The Committee ensured that the internal audit programme delivered appropriate coverage of all areas of business risk and reviewed an assessment of the internal auditor to ensure that the services provided continued to provide required assurance.

The Committee reviewed the output of a detailed assessment of the external auditor. The external auditor was deemed to be effective and development points were noted that ensured a more efficient process for the audit of the 2021 year-end accounts.

In addition, during the year we devoted a lot of time to consider the BEIS consultation, 'Restoring Trust in Audit and Corporate Governance', and reviewed the company's response and preparation plans. We also supported management in addressing the requirements of TCFD.

This has been another busy year for the Committee and management has worked hard to drive improvements in the areas of risk, internal control, financial reporting and external audit. We are confident in the progress that has been made and expect the momentum gained will carry this progress forward into 2022, when our priorities will revolve around assessing the impact of the audit and corporate governance reform and ensuring the company is prepared and compliant.

Public health and safety legal requirements permitting, I look forward to meeting shareholders who attend our AGM this year to answer any questions on this report or on the Committee's activities. Shareholders are encouraged to email their questions to the Committee Secretary at secretariat@keller.com

Paula Bell

Chair of the Audit and Risk Committee

Approved by the Board of Directors and authorised for issue on 7 March 2022

Activities of the Committee

The Committee has an extensive agenda of items of business, aligned with the financial reporting cycle, focusing on the audit, assurance and risk processes within the business which it deals with in conjunction with senior management, the external auditor, the internal audit function and the financial reporting team.

The Committee's role is to ensure that management's disclosures reflect the supporting detail provided to the Committee or challenge them to explain and justify their interpretation and, if necessary, re-present the information. The Committee reports its findings and makes recommendations to the Board accordingly.

The Committee is supported in this role by using the expertise of EY. In doing so it ensures that high standards of financial governance, in line with the regulatory framework as well as market practice for audit committees going forward, are maintained.

Furthermore, PwC in their role as internal auditors contribute to the assurance process by reviewing compliance with internal processes.

The Committee met four times during the year, with attendance at these meetings shown in the table on page 74, and considered the items of business shown on the table on the right.

The Committee also reviewed the information presented in the Group's preliminary announcement, the company's processes for the preparation of the Annual Report and Accounts and the outcomes of those processes to ensure that we were able to recommend to the Board that the 2021 Annual Report and Accounts satisfied the requirement of being fair, balanced and understandable. The following processes are in place to provide this assurance:

- Coordination and review of the Annual Report and Accounts performed alongside the formal audit process undertaken by EY.
- Guidance issued to contributors at an operational level.
- Internal challenge and verification process dealing with the factual content of the information within the Annual Report and Accounts.
- Comprehensive review by senior management and external advisers to ensure consistency and overall balance.

Item of business	When
Regular updates on management plans to effectively manage risk pertaining to the impact of COVID-19	At every meeting
Regular updates on the Group's system of internal controls and its effectiveness	At every meeting
Impact of audit and corporate governance reform and plan of action, including review of response to consultation, alignment with work under way under the Platform for Success programme, ERP implementation and impact on principal risks	July, September and December
Progress review of the work undertaken to strengthen the financial and business control landscape across the Group	At every meeting
Review and challenge of the output of management's assurance map to assess controls maturity	At every meeting
Management reports on the status of remediation actions identified from completed internal audit reviews	At every meeting
Responses and key themes arising from the Group's annual Electronic Internal Control Questionnaire	At every meeting
Review of the Board delegated authorities	February
Review of the Group's principal and emerging risks and definition of the Group's risk appetite	December and February
Updates on the risk management framework including oversight of work to develop a solution to ensure compliance with TCFD	At every meeting
Cyber risk review aligned with Platform for Success	February and September
Effectiveness and scope review of the internal audit function	December and July
Regular updates on key findings from the reviews performed as part of the 2021 internal audit programme	At every meeting
Review and approval of the programme of internal audit reviews of the Group's operations and financial controls for 2022, building on the learnings from the 2021 programme and findings, which resulted in a more operationally focused programme for the year	December
Review and approval of areas of significant accounting judgements	December and February
Management report on the process for assessing the Group's going concern and viability	December and February
Basis of provisioning within the Group's captive insurance vehicle	February
Review and approval of the EY engagement letter, audit fee and their audit plan	December and February
Scope and results review of the external audit, its quality and effectiveness, and the independence and objectivity of EY	December and July
Group's tax strategy review and approval for recommendation to the Board	February
Briefings on global tax developments which impact the Group	As necessary
Review of finance function resourcing and talent	September
Updates on matters relating to ethics, fraud and compliance	At every meeting
Review and approval of the Whistleblowing Policy	February
Review of the Executive Directors' expenses	February
Review of the Committee's effectiveness	December
Review and recommendation for changes to the Committee's terms of reference	July
Interaction with the regulator	December
Non-audit services policy review and amendment	September

Audit and Risk Committee report continued

Significant issues

The significant issues that the Committee considered during the year included those identified in the independent auditor's report on pages 120 to 123. They related to the financial statements and focused on the Group's approach to key estimates and judgements in connection with:

Significant issues and judgements	How the Committee addressed these issues
<p>Accounting for construction contracts</p> <p>There has been no change to the revenue accounting policy approved in 2019 and set out in the Group Finance Standard issued in 2019. The policy has been in effect and operational throughout 2021 and we have seen consistent application of the revenue recognition methodology applied in the businesses and across contract types. Significant judgements are still required to be made on contracts for which a degree of uncertainty remains after application of the methodology.</p>	<p>During the year the Committee monitored revenue recorded. This included material revenue related to contracts that were subject to settlement agreements and variation orders. The treatment recommended by management was in line with the approved policy and consistent with previous practice.</p> <p>The Committee considered these issues at all of its meetings during the year and, in particular, in December 2021 and February 2022 when it agreed with management's recommendations. The reasonableness of the recommendations made by management was also discussed with EY.</p>
<p>Carrying value of goodwill</p> <p>The Group tests goodwill annually, to assess whether any impairment has been suffered. This test is carried out in accordance with the accounting policy set out in note 2 to the financial statements. The Group estimates the recoverable amount based on value-in-use calculations. These calculations require the use of assumptions, the most important being the forecast operating profits, forecast reliability and the discount rate applied. The key assumptions used for the value-in-use calculations are set out in note 14 to the financial statements.</p>	<p>The Committee considered the results of impairment tests of goodwill prepared by management at its meetings in December 2021 and February 2022. Following discussion, consultation with EY and challenge, the Committee agreed with the recommendations made by management.</p>
<p>Provisioning</p> <p>Given the nature of the contracts undertaken by the Group, there is an inherent risk of claims being made against one or more of the Group's businesses in relation to performance on specific contracts. These claims can include risks for which the Group has external insurance coverage.</p> <p>Recognition of liabilities for these claims requires judgement and coordination between different Group functions. In particular, following the Group's correspondence with the FRC noted on page 94, the presentation of liabilities expected to be covered by external insurance and any related insurance reimbursement assets has been an area of focus. In the year the Group has standardised the methodology used to record claims and to make judgements on the amount of liabilities to be recognised.</p>	<p>The Committee received regular updates on legal claims and assurance was provided by the divisional legal teams who reviewed the claims, with provisioning being assessed with input from divisional and Group finance.</p> <p>The Committee was involved in the response to the FRC queries and reviewed the related prior year restatement disclosure as well as the updated process for valuing the estimated settlement value of claims subject to external insurance coverage.</p> <p>Details of provisions are set out in note 23 to the financial statements.</p>
<p>Non-underlying items</p> <p>The disclosure of non-underlying items requires significant judgement given that no accounting standard defines specifically what items should or what items should not be presented as non-underlying.</p>	<p>The Committee considered management's presentation of non-underlying items at its meetings in July and December 2021, and February 2022. The reasonableness of the assumptions made by management was discussed with EY.</p> <p>The Committee agreed with the recommendations made by management.</p>
<p>Going concern</p> <p>Assessing the Group's ability to meet its obligations as they fall due in the near term requires estimates and judgements to be made about the likely performance of the Group. The Group, like many businesses in 2021, continued to operate within a global economy that faced significant uncertainty caused by the COVID-19 pandemic. Through this period, going concern received enhanced attention from external and internal stakeholders. On each occasion that the Group has assessed its ability to continue as a going concern, judgements and estimates have been made on prevailing market conditions.</p>	<p>The Committee considered the judgements and estimates made by management in their assessment of the Group's ability to continue as a going concern for the period through to the end of March 2023, a period of at least 12 months from when the financial statements are authorised for issue, at its meetings in July and December 2021, and February 2022.</p>

Internal audit

The Keller internal audit programme is risk-based, ensuring appropriate coverage dependent upon the size of the entity and the perceived risks associated with that operation. It also includes theme-based audits to review adherence to Group policies across the organisation.

The programme carried out by PwC during the year consisted of 18 operational entity audits and themed audits across 16 countries, which together represented approximately 16% of the Group's revenue for the year.

The Committee received and considered reports from PwC which detailed the progress against the agreed work programme and the findings. In the majority of reviews, following the successful update and deployment of the Group Finance Standards, findings were limited to the need for formalising maintenance of evidence of controls performed. Where more significant control issues were identified, we reviewed the findings, discussed the remediation plans with management and received updates on the progress of remediating the control deficiencies. None of the control deficiencies identified are significant in relation to the preparation of the 2021 Annual Report and Accounts.

The audits carried out during 2021 have been performed against updated control standards wherever they have been issued and any improvement actions aligned to them. The majority of control standards are now in place and embedded across the Group, helping to improve the control environment and enable early identification of potential control breakdowns.

Overall progress has been made across business units and we have observed a demonstrably stronger control environment.

During the year, the Committee completed an internal effectiveness assessment of the internal audit function, which measured its performance against the quality assessment criteria provided by the Institute of Internal Auditors. The work of the internal audit function was rated as fully conforming.

External audit

The Committee places great importance on ensuring there are high standards of quality and effectiveness.

EY was appointed by shareholders at the AGM held in May 2019. The lead EY partner during the financial year ended 31 December 2021 was Kevin Harkin, who had no previous involvement with the Group in any capacity prior to appointment.

The Committee considered the effectiveness of the external audit process and of EY as external auditor. This review included consideration of comprehensive papers from both management and the external auditor, and meetings with management in the absence of the external auditor. It considered matters including: the competence of the key senior members of the team and their understanding of the business and its environment, the planning process; effectiveness in identifying key risks; technical expertise displayed by the auditor over complex accounting matters; communicating and resolving audit issues; timeliness of the audit process; cost; and communication of issues and risks to management and the Committee.

There are a number of checks and controls in place for safeguarding the objectivity and independence of EY. These include open lines of communication and reporting between EY and the Committee and, when presenting their 'independence letter', EY discuss with the Committee their internal process for ensuring independence.

We assess the effectiveness of the external audit process on an ongoing basis, paying particular attention to the mindset and culture, skills, character and knowledge, quality control and judgement of the external audit firm in their handling of key judgements, responsiveness to the Committee and in their commentary where appropriate on the systems of internal control.

We hold regular private meetings with the external auditor, during which we discuss:

- How the auditor has identified and addressed potential risks to the audit quality.
- The controls in place within the audit firm to identify risks to audit quality.

- The level of challenge the auditor has discussed with the management team and their confidence on the control landscape.
- Whether the auditor has met the agreed audit plan and how it has responded to any changes that have been required.
- Feedback from key people involved in the audit.
- The content of the auditor's management letter.

A detailed assessment of the amounts and relationship of audit and non-audit fees and services is carried out each year and we have developed and implemented a policy regulating the placing of non-audit services to EY. This should prevent any impairment of independence and ensure compliance with the updates to the Code and revised Auditing and Ethical Standards with regard to non-audit fees. The approval thresholds were amended in 2021 and now any work awarded to EY, other than audit, with a value in excess of £50,000, requires the specific pre-approval of the Board. In 2021, non-audit related fees paid to EY were less than 5% of the total audit fee. These relate to the half-year report review and are considered to be permitted services.

The external audit contract is put out to tender at least every 10 years. As part of the review of the effectiveness and independence of the external auditor, we recommend the reappointment of EY for the year ending 31 December 2022.

We confirm compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Audit and Risk Committee report continued

Risk management and internal control

The Committee has a key role, as delegated by the Board, in ensuring appropriate governance and challenge around risk management. We also set the tone and culture within the organisation regarding risk management and internal control.

The Committee's name and terms of reference were amended in 2021 to clearly define its remit relating to risk.

Further information on the Group's risks can be found on pages 32 to 41.

The system of internal control is designed both to safeguard shareholders' investment and the Group's assets, and to facilitate the identification, evaluation and management of the significant risks facing the Group. Key elements of the Group's system of internal control include:

- An experienced and qualified finance function which regularly assesses the possible financial impact of the risks facing the Group.
- Monthly dashboard packs reviewed by the Executive Committee and the Board.
- Detailed business unit budget reviews with updates provided to the Board.
- Regular reports to the Board on health and safety issues.
- Regular visits to operating businesses by head office and divisional directors.
- Annual completion of internal control questionnaires by business unit management.
- Reports to the Committee by PwC on the findings of their internal audit reviews of the controls, processes and procedures in place at each of the Group's in-scope units.

The Group aims to continuously strengthen its processes, with the involvement of the Committee, to ensure these processes are embedded throughout the organisation. In 2021, we worked with management to continue to enhance the system of internal controls, defining the following priorities and receiving updates on their progress:

- Continued development of the Group's financial control framework and setting of minimum control standards for all areas of financial reporting and operational finance.
- Monitoring of the implementation of the monthly sign-off checklist at each business to certify that accounting controls have been performed/complied with for the month.
- Review of internal control questionnaires, to identify common areas for improvement as well as to address specific risks and direct assurance efforts.
- Mapping of the Group's control environment to assess controls maturity across all functions within the Group.

Although we review the Group's system of internal controls, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

The effects of cash and profit containment initiatives during the COVID-19 pandemic were reported regularly, along with scenario analysis, to ensure that management had near real-time understanding of the impact.

Significant progress has been made during 2021 to enhance the Group's enterprise risk management framework, despite the continuing restrictions placed on us due to COVID-19. This has included developing a process to identify, manage, review and report on climate-related risks and opportunities in line with TCFD risk reporting requirements. These risks and opportunities were then incorporated into the existing emerging risk register as, by their nature, the vast majority of them are emerging risks and opportunities. This allowed the business to review all emerging risks and opportunities together. More information about this work can be found in the Principal risks and uncertainties (pages 32 to 41) and the ESG and sustainability (pages 42 to 67) sections of this report.

In addition, the Committee reviewed and challenged the output of management's assurance map to assess controls maturity in the context of the forthcoming audit and corporate governance reform. This will be an area of considerable focus for the Committee next year, along with the implementation of the new ERP system and its impact on principal risks.

Interaction with the FRC

During the year, the FRC included the company's Annual Report and Accounts for the year ended 31 December 2020 in their thematic review of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' which resulted principally in requesting further information in respect of provisions for insurance and legal claims, as well as minor observations on other areas of the accounts.

The Group responded fully to the matters raised in the correspondence and has restated the relevant sections of this year's accounts to reflect this. The restatement impacted the balance sheet reported in the 2020 Annual Report and Accounts as detailed in the accounting policies note on page 133. The FRC's enquiry did not result in any changes to reported profit, earnings per share, net assets or the cash flows reported in the 2020 financial year.

The Chair of the Committee has been involved in reviewing the Group's response to the points raised and is satisfied that the matters have been addressed effectively, with additional or amended disclosure adopted in this year's Annual Report and Accounts.

In addition, during the year the FRC's Audit Quality Review team selected for review the audit of the Group's financial statements for the year ended 31 December 2020. At the conclusion of the review, the Committee considered the findings and the actions taken by EY to address the matters raised.

Corporate governance

The Committee's terms of reference, which were reviewed and updated during the year, are available on our website (www.keller.com) and on request from the Committee Secretary.

It is intended that the Committee is comprised of at least three members, all of whom are independent Non-executive Directors of the company with the necessary range of financial and commercial expertise to challenge management. The Code requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies) with recent financial expertise. Currently, the Committee Chair fulfils this requirement.

We invite the Chairman, Chief Executive Officer, Chief Financial Officer, Group Financial Controller, Group Head of Risk and Internal Audit, the Group Company Secretary and Legal Advisor, the company's external auditor, EY, and PwC, in their role as internal auditor, to all meetings. On three occasions, the Committee met privately with EY without management being present and we also met with PwC and the Group Head of Risk and Internal Audit without management present.

In line with best practice, the Committee conducted an effectiveness review of the business covered during the year against its terms of reference.

In addition, the Committee's performance, and that of its members, was evaluated in an exercise facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The Committee and its members were found to be operating effectively. The outcome of this exercise can be found on pages 82 and 83.

The new Board Committees' structure, membership and operation, to respond to ESG requirements, were felt to be working well and, in particular, the Chair of each Committee received praise from the members for their role and effectiveness.

Collectively, the Committee has the competence relevant to the sector as required by the provisions of the Code, as well as the contracting and international skills and experience required to fully discharge its duties. The Committee is authorised by the Board to seek any information necessary to fulfil these duties and to obtain any necessary independent legal, accounting or other professional advice, at the company's expense.

Looking forward

In 2022 our priorities will be:

- Assessing the final BEIS reforms, when published, along with the company's proposed response to meeting the revised requirements.
- Supporting the company in developing the disclosures requirements under TCFD, in particular around risk management and scenario analysis.
- Reviewing the process for identification and reporting of risks and the company's control environment.
- Supporting the company in delivering the Platform for Success programme and implementing the ERP system.

Annual statement from the Chair of the Remuneration Committee

Eva Lindqvist

Chair of the Remuneration Committee



Keller delivered another set of results in 2021 which were above market expectations."

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Composition of the Committee

Eva Lindqvist, Paula Bell, Baroness Kate Rock, Nancy Tuor Moore, Juan G. Hernández Abrams (from 1 February 2022)

 **For full biographies**
See pages 70 and 71

Role of the Committee

The role of the Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Chairman, the Executive Directors, their direct reports and such other members of the executive management as it is designated to consider. In addition, the Committee is responsible for determining the total individual remuneration packages of the Chairman, the Executive Directors, the Group Company Secretary and Legal Advisor and other senior executives.

The Committee also:

- determines the measures and targets for annual bonus plan objectives and outcomes for the Executive Directors, Executive Committee and other senior executives;
- exercises the powers of the Board in relation to share plans;
- sets and oversees the selection and appointment process of its remuneration advisers;
- monitors developments in corporate governance and, particularly, any impacts on remuneration practices; and
- reports on its activities to shareholders on an annual basis.

The Chair of the Committee reports on the Committee's activities at the Board meeting immediately following each meeting.

Highlights of the Committee's activities in 2021

- Monitored developments in corporate governance and market trends, including alignment of the impact of the COVID-19 pandemic on our employees, shareholders, customers, suppliers and other stakeholders with 2021 executive remuneration.
- Consulted with shareholders and successfully renewed the company's remuneration policy.
- Benchmarked and assessed the remuneration packages of the Executive Directors and the Executive Committee.
- Determined bonus outcomes for 2021 and the vesting outcome of the 2019–21 Performance Share Plan (PSP) awards.
- Set base salaries and established Executive Director bonus arrangements for 2022; reviewed base salaries and bonus arrangements for the Executive Committee for 2022; approved 2022–24 LTIP awards to Executive Directors and senior executives
- Reviewed the arrangements for the wider workforce.
- Reviewed its terms of reference and the effectiveness of the Committee.

Dear shareholder

On behalf of the Committee, I am pleased to provide an overview of Executive Director remuneration for the year ended 31 December 2021.

2021 business performance and incentive outcomes

Keller delivered another strong set of results in 2021 which were above market expectations. Revenue increased to €2,224.4m, up 13% (at constant currency) as a result of increased trading activity, particularly during the second half, and several bolt-on acquisitions (up 9.7% on an organic basis). Underlying operating profit decreased to €92.8m, a reduction of 10% at

COVID-19 adverse pressure on market pricing and operational disruption across our businesses, whilst underlying diluted earnings per share decreased by 8% to 88.4p per share (2020: 96.3p per share), reflecting the decrease in operating profit and somewhat offset by a lower tax rate reflecting the recognition of a prior year research and development tax credit in North America. After funding acquisitions, net debt (on a bank covenant IAS 17 basis) was down marginally to €110.4m, a reduction of 10% at

The targets for the 2021 annual bonus for executive management were set by the Committee in February of last year and remained unchanged throughout the year. The strong and resilient financial performance of the Group in 2021 is reflected in the 2021 annual bonus outcomes; the financial measures, Group profit before tax and net debt, have paid out at maximum. The Executive Directors made progress against their corporate objectives, achieving 15% out of a possible 30% maximum. Project performance diluted the other good work in the year and will be a continued focus for the senior management team in 2022. Overall, the annual bonus outturn was 90% of maximum.

When determining the bonus outcome, the Committee considered overall company performance over the period.

Considerations included the ongoing impact of COVID-19 on our business and the broader market. Whilst the pandemic has continued to pose challenges for our business and our people like for so many other companies, our profit and net debt performance demonstrate the resilience of the business. We did not take any UK furlough monies in 2021 and we have maintained our progressive dividend levels in 2020 and 2021 to the benefit of shareholders.

During 2021, management introduced Keller's Wellbeing Foundations, which focused on equipping our workforce to be healthy and fulfilled across five key pillars, including financial security. We continued to train our workforce on the importance of safety and continued to improve our accident frequency and total recordable incident rates. The Group's accident frequency rate (AFR) reduced by 42% compared with 2020, and our total recordable incident rate (TRIR) also improved by 32%, an industry-leading performance. The Committee fully considered a tragic fatality at the beginning of the year that occurred following an accident on a site in Austria in which we lost a long-serving and valued employee. Whilst it has been determined Keller was not at fault for the accident, management has continued to advance our safety programmes.

Our Social and Community Committee agreed a Charitable Giving Policy, under which we were proud to make a funding contribution of £300,000 to UNICEF's COVID-19 Vaccines Appeal. This helped UNICEF to deliver two billion doses of vaccines by the start of 2022 for frontline health workers, social workers, teachers and those at highest risk. The implementation of our Diversity, Equity and Inclusion Commitments continued, with a focus on investing in our workforce as well as strengthening and diversifying our talent pipeline.

As we evolve towards becoming a company that is representative of the local communities in which we operate, it's essential to ensure that our talent programmes and promotion practices continue to be based on merit and are inclusive.

After considering all the relevant factors for the 2021 bonus, the Committee's view was that the outcome was fair and appropriate from both a performance perspective and also taking into account the wider stakeholder experience. Therefore no discretion was exercised.

The performance of the LTIP granted to executives in 2019 and vesting in March 2022 was improved from the previous LTIP cycle. The continued impact of the weak financial performance in 2018 on the company's share price in that year, driven primarily by poorly performing contracts in the APAC Division, meant that the EPS targets were not met during the performance period. However, the TSR element vested at near maximum and there was partial vesting under the ROCE element. Therefore, overall, the 2019 LTIP awards vested at 36.6% of maximum.

Shareholders will recall that, prior to the company's 2019 AGM, ISS proxy advisers highlighted that the number of shares awarded to Executive Directors were not being scaled back in recognition of the fall in the Company's share price during 2018. We engaged with a large number of our major shareholders as a result and the Committee undertook that, at the time of vesting of the 2019 award, it would make a determination as to whether to use its discretion to reduce vesting levels as appropriate.

Against this background, the Committee carefully considered the vesting levels of the 2019 award, with additional reference to both the shareholder and wider workforce experience. It also specifically considered share price movements and was satisfied that there had been no inappropriate windfall gains over the period. The Committee determined that the LTIP outcome fairly and appropriately reflected performance over the three years and no discretion was exercised.

2022 salary review

Salary increases for UK-based employees across the Group were generally around 4%, effective 1 January 2022. Michael Speakman, CEO, and David Burke, CFO, were awarded salary increases of 3%.

As additional context, the CEO and CFO are already aligned with the wider workforce pension rate of 7% of salary.

2021 policy and shareholder consultation

The Committee was grateful to shareholders for the time they gave to the 2021 policy consultation which helped to facilitate a more robust decision-making process. All of our major shareholders were supportive of the proposals put forward with over 90% of votes in favour of the new policy.

Year ahead: 2022 annual bonus plan and LTIP metrics

As set out last year, management's focus will be on driving value by focusing on, and investing in, our key markets and the sustainability of operating profits and enhanced margins, whilst maintaining a robust balance sheet.

In our half-year results for 2021, the company committed to ambitious net zero targets for all three of our emission scopes which will culminate in carbon neutrality by 2050 at the latest. In recognition of the importance of achieving these goals, we have agreed a Scope 2 reduction target as one of management's corporate objectives for 2022. Further detail on the 2022 corporate objectives will be disclosed in the 2022 Annual remuneration report.

Last year we agreed a refreshed set of four measures for the 2021 LTIP that we believe support the delivery of the strategy. These measures have been carried forward into 2022 and, together with the targets for the LTIP for the year ahead, are disclosed in the 2021 Directors' remuneration report. See page 104 for further details.

2022 Annual General Meeting

We very much hope that you will support our 2021 Annual report on remuneration at the AGM in May. I will be available at the AGM to answer any questions you may have about our work. Please also feel free to email your questions to the Group Company Secretary and Legal Advisor at secretariat@keller.com and we will respond to them directly.

Eva Lindqvist

Chair of the Remuneration Committee

Approved by the Board of Directors and authorised for issue on 7 March 2022.

Remuneration in context

The Committee sets the Remuneration Policy for Executive Directors and other senior executives, taking into account the company's strategic objectives over both the short and the long term and the external market.

The Committee addresses the need to balance risk and reward. The Committee monitors the variable pay arrangements to take account of risk levels, ensuring an emphasis on long-term and sustainable performance. The Committee believes that the incentive plans are appropriately managed and that the choice of performance measures and targets does not encourage undue risk-taking by the Executives so that the long-term performance of the business is not compromised by the pursuit of short-term value. The plans incorporate a range of internal and external performance metrics, measuring both operational and financial performance over differing and overlapping performance periods, providing a rounded assessment of overall company performance.

Linkage to all-employee pay

The Committee reviews changes in remuneration arrangements in the workforce generally as we recognise that all our people play an important role in the success of the company. Keller is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner. In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions to ensure that they are aligned on an ongoing basis.

As part of our commitment to fairness, we have a section in this report (see ESG and sustainability) which sets out more information on our wider workforce and our diversity initiatives. We recognise there is always an opportunity to improve in relation to these issues.

Shareholder views

The Committee engages proactively with the Company's major shareholders and is committed to maintaining an open dialogue. The Committee reviews any feedback received from shareholders as a result of the AGM process. Committee members are available to answer questions at the AGM and throughout the rest of the year. The Committee takes into consideration the latest views of investor bodies and their representatives, including the Investment Association, the Pension and Lifetime Savings Association and proxy advice agencies such as Institutional Shareholder Services.

Remuneration principles

We strongly believe in fair and transparent reward throughout the organisation and when making decisions on executive remuneration the Committee considers the context of wider workforce remuneration. This section shows how the 2018 Code is embedded in our remuneration principles and how they are cascaded throughout the organisation. The diagram on the following page shows how the policy is aligned with the factors set out in Provision 40, and how our principles and policy are aligned with the 2018 Code.

Our purpose: Building the foundations for a sustainable future

Embedding our purpose and vision in our remuneration guiding principles

- Support our purpose, values and our wider business goals.
- Drive long-term sustainable performance for the benefit of all our customers, shareholders and wider stakeholders.
- Be simple, transparent and easily understood by internal and external stakeholders.
- Attract, motivate and retain all our employees with diverse backgrounds, skills and capabilities.

How we address the requirements under Provision 40

Cultural alignment and proportionality

- The Committee ensures that the overall reward framework embeds our purpose and values.
- The Committee reviews the executive reward framework regularly to ensure it supports the company's strategy.

Proportionality and risk

- A significant proportion of remuneration is delivered in variable pay linked to corporate performance.
- Performance measures/targets for incentives are objectively determined.
- Outcomes under incentive plans are based on holistic assessment of performance.

Simplicity, clarity and predictability

- The Committee ensures the highest standards of disclosure to our internal and external stakeholders.
- The Committee makes decisions on executive pay in the context of all employees and the external environment.

Cultural alignment and risk

- The Committee ensures that a significant portion of reward is equity-based and thereby linked to shareholder return.
- Executives are required to build significant personal shareholdings in the Company and this is regularly monitored by the Committee.

Clarity

The Committee ensures that Executives are provided with a remuneration opportunity which is competitive against companies of a similar size and complexity, with a strong emphasis on the variable elements.

Alignment of the policy to the provisions of the 2018 Code

Clarity:	The company's performance remuneration is based on supporting the implementation of the company's strategy measured through KPIs which are used for the annual bonus and LTIP. This provides clarity to all stakeholders on the relationship between the successful implementation of the company's strategy, including its sustainability framework, and the remuneration paid.
Simplicity:	<p>The policy includes the following:</p> <ul style="list-style-type: none"> • setting defined limits on the maximum awards which can be earned; • requiring the deferral of a substantial proportion of the incentives in shares for a material period of time, helping to ensure that the performance earning the award was sustainable, and thereby discouraging short-term behaviours; • aligning the performance conditions with the agreed strategy of the company as well as our sustainability and net zero carbon ambitions; • ensuring a focus on long-term sustainable performance through the LTIP; and • ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes, especially if it appears that the behaviours giving rise to the awards are inappropriate or that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability:	Shareholders are given full information on the potential values which can be earned under the annual bonus and LTIP plans on their approval. In addition, all the checks and balances set out above under 'Risk' are disclosed at the time of shareholder approval.
Proportionality:	The company's incentive plans clearly reward the successful implementation of the strategy and our environmental ambitions, and through deferral and measurement of performance over a number of years ensure that the Executives have a strong drive to ensure that the performance is sustainable over the long term. Poor performance cannot be rewarded due to the Committee's overriding discretion to depart from the formulaic outcomes under the incentive plans if they do not reflect underlying business performance.
Alignment to culture:	A key principle of the company's culture is a focus on our stakeholders and their experience; this is reflected directly in the type of performance conditions used for the bonus. The focus on long-term sustainable performance is also a key part of the company's culture. In addition, the measures used for the incentive plans are measures used to determine the success of the implementation of the strategy.

Remuneration at a glance

Overview of Remuneration Policy – How Executive Directors will be paid in future years

Shareholders approved a revised policy at the 2021 AGM, full details of which can be found in our 2020 annual report. An overview of our policy and how it is proposed to apply in 2022 is set out below:

Fixed pay

Attract and retain high-calibre individuals needed to execute and deliver on the Group's strategic objectives.

Remuneration in 2022

Salary	CEO: £588,300 – 3% increase from 2021, below salary increases awarded to UK-based employees of 4% CFO: £386,250 – 3% increase from 2021, below salary increases awarded to UK-based employees of 4%
Pension	7% of salary – aligned with the wider workforce rate
Benefits	Includes car allowance, private health care and life assurance and long-term disability insurance

Annual bonus

Rewards achievement of short-term financial and strategic targets.

Cash element

25% of bonus deferred into shares for two years

2022 bonus metrics:

- 60% PBT
- 20% Net debt
- 20% Corporate objectives

Maximum opportunity – up to 150% of salary. Awards subject to **malus and clawback**.

Performance share plan (PSP)

Focus on delivering value creation for shareholders and sustainable financial performance for the company over the long term.

3-year performance period

2-year holding period

2022 PSP metrics:

Aligned with our strategy

- 25% Cumulative EPS
- 25% ROCE
- 25% Relative TSR
- 25% Operating margin

Aligned with shareholders
Aligned with strategic KPIs
Drives quality and sustainable performance

Maximum opportunity – up to 150% of salary. For 2022, CEO will receive 150% of salary and CFO will receive 125% of salary. Awards subject to **malus and clawback**.

Shareholding guideline

Guideline applies in post, and extends beyond tenure

In-post guideline: 200% of salary
Post-employment guideline: 100% of in-post shareholding (or actual shareholding if lower) in year 1 and at least 50% in year 2

Policy

The policy approved in 2021 introduced or formalised a number of good governance features in line with evolving best practice.

Introduced

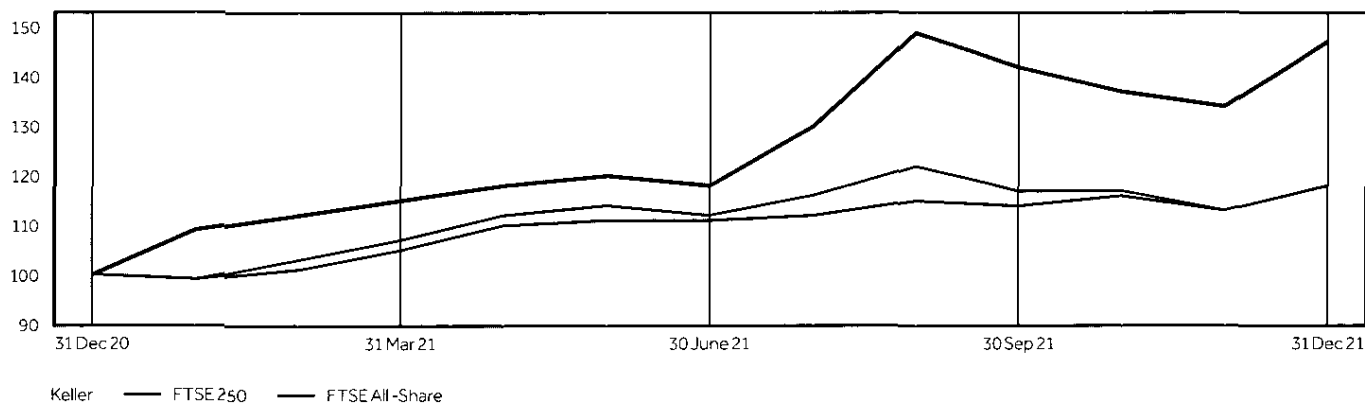
- Post-employment shareholding requirement
- Discretion for the Committee to override formulaic outcomes

Formalised

- Malus and clawback policy
- Alignment of Executive Directors' pensions to the general workforce rate
- Mitigation measures in service contracts
- Settlement of deferred bonus and dividend equivalents in shares

Remuneration for 2021 – What Executive Directors earned during 2021

Overall our TSR performance over 2021 was 47%, compared to the FTSE 250 returning 18% and the FTSE All-Share also returning 18%.



Annual bonus	Weighting	Threshold	Target	Max	Outcome (% of max)
PBT, £m	60%	62.6	69.5	76.5	100%
Performance outcome: 82.8 ¹					
Net debt (IAS 17 basis), £m	20%	123.5	112.3	101.1	100%
Performance outcome: 92.5 ¹					
Corporate objectives	20%	Summary of objectives on page 103			50%
Actual: 50% of max					
Overall					90%

PSP(2019–21)	Weighting	Threshold	Max	Outcome (% of max)
EPS	50%	300p	345p	0%
Actual: 270.6p				
TSR	25%	Median	Upper quartile	94%
Actual: marginally below upper quartile				
ROCE	25%	14%	20%	52.5%
Actual: 16.2% ²				
Overall				36.6%

¹ At 2021 actual exchange rates, before non-underlying items, adjusted for acquisitions.

² Average of the three-year ROCE for 2019–21.

Annual remuneration report

The following section provides details of how Keller's Remuneration Policy was implemented during the financial year ended 31 December 2021.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the financial years ended 31 December 2020 and 2021:

	EXECUTIVE DIRECTORS			
	Michael Speakman		David Burke	
	2021 €000	2020 €000	2021 €000	2020 €000
Salary	571	560	375	84
Taxable benefits ¹	14	14	20	5
Pension benefits ²	40	37	26	6
Total fixed pay	625	611	421	95
Annual bonus ³	771	784	506	117
PSP ⁴	295	40	0	–
Total variable pay	1,066	824	506	117
Total pay	1,691	1,435	927	212

1 Taxable benefits consist primarily of a car allowance of €12,000 and €18,000 for Michael Speakman and David Burke respectively.

2 Pension benefits represent cash in lieu of pension for Michael Speakman. David Burke's pension contribution is paid into a private SIPP.

3 The annual bonus represents the value of the bonus receivable in respect of the Group's annual bonus plan for the relevant financial year. 25% of the bonus shown above will be deferred into Keller shares for a period of two years.

4 For the PSP, the value shown for 2021 reflects the final vesting outcome of the 2019 PSP award with performance measured over the three-year performance period 1 January 2019 to 31 December 2021. The final vesting outcome of the 2019 PSP award was 36.6% of maximum. The value of the award was calculated using a three-month average closing share price to 31 December 2021 of 921.6p. See page 104 for further details. The 2019 award will vest on 8 March 2022. Using the average closing share price to 31 December 2021, the price appreciated from the date of the award.

Total pension entitlements (audited)

Michael Speakman and David Burke's pension rate has been set at 7% of base salary in line with the contribution rate provided to the majority of the UK workforce. The Committee keeps the pension entitlement of the Executive Directors under review in the context of any changes in pension provision across the Group.

2021 annual bonus

The 2021 annual bonus was based 80% on the achievement of stretching profitability and net debt targets and 20% on individual corporate objectives aligned to the delivery of key strategic and operational priorities. Overall, the bonus outcome for 2021 was 90% of the maximum payout, for each Executive Director, based on performance as set out below.

Measures	2021 measurement ranges and outcome				Bonus as % of salary			
	Threshold 0%	Target 50%	Maximum 100%	Performance outcome ¹	EXECUTIVE DIRECTORS			
					Michael Speakman		David Burke	
					Max	Outcome	Max	Outcome
Group PBT, €m	62.6	69.5	76.5	82.8	90%	100%	100%	100%
Group net debt (IAS 17 basis), €m	123.5	112.3	101.1	92.5	30%	20%	20%	20%
Total Group measures					120%	120%	120%	120%
Corporate objectives assessment					30%	15%	30%	15%
Total bonus					150%	135%	150%	135%
Base salary						€571,200		€375,000
Bonus based on performance outcomes					135%	€771,120	135%	€506,250

1 At 2021 actual exchange rates, before non-underlying items, after adjusting for acquisitions.

Corporate objectives

Corporate objectives are measurable deliverables that are jointly shared by the Executive Directors and the Executive Committee and are focused on supporting the delivery of Keller's key strategic activities. The Committee determined that this was an appropriate basis to incentivise management to increase collaboration on strategic activities. Each category of the corporate objectives has a maximum of 9% of base salary that can be attained, with an overall maximum of 30% of base salary available (20% weighting of total annual bonus plan for Executive Directors). The Committee retains the right to apply discretion to the overall evaluation of the attainment of corporate objectives.

2021 annual bonus outcomes

The financial targets for Keller were met in full in 2021.

The objective scoring by the Committee for performance in 2021 against corporate objectives resulted in an outcome of 15% of salary. Project performance diluted the other good work in the year and will be a continued focus for the senior management team in 2022.

As described in the Chair's letter, the Committee considered all relevant factors when determining the level of bonus payout and concluded that it was appropriate for the financial targets to pay out in full and the corporate objectives to pay out at half of maximum.

Corporate objective	Opportunity (maximum)	Actual performance	Outcome (maximum 30%)
Margin enhancement Maintaining the operating margin of the North America Foundations businesses during the course of the pandemic	6.0% of base salary	Despite the impact of the pandemic on bidding and execution of work in the North America Foundations business in 2021, margin improved against that of 2020.	4.0%
Loss making projects (LMP)	9.0% of base salary	LMP performance did not meet the target for the year.	0.0%
Portfolio Strategic restructuring of the European Division	6.0% of base salary	The divisional headquarters were successfully rationalised to meet the requirements of the newly formed division. Further progress on rationalisation of the portfolio was completed with the merger of two business units; however, the full programme wasn't fully completed in the year.	4.0%
Strengthening the Group's global governance standards and systems	9.0% of base salary	A number of activities took place during 2021 to strengthen the Group's global governance standards and systems as the business develops and prepares to implement a Group-wide operating model and the enhancement of the Group's policies and standards. The InSite safety system, already deployed successfully across the North America Division, successfully continued its global roll out across Europe and AMEA, marking a cultural and behavioural shift across the business.	7.0%
Attainment as assessed by the Committee			15% achieved
Discretion applied			0% reduction
Final outcome			15% achieved

Annual remuneration report continued

2019–21 Performance Share Plan (PSP) outcomes (audited)

Based on EPS and TSR performance over the three years ended 31 December 2021, the PSP awards made in 2019 will vest as follows:

Measures	Vesting schedule and outcome ¹				
	% of award that will vest			Outcome	Vesting %
	0%	25%	100%		
50% weight					
Cumulative earnings per share (EPS) over three years ¹	Below 300p	300p	345p	270.6p	0%
25% weight					
Keller's TSR ranking relative to the constituents of the FTSE 250 comparator index ²	Less than median	Median	Upper quartile or higher	Marginally below upper quartile	23.5%
25% weight					
ROCE over three years ⁴	Below 14%	14%	20%	16.2%	13.1%
Total vesting					36.6%

1 EPS is before non-underlying items on an IAS 17 basis.

2 Excluding investment trusts and financial services.

3 The Group adopted IFRS 16 on 1 January 2019, as disclosed in note 2 to the consolidated financial statements, and comparative financial measures have not been restated. The outcomes have been prepared on the basis of IAS 17, the previous leasing standard.

4 Average of the three-year ROCE for 2019–21.

Shareholders will recall that, prior to the company's 2019 AGM, ISS proxy advisers highlighted that the number of shares awarded to Executive Directors were not being scaled back in recognition of the fall in the Company's share price during 2018. We engaged with a large number of our major shareholders as a result and the Committee undertook that, at the time of vesting of the 2019 award, it would make a determination as to whether to use its discretion to reduce vesting levels as appropriate. Against this background, the Committee carefully considered the vesting levels of the 2019 award, with additional reference to both the shareholder and wider workforce experience. It also specifically considered share price movements and was satisfied that there had been no inappropriate windfall gains over the period. The Committee determined that the LTIP outcome fairly and appropriately reflected performance over the three years and no discretion was exercised.

In line with the policy, the Committee has the ability to exercise malus and clawback with regard to incentive awards in certain circumstances as outlined in the policy. Overall, the Committee considers that the policy has operated as it was intended during 2021.

Scheme interests awarded in 2021 (audited) 2021–23 PSP

The three-year performance period over which performance will be measured began on 1 January 2021 and will end on 31 December 2023. Awards will vest in March 2024, subject to meeting performance conditions. Awards were made as follows:

Executive Director	Date of grant	Shares over which awards granted	Market price at award (£)	Face value of the award at grant	Face value at threshold (£)	Face value at maximum (£)	Performance period
Michael Speakman	15 Mar 21	102,858	8.33 ¹	150% of salary	214,202	856,807	1 Jan 21–31 Dec 23
David Burke	15 Mar 21	56,273	8.33 ¹	125% of salary	117,189	468,754	1 Jan 21–31 Dec 23

1 The average of the daily closing price on 10, 11 and 12 March 2021 of the company's shares on the main market of the London Stock Exchange.

Vesting of the 2021–23 Performance Share Awards is subject to achieving the following performance conditions:

Measures	Vesting schedule		
	% of award that will vest		
	0%	25%	100%
25% weight			
Cumulative EPS over three years ¹	Below 245p	245p	310p
25% weight			
Keller's relative TSR performance vs FTSE 250 ² Index over three years	Below median	Median	Upper quartile
25% weight			
Average ROCE over three years	Below 12%	12%	18%
25% weight			
Operating profit margin in year three	Below 5.2%	5.2%	6.2%

1 EPS and ROCE are before non-underlying items on an IFRS 16 basis

2 Excluding investment trusts and financial services.

To reflect the impact of any changes in IFRS accounting standards, the Committee will consider adjusting financial targets appropriately for all subsisting PSP awards, ensuring that they are not materially easier or harder to satisfy than the original targets. Any amended targets determined by the Committee will be disclosed to shareholders in the next Directors' remuneration report.

Directors' interests (audited information)

The table below sets out the beneficial interests of the Directors and their families in the share capital of the company as at 31 December 2021. None of the Directors has a beneficial interest in the shares of any other Group company. There have been no changes in the Directors' interests in shares since 31 December 2021 and the date of this report.

Director	Ordinary shares at 31 December 2021	Ordinary shares at 31 December 2020
Michael Speakman	44,280	40,000
David Burke	4,872	–
Peter Hill	53,000	53,000
Nancy Tuor Moore	3,000	3,000
Eva Lindqvist	–	–
Kate Rock	2,500	2,500
Paula Bell	1,581	1,581

Executive Directors' shareholding guideline (audited information)

The table below shows the shareholding of each Executive Director against their respective shareholding guideline as at 31 December 2021.

	Shares held		Awards held ¹		Shareholding guideline % salary/fee	Current shareholding % ³ salary/fee
	Owning outright or vested	Unvested and subject to performance conditions	Unvested without performance conditions ²			
Michael Speakman	44,280	309,913	29,762		200%	76%
David Burke	4,872	58,621	3,669		200%	13%

1 Dividend accruals are included in these numbers.

2 Deferred awards.

3 Reflects closing price on 31 December 2021 of 985p.

Annual remuneration report continued

Supplementary information on Directors' remuneration

Outstanding Performance Share options/awards

Details of current awards outstanding to the Executive Directors are detailed in the table below.

	At 1 January 2021 ^{1,2}	Granted during the year	Vested in year ³	Lapsed during the year ³	Dividend equivalents accrued during the year	At 31 December 2021 ²	Vesting date
Michael Speakman							
20 August 2018	58,258	—	6,447	52,069	258	—	20/08/21
8 March 2019	79,163	—	—	—	3,304	82,467	08/03/22
8 March 2019 (deferred award)	1,596	—	1,596	—	—	—	08/03/21
9 March 2020	110,856	—	—	—	4,627	115,483	09/03/23
9 March 2020 ³	4,619	—	—	—	193	4,812	09/03/23
9 March 2020 (deferred award)	5,040	—	—	—	210	5,250	09/03/22
15 March 2021	—	102,858	—	—	4,293	107,151	15/03/24
15 March 2021 (deferred award)	—	23,530	—	—	982	24,512	15/03/23
David Burke							
15 March 2021	—	56,273	—	—	2,348	58,621	15/03/24
15 March 2021 (deferred award)	—	3,522	—	—	147	3,669	15/03/23

1 For awards granted in 2018 to 2020, performance conditions are measured 25% on TSR outperformance of the FTSE 250 excluding investment trusts and financial services, 50% on EPS over three years of the performance period, and 25% on ROCE. Awards granted in 2021 are measured 25% on TSR outperformance of the FTSE 250 excluding investment trusts and financial services, 25% on EPS over three years of the performance period, 25% on ROCE, and 25% on operating margin in year three. Each performance period ends on 31 December of the third year.

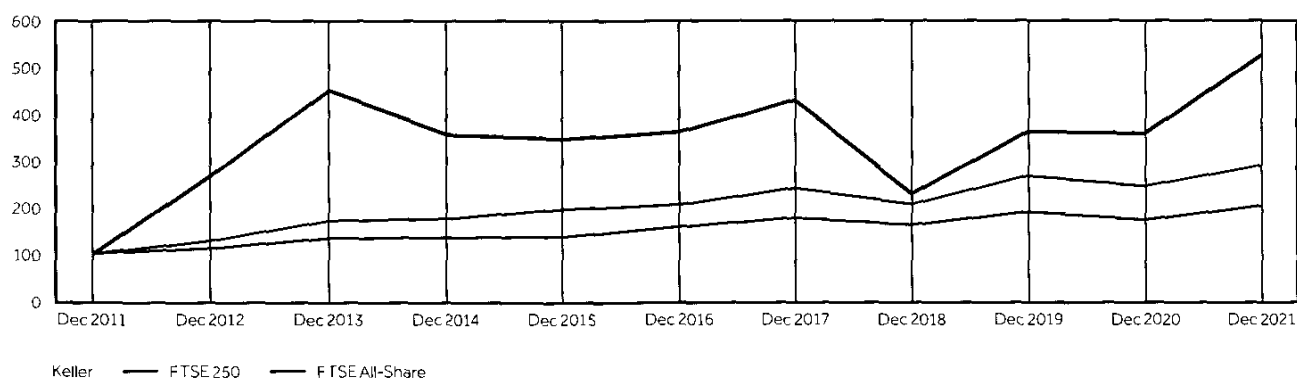
2 Includes dividend equivalents added as shares since the date of grant.

3 The Committee decided to make an additional PSP award to Michael Speakman to reflect his service as CEO from 1 September to 31 December 2019. This award will carry the same 2019 measures as the 2019–21 PSP award and will vest in three years from date of grant. The award was made at the same time as the 2020 PSP awards in March 2020, albeit the Committee considers it to be remuneration awarded in respect of 2019 and supplements his 2019 PSP award.

CEO pay for performance comparison

The graph below shows the company's performance, measured by TSR, compared with the performance of the FTSE 250 Index (excluding investment trusts and financial services) and the FTSE All-Share Index. These indices have been selected for consistency with the comparator groups used to measure TSR performance for PSP awards.

This graph shows the growth in value of a hypothetical £100 holding in Keller Group plc ordinary shares over 10 years, relative to a hypothetical £100 holding in the FTSE 250 and FTSE All-Share indices.



The table below details the CEO single figure of remuneration over the same period.

	2012	2013	2014	2015 ¹	2016	2017	2018 ²	2019 ³	2020	2021
CEO single figure of remuneration (£000)	951	1,870	1,630	1,420	715	1,427	639	921	1,433	1,691
Annual bonus as a % of maximum opportunity	57%	84%	22%	85%	12%	59%	0%	38%	93%	90%
PSP vesting as a % of maximum opportunity	0%	100%	100%	67.3%	0%	33.9%	0%	26.5%	10.6%	36.6%

- 1 The CEO single figure of remuneration has been calculated using Justin Atkinson's emoluments for the period from 1 January 2015 to 14 May 2015 and Alain Michaelis' emoluments for the period 14 May 2015 to 31 December 2015.
- 2 The Committee exercised its discretion and applied 0% bonus in 2018.
- 3 The CEO single figure of remuneration has been calculated using Alain Michaelis' emoluments for the period from 1 January 2019 to 30 September 2019 and Michael Speakman's emoluments for the period 1 October 2019 to 31 December 2019.

Percentage change in CEO remuneration

Comparing 2021 to 2020	Salary	Benefits	Bonus
% change in CEO remuneration	2.0%	(0.8)%	(1.6)%
% change in comparator group remuneration ^{1,2}	0.5%	(0.4)%	(11.7)%

- 1 The comparator group comprises the population of Keller UK employees being professional/managerial employees based in the UK and employed on more readily comparable terms.
- 2 The % change in comparator group remuneration is derived from a significant change in employee mix in the UK business. This change is due to the recruitment of a significant amount of site-based employees during 2021 for the High Speed 2 mega-project. The effect of an increase in this category of employee has diluted the average change in remuneration of the comparator group between 2020 and 2021.

CEO pay ratio

The table below shows the comparison of the CEO's single total figure of remuneration (STFR) to the 25th, median and 75th percentile STFR of full-time equivalent UK employees on a Group-wide basis consistent with The Companies (Miscellaneous Reporting) Regulations 2018.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	38:1	25:1	19:1
2020 (restated with actual bonuses)	Option A	37:1	24:1	18:1
2021	Option A	43:1	30:1	22:1

The employees used for the purposes of the table above were identified as based in the UK and on a full-time equivalent basis as at 31 December 2021.

Option A was chosen as it is considered to be the most accurate way of identifying the relevant employees required by The Companies (Miscellaneous Reporting) Regulations 2018.

The CEO pay ratio has been calculated to show the remuneration of the CEO Michael Speakman, who has been CEO on a permanent basis for the full financial year.

Due to the timing of bonus payouts for the 2021 performance year, we have used the bonus payout for 2021 for the CEO and the bonus payouts for the comparison population that was paid in 2021, in respect of the 2020 performance year. We will update these figures with the actual amounts paid in 2022, in respect of the 2021 performance year, in next year's Annual report on remuneration.

Annual remuneration report continued

The following table provides salary and total remuneration information in respect of the employees at each quartile.

Financial year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2020 reported	Salary	£32,789	£37,724	£63,762
	Total remuneration	£37,736	£57,970	£74,469
2020 restated with actual bonus figures	Salary	£30,345	£50,575	£42,866 ¹
	Total remuneration	£39,150	£60,131	£79,567
2021	Salary	£31,823	£44,986	£58,806
	Total remuneration	£39,320	£56,531	£76,235

1 The salary shown here is lower than the median due to the ranking being done on a total remuneration basis. The employee that ranked at the 75th percentile had significant operational-related remuneration.

The Board has confirmed that the ratio is consistent with the company's wider policies on employee pay, reward and progression.

Director percentage change versus employee group

The table below shows how the percentage increase in each Director's salary/fees, taxable benefits and annual bonus between 2020 and 2021 compared with the average percentage increase in each of those components of pay for the UK-based employees of the Group as a whole. The Committee has previously monitored year-on-year changes between the movement in salary, benefits and annual bonus for the CEO between the current and previous financial year compared with that of employees. As required under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the analysis has been expanded to cover each Executive Director and Non-executive Director and this information will build up to display a five-year history.

	% change 2020/21			% change 2019/20		
	% change in salary or fees	% change in benefits	% change in annual bonus	% change in salary or fees	% change in benefits	% change in annual bonus
Executive Directors						
Michael Speakman ¹	2.0	(0.8)	(1.6)	39.3	0.0	412.4
David Burke ¹	364.4	300.0	332.5	n/a	n/a	n/a
Chairman and Non-executive Directors²						
Peter Hill	2.6	0.0	0.0	8.3	0.0	0.0
Kate Rock	1.4	0.0	0.0	26.3	0.0	0.0
Paula Bell	1.6	0.0	0.0	8.8	0.0	0.0
Eva Lindqvist	1.6	0.0	0.0	26.5	0.0	0.0
Nancy Tuor Moore	(7.7)	0.0	0.0	6.0	0.0	0.0
Paul Withers ³	n/a	n/a	n/a	(60.0)	0.0	0.0
Keller Group plc employees^{4,5}	5.3	22.8	23.4	15.5	16.7	146.4

1 The substantial increase in all measures for David Burke between 2020 and 2021 reflects a full year of employment following his start date on 12 October 2020. In both 2020 and 2021 the financial targets relating to profitability and cash-based performance were achieved in full. The Executive Directors and the comparator group of employees are incentivised on the same financial metrics.

2 The increases for Non-executive Directors reflect the changes made during 2021. The reduction in Nancy Tuor Moore's fees relate to a reduction in international travel in 2021 compared to 2020.

3 Paul Withers retired in June 2020.

4 Keller's Group head office is based in the UK and full-time equivalent employees of this organisation have been chosen as the comparator group.

5 The change in components of the comparator group remuneration is on a per capita basis and the year-on-year increases reflects the further strengthening of the Group head office leadership during 2021 in key areas of strategic capability such as IT and ERP.

Relative importance of spend on pay

The table below shows shareholder distributions (ie dividends) and total employee pay expenditure for the financial years ended 31 December 2020 and 31 December 2021, along with the percentage changes.

	2021 £m	2020 £m	% change
Distribution to shareholders ¹	25.9	25.9	0%
Remuneration paid to all employees ²	580.7	572.4	1.5%

1 The Directors are proposing a final dividend in respect of the financial year ended 31 December 2021 of 23.3p per ordinary share.

2 Total employee pay reflects a small employee cost. See note 7 to the consolidated financial statements for further information.

Summary of implementation of the Remuneration Policy during 2021 and 2022

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2021, with no deviations. A summary of how the Committee intends the policy to be operated during 2022 can be found in the remaining pages of this report.

2022 base salary and benefits

The Committee noted that salary increases for UK-based employees across the Group were generally around 4%, effective 1 January 2022. The Executive Directors received salary increases below this amount for 2022.

Benefits for 2022 will remain broadly unchanged from prior years.

2022 pensions

Pension contributions for Michael Speakman and David Burke have been set at 7% of base salary in line with the rate provided to the majority of the workforce in the UK and on a weighted average basis around Keller's most populous locations.

2022 annual bonus

For 2022, 80% of Executive Directors' bonus will be based on Group financial results and 20% will be based on shared corporate objectives. The performance measures will be profit before tax (PBT), an important indicator of the company's financial and operating performance, and a cash-based target, a more operational measure. Targets for each measure are challenging but realistic and have been set in the context of the business plan. Targets will be disclosed retrospectively in the 2022 Annual remuneration report to the extent that they are no longer considered commercially sensitive.

25% of any bonus earned will be deferred into company shares for two years.

2022–24 Performance Share Plan Award (PSP)

The 2022–24 PSP performance conditions will be assessed over three years based on the following measures: relative TSR (25% weight), cumulative EPS (25% weight), return on capital employed (ROCE) (25% weight) and operating profit margin (25% weight). These measures strongly align potential payout under the PSP with Keller's strategic priorities.

Relative TSR performance will be measured by ranking against FTSE 250 companies (excluding investment trusts and financial services). Under a ranked approach, a threshold vesting (resulting in 25% of that portion of the award vesting) will be for median performance against the comparator group; maximum vesting for upper quartile performance (or above) against the comparator group. Straight-line vesting between these points.

EPS will be measured on a cumulative basis enabling target setting to reflect business plans, market consensus and the position in the construction cycle.

Cumulative EPS of 400p over the three-year period will enable full vesting of this performance condition, with a threshold vesting of 25% if 330p is achieved, calculated off the 2021 underlying EPS (at IFRS 16 basis) of 88.4p.

ROCE will be measured on an average basis over the three-year performance period, with a threshold level of performance of 12% (leading to 25% of that portion of the award vesting) and a maximum of 18% straight-line vesting between these points.

Operating profit margin will be measured in year three (with a threshold vesting of 5.5% leading to 25% of that portion of the award vesting) and maximum of 6.5% straight-line vesting between these points.

These targets have been carefully assessed and the Committee considers them to be appropriately stretching, given the company's business plans, opportunity set and investor expectations.

Annual remuneration report continued

2022–24 Performance Share Award

Measures	Vesting schedule		
	% of award that will vest		
	0%	25%	100%
25% weight			
Cumulative EPS over three years ¹	Below 330p	330p	400p
25% weight			
Keller's relative TSR performance vs FTSE 250 ² Index over three years	Below median	Median	Upper quartile
25% weight			
Average ROCE over three years	Below 12%	12%	18%
25% weight			
Operating profit margin in year three	Below 5.5%	5.5%	6.5%

To reflect the impact of any changes in IFRS accounting standards, the Committee will consider adjusting financial targets appropriately for all subsisting PSPs, ensuring that they are not materially easier or harder to satisfy than the original targets. Any amended targets determined by the Committee will be disclosed to shareholders in the next Directors' remuneration report.

1 EPS is before non-underlying items on an IFRS 16 basis.

2 Excluding investment trusts and financial services.

Chairman and Non-executive Director fees

Fees for the Non-executive Directors were reviewed with effect from 1 January 2022 and it was decided that they would be increased by 3.5%. The Chairman's fee was increased by 3%.

Single total figure of remuneration for Non-executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 December 2021 and the prior year:

Non-executive Director	2021 £	2020 £
Peter Hill	200,000	195,000
Eva Lindqvist ¹	63,000	62,000
Nancy Tuor Moore ²	65,500	71,063
Paula Bell ³	63,000	62,000
Kate Rock ⁴	73,000	72,000
Paul Withers ⁵	–	26,000
Total fees	464,500	488,063

1 Eva Lindqvist receives additional fees of £10,000 per annum as Chair of the Remuneration Committee.

2 Nancy Tuor Moore receives additional fees of £10,000 as Chair of the Environment Committee and £10,000 for international travel. The fee for international travel was reinstated in October 2021.

3 Paula Bell receives additional fees of £10,000 as Chair of the Audit and Risk Committee

4 Kate Rock receives additional fees of £20,000 as Senior Independent Director and Chair of the Social and Community Committee

5 Paul Withers retired from the Board on 30 June 2020

Statement of shareholder voting

The following table sets out the results of the vote on the Remuneration report and the Remuneration Policy at the 2021 AGM:

	Votes for		Votes against		Votes cast Number	Votes withheld Number
	Number	%	Number	%		
Remuneration report	54,820,261	91.15%	5,324,060	8.85%	60,144,321	470,165
Remuneration Policy	54,665,416	90.20%	5,942,286	9.80%	60,607,702	6,784

Consideration by the Directors of matters relating to Directors' remuneration

The following Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for 2022 were being considered:

- Eva Lindqvist
- Nancy Tuor Moore
- Paula Bell
- Baroness Kate Rock
- Juan G. Hernández Abrams (from 1 February 2022)

During the year, the Committee received assistance from Kerry Porritt (Group Company Secretary and Legal Advisor) and Graeme Cook (Group People Director) on salary increases, bonus awards, share plan awards and vesting, and policy and governance matters. David Burke (Chief Financial Officer) presented information with regard to 2021 financial performance and 2022 budget and the three-year plan for 2022–24. In determining the Executive Directors' remuneration for 2021 and 2022, the Committee has consulted the Chairman and the CEO about its proposals, except (in the case of the CEO) in relation to their own remuneration. No Director is involved in determining their own remuneration.

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. Given their diverse backgrounds, the Board believes that the members of the Committee are able to offer an informed and balanced view on executive remuneration issues.

Corporate governance

The Committee's terms of reference, which were reviewed during the year, are available on the Group's website (www.keller.com) and on request from the Group Company Secretary and Legal Advisor.

The Committee conducted an effectiveness review of the business covered during the year against its terms of reference. In addition, the Committee's performance, and that of its members, was evaluated in an exercise facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The Committee and its members were found to be operating effectively. The outcome of this exercise can be found on pages 82 and 83.

External advisers

During the year, the Committee received advice from Deloitte, an independent firm of remuneration consultants appointed by the Committee after consultation with the Board. The Committee is satisfied that Deloitte is and remains independent of the company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

During the year, Deloitte also provided advice in relation to tax compliance and risk advisory services. The Committee is satisfied that the provision of these services did not impair Deloitte's ability to advise the Committee independently. Their total fees for the provision of remuneration services to the Committee for 2021 were £30,250.

The Committee is satisfied that the advice they have received has been objective and independent.

Eva Lindqvist

Chair of the Remuneration Committee

Approved by the Board of Directors and authorised for issue on 7 March 2022.

Directors' report

Kerry Porritt

Group Company Secretary and Legal Advisor

Overview

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2021.

This report is required to be produced by law. The Disclosure, Guidance and Transparency Rules and the Listing Rules also require us to make certain disclosures.

The Corporate governance statement, including the Audit and Risk Committee report, forms part of this Directors' report and is incorporated by reference. Disclosures elsewhere in the Annual Report and Accounts are cross-referenced where appropriate. Taken together, the Strategic report on pages 1 to 67 and this Directors' report fulfil the requirement of Disclosure, Guidance and Transparency Rule 4.1.5R to provide a Management report.

Results and dividends

The results for the year, showing an underlying profit before taxation of £83.9m (2020: £96.9m), are set out on pages 127 to 185. Statutory profit before tax was £71.6m (2020: £63.8m). The Directors recommend a final dividend of 23.3p per share to be paid on 1 July 2022, to members on the register at the close of business on 6 June 2022. An interim dividend of 12.6p per share was paid on 10 September 2021. The total dividend for the year of 35.9p (2020: 35.9p) will amount to £25.9m (2020: £25.9m).

Going concern and viability statement

Information relating to the going concern and viability statements is set out on page 33 of the Strategic report and is incorporated by reference into this report.

Financial instruments

Full details can be found in note 25 to the financial statements and in the Chief Financial Officer's review.

Post balance sheet events

Please see page 174 for post balance sheet events.

Change of control

The Group's main banking facilities contain provisions that, upon 15 days' notice being given to the Group, lenders may exercise their discretion to require immediate repayment of the loans on a change of control and cancel all commitments under the agreement.

Certain other commercial agreements, entered into in the normal course of business, include change of control provisions. There are no agreements providing for compensation for the Directors or employees on a change of control.

Transactions with related parties

Apart from transactions between the company, its subsidiaries and joint operations, which are related parties, there have been no related party transactions during the year.

Directors and their interests

The names of all persons who, at any time during the year, were Directors of the company can be found on pages 70 and 71. The interests of the Directors holding office at the end of the year in the issued ordinary share capital of the company and any interests in its Performance Share Plan are given in the Directors' remuneration report on pages 105 and 106.

No Director had a material interest in any significant contract, other than a service contract or a contract for services, with the company or any of its operating companies during the year.

The company's Articles of Association indemnify the Directors out of the assets of the company in the event that they suffer any loss or liability in the execution of their duties as Directors, subject to the provisions of the 2006 Act. The company maintains insurance for Directors and Officers in respect of liabilities which could arise in the discharge of their duties.

Powers of the Directors

The business of the company is overseen by the Board, which may exercise all the powers of the company subject to the provisions of the company's Articles of Association, the 2006 Act and any ordinary resolution of the company. Specific treatment of Directors' powers regarding allotment and repurchase of shares is provided under separate headings in the following pages.

Amendment of the company's Articles of Association

Any amendments to the company's Articles of Association may be made in accordance with the provisions of the 2006 Act by way of special resolution. The company's Articles of Association were last amended in May 2017.

Appointment and replacement of Directors

Directors shall be no fewer than two and no more than 12 in number. Subject to applicable law, a Director may be appointed by an ordinary resolution of shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting, or following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM. A Director may be removed by the company as provided for by applicable law, in certain circumstances set out in the company's Articles of Association (for example bankruptcy, or resignation), or by a special resolution of the company. All Directors stand for re-election on an annual basis, in line with the recommendations of the Code.

Employees

The Group employed approximately 10,000 people at the end of the year.

Employment policy

The Group gives full and fair consideration to applications for employment made by disabled persons, having regard for their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who become disabled during their employment and the provision of training and career development and promotion, where appropriate. Information on the Group's approach to employee involvement, equal opportunities and health, safety and the environment can be found in the ESG and sustainability section of this report on pages 53 to 63.

Section 172 statement

During the financial year, the Directors have considered the needs of the company's stakeholders as part of their decision-making process. Details are set out in our section 172 statement on pages 76 and 77.

Political donations

No political donations were made during the year. Keller has an established policy of not making donations to any political party, representative or candidate in any part of the world.

Greenhouse gas emissions

Information relating to the greenhouse gas emissions of the company is set out on page 48 and is incorporated by reference into this report.

Research and development

The Group continues to have in-house design, development and manufacturing facilities, where employees work closely with site engineers to develop new and more effective methods of solving problems of ground conditions and behaviour. Most of the specialised ground improvement equipment used in the business is designed and built in-house and, where applicable, the development costs are included in the cost of the equipment.

Share capital

Details of the share capital, together with details of the movements in the company's issued share capital during the year, are shown in note 27 to the consolidated financial statements. The company has one class of ordinary shares which is listed on the London Stock Exchange (ordinary shares). Ordinary shares carry no right to a fixed income and each ordinary share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a shareholding, nor on the transfer of shares, which are both governed by the Articles of Association and the prevailing law. The Directors are not aware of any agreements between shareholders that may result in restrictions on voting rights and the transfer of securities. No person has any special rights of control over the company's share capital and all issued shares are fully paid.

Details of employee share plans are set out in note 31 to the consolidated financial statements. Treasury shares and shares held by the Keller Group plc Employee Benefit Trust are not voted.

Repurchase of shares

The company obtained shareholder authority at the last AGM (19 May 2021) to buy back up to 7,221,000 ordinary shares. The authority remains outstanding until the conclusion of the 2022 AGM but could be varied or withdrawn by agreement of shareholders at an intervening general meeting. The minimum price which must be paid for each ordinary share is its nominal value and the maximum price is the higher of an amount equal to not more than 5% above the average of the middle market quotations for an ordinary share, as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made, and an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

The Directors have not used, and have no current plans to use, this authority.

Allotment of shares and pre-emption disapplication

Shareholder authority was also given at the last AGM for the Directors to allot new shares up to a nominal amount of £2,407,000, equivalent to approximately one-third of the company's issued share capital (excluding treasury shares) as at 9 March 2021 and to disapply pre-emption rights up to an aggregate nominal amount of £361,050, representing approximately 5% of the company's issued share capital as at 9 March 2021.

The Directors have not used, and have no current plans to use, these authorities.

Auditors

The Board, upon the recommendation of the Audit and Risk Committee, has decided that Ernst & Young LLP (EY) will be proposed as the Group's auditors for the year ending 31 December 2022 and a resolution to appoint EY will be put to shareholders at the 2022 AGM.

AGM

The full details of the 2022 AGM, which will take place on 18 May 2022, are set out in the Notice of Meeting, together with the full wording of the resolutions to be tabled at the meeting. We continue to closely monitor health and safety guidance and any changes to venue and logistics as a result will be notified by way of a Stock Exchange announcement.

Directors' report continued

Substantial shareholdings

At 7 March 2022, the company had been notified in accordance with chapter 5 of the Disclosure, Guidance and Transparency Rules of the Financial Conduct Authority of the voting rights of shareholders in the company as per the table below:

Ordinary shares	Number of ordinary shares	Percentage of the total voting rights
Schroders plc	7,264,752	10.046%
Old Mutual Plc	4,242,670	5.96%
FIL Limited	3,881,863	5.37%
Aberforth Partners LLP	3,589,696	5%
Franklin Templeton Institutional, LLC	3,557,757	4.96%
Artemis Investment Management LLP	3,561,152	4.94%
Standard Life Aberdeen plc	3,443,366	4.78%
Baillie Gifford & Co	3,327,404	4.6%
Norges Bank	2,676,017	3.71%

Source: TRI notifications made by shareholders to the company

Disclaimer

The purpose of this Annual Report and Accounts is to provide information to the members of the company, as a body, and no other persons.

The company, its Directors and employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The Annual Report and Accounts contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Other information

The Directors who held office at the date of approval of this Directors' report confirm that, in accordance with the provisions of section 418 of the 2006 Act, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.



Kerry Porritt

Group Company Secretary and Legal Advisor

Approved by the Board of Directors and authorised for issue on 7 March 2022.

Registered office:
2 Kingdom Street
London W2 6BD

Registered in England No. 2442580

Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare Group and company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group financial statements are required to be prepared in accordance with UK-adopted International Accounting Standards.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- for the company financial statements, state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

- assess the Group and company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, a Directors' report, a Directors' remuneration report and a Corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and the financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole; and
- the Strategic report and the Directors' report, including content contained by reference, includes a fair review of the development and performance of the business and the position and performance of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board confirms that the Annual Report and the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Strategic report (pages 1 to 67) and the Directors' report (pages 112 to 114) have been approved by the Board of Directors and authorised for issue on the date shown below.



Kerry Porritt

Group Company Secretary and Legal Advisor

7 March 2022

Registered office:
2 Kingdom Street
London W2 6BD

Registered in England No. 2442580

Independent auditor's report

to the members of Keller Group plc

Opinion

In our opinion:

- Keller Group plc's Group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with FRS 101, United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Keller Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2021	Balance sheet as at 31 December 2021
Consolidated income statement for the year ended 31 December 2021	Statement of changes in equity for the year ended 31 December 2021
Consolidated statement of comprehensive income for the year ended 31 December 2021	Related notes 1 to 9 to the company financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year ended 31 December 2021	
Consolidated cash flow statement for the year ended 31 December 2021	
Related notes 1 to 34 to the consolidated financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure key factors were considered in their assessment, including factors which we determined from our own independent risk assessment and the evaluation of any continued operational and economic impacts of COVID-19 on the Group.
- We obtained management's Board-approved forecast cash flows and covenant calculation covering the period of assessment from the date of signing to 31 March 2023. As part of this assessment, the Group has modelled a number of adverse scenarios in their cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the Group.
- We assessed the reasonableness of the cash flow forecast through analysing management's historical forecasting accuracy, challenging the robustness of the group's orderbook, and considered actual post year end performance to date. We evaluated the key assumptions underpinning the Group's assessment by challenging the measurement and completeness of downside scenarios modelled by management and how these compare with principal risks and uncertainties of the Group.
- We considered the extent to which emerging climate-related risks may affect the Group's assessment, including assumptions around the long-term reliance on concrete, steel and related manufacturing processes, heavy duty combustion machinery, and the potential for 'Environmental, Social and Governance' related covenants or levies which could impact the Group. Additionally, we considered other macroeconomic factors such as the rising cost of materials, energy and labour which are critical parts of the Group's operations.
- We tested the clerical accuracy and logical integrity of the cash flow forecast model, used to prepare the Group's going concern and viability assessments, as well as challenging the overall appropriateness of management's forecast in the context of future cash flows.
- We considered whether the Group's forecasts and related key assumptions in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including goodwill impairment and deferred tax asset recognition.
- We evaluated, based on our own independent analysis, what reverse stress testing scenarios could lead either to a breach of the Group's banking covenants or a liquidity shortfall and whether these scenarios were plausible.
- Our analysis also considered the mitigating actions that management could undertake in an extreme downside scenario and whether these were achievable and in control of management.
- We confirmed the continued availability of debt facilities through the going concern period and reviewed their underlying terms, including covenants, by examination of executed documentation.
- We considered whether management's disclosures, in the financial statements, sufficiently and appropriately capture the impact of COVID-19, emerging climate-related risks and other principal risks and uncertainties on the going concern assessment and through consideration of relevant disclosure standards.
- Through our work performed on auditing management's viability assessment, we extended our procedures (including inquiries of management and considering the forward order book and cash flow forecasts) to challenge whether there were any events or conditions beyond 31 March 2023 that may cast significant doubt over the Group's ability to continue as a going concern.

The audit procedures performed in evaluating the Directors' assessment were performed by the Group audit team, however we also considered the financial and non-financial information communicated to us from our component teams of key locations as sources of potential contrary indicators which may cast doubt over the going concern assessment.

The results from both management's evaluation and our independent reverse stress testing suggest that the Group would need to be exposed to extreme downside events, significantly greater than the financial effect of the disruption caused by COVID-19, emerging climate-related risks and other principal risks and uncertainties, throughout the going concern period in order to breach its covenants or exhaust its available funding.

The Group has substantial borrowing facilities available to it during the going concern period. The undrawn committed facilities available as at 31 December 2021 amounted to £235.5m. These mainly comprised the unutilised portion of the Group's £375m revolving credit facility which expires 23 November 2025.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for the period through to 31 March 2023, a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent auditor's report continued

to the members of Keller Group plc

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of 41 components and audit procedures on specific balances for a further 16 components. The components where we performed full or specific audit procedures accounted for 91% of profit before tax, 94% of revenue and 88% of total assets.
Key audit matters	<ul style="list-style-type: none"> Improper revenue recognition Carrying value of goodwill (Group) Quality of earnings including disclosure of non-underlying items
Materiality	<ul style="list-style-type: none"> Overall Group materiality of £4.2m which represents 5% of profit before tax, adjusted for one-off, non-underlying items

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 163 reporting components of the Group, we selected components covering entities within AMEA, Europe, and North America, which represent the principal business units within the Group.

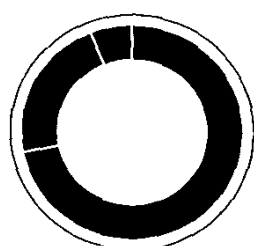
Of the 57 components selected, we performed an audit of the complete financial information of 41 components ('full scope components') which were selected based on their size or risk characteristics. For another 16 components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 94% (2020: 96%) of the Group's profit before tax, 91% (2020: 91%) of the Group's revenue and 88% (2020: 88%) of the Group's total assets. For the current year, the full scope components contributed 72% (2020: 74%) of the Group's profit before tax 70% (2020: 77%) of the Group's Revenue and 69% (2020: 73%) of the Group's total assets. The specific scope component contributed 22% (2020: 14%) of the Group's profit before tax, 21% (2020: 21%) of the Group's revenue and 19% (2020: 15%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts but will have contributed to the coverage of significant accounts tested for the Group. The primary team also performed centralised procedures over four further entities which included testing over material cash and cash equivalents balances for existence and valuation purposes and/or selected revenue contract testing reflecting the primary team's central risk assessment performed.

Of the remaining 102 components that together represent 6% of the Group's adjusted profit before tax measure used to establish materiality, none are individually greater than 1% of the Group's profit before tax. For these components, we performed other procedures, including analytical review and/or 'review scope' procedures, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

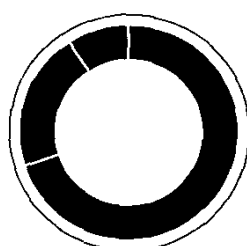
Profit before tax



■ Full scope components

72%

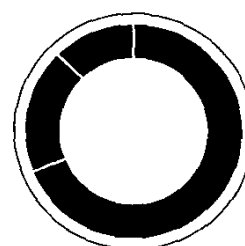
Revenue



■ Full scope components

70%

Total assets



■ Full scope components

69%

Changes from the prior year

For the current year, we evaluated that the principal operating entities in Germany and Austria to be specific scope locations, compared with full scope in the prior year. This determination was made through our updated risk assessment and a reflection of the low rate of misstatements identified in the previous cycles, as well as the relative contribution of these entities to the Group as a whole. The current year scope continued to focus on the key areas of audit focus and judgement, including, but not limited to, revenue recognition and retirement benefit obligations. There have been no other significant changes in the scoping of our Group audit. Our scoping reflects the inclusion of consolidation entities representing manual adjustments posted topside at the Group consolidated level, which we have treated as full scope. These entities do not reflect trading businesses.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the audit procedures required at each of the components audited by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 43 full scope and 16 specific scope components, audit procedures were performed directly by the primary audit team on 39 and two components, respectively. For the remaining four full scope and 14 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

In addressing the appropriateness of oversight arrangements for component teams, the Group audit team considered the ongoing impact of travel restrictions and uncertainties, caused by the COVID-19 pandemic. Consistent with the previous cycle, physical visits to component teams were replaced by a series of virtual site visits for in-scope components executed by the primary team, enabled through the use of video conferencing.

The virtual site visits involved the primary team (including the Senior Statutory Auditor) meeting with our component teams to discuss and direct their audit approach, reviewing key working papers and understanding the significant audit findings in response to the risk areas including revenue recognition and areas of judgement and estimation such as contract liabilities and provisions and provisions for legal claims (including insured liabilities). We also attended virtual meetings with local management, obtaining updates on reported financial performance and significant risk areas for the audit, including the anticipated business outlook during the going concern period.

The primary team interacted regularly with the component teams, during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Keller Group plc. The Group has determined that the most significant future impact from climate change on their operations will be from physical acute or chronic climate weather events, emerging legislation impacting operating costs and cost of raw materials, addressing, and adapting to customer requirement in relation to climate risk, failure to procure new contracts on satisfactory terms and not having the right skills to deliver on projects contracted. These are explained on page 33 and page 38 in the strategic report under 'Risk trends' and 'Strategic risks', which form part of the "Other information", rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the strategic report on page 43, Keller Group plc have started the journey to implement the short, medium and long-term actions required to achieve a number of global and local initiatives aligned to the UN Sustainable Development Goals (SDGs). It is also stated that the Group have also started to report against the requirements set out in the Task Force for Climate-Related Financial Disclosures (TCFD); however, understanding the costs and opportunities of climate change to their business will take some time and they are actively progressing this understanding in 2022 as reported in the TCFD dashboard on page 52. The degree of uncertainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 33, 38 and 52 have been appropriately reflected in going concern and viability of the Group, useful economic life of plant and equipment and other intangible assets and impairment of goodwill and associated disclosures where values are determined through modelling future cash flows being the assumptions around the long-term reliance on concrete, steel and related manufacturing processes, heavy duty combustion machinery, and the potential for 'Environmental, Social and Governance' related covenants or levies which could impact the CGU cash flows. We have also considered the assumptions made by management around the cost of investment in technology in order to adapt to changing regulations related to climate change and emissions. Details of our procedures and findings on impairment of goodwill are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Group have stated their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Group are currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore the potential impacts are not fully incorporated in these financial statements.

Independent auditor's report continued

to the members of Keller Group plc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Improper revenue recognition (2021: £2,224.4m, 2020: £2,062.5m)</p> <p>Refer to the Audit and Risk Committee report (page 92); accounting policies (page 135); and note 4 of the consolidated financial statements (pages 142 and 143)</p> <p>The Group recognises revenue over time from contracts either as earned value (output method) or on the percentage of completion (input method) basis, depending on the size and nature of the contract (in accordance with the guidelines provided in the Group revenue recognition policy and IFRS 15). The judgements involved in determining revenue recognition under both recognition methods present a significant fraud risk as results are susceptible to manipulation, particularly around the estimation in determining the cost to complete and percentage of completion at the year end. Management may use inappropriate measures and assumptions to evaluate the Group's progress towards satisfaction of performance obligations.</p> <p>There is also significant judgement involved in estimating the impact of factors such as rising cost pressures and the availability of necessary skills and their impact on the cost of satisfying outstanding performance obligations and the projected outcome of contract claims and variations made both by and against the Group and valuation of contract provisions for both percentage of completion and earned value bases.</p> <p>The Group also provides fabricated, unbonded post-tension materials to customers in the residential and commercial sectors. The revenue from sales of these materials is recognised at a point of time, based upon the satisfaction of the performance obligations. We have identified that there is a risk that such revenues could be manipulated at or near to the period end through inappropriate 'cut-off' to meet income statement targets.</p>	<p>For all revenue recorded on the percentage of completion and earned value bases, we:</p> <ul style="list-style-type: none"> Performed walkthroughs of significant classes of revenue transactions and assessed the design effectiveness of key controls. Performed a risk assessment of the population of contracts and selected a sample of higher-risk (value and/or complexity) contracts across the Group, representing both those accounted for using the input method and those using the output method. For the sample selected we obtained an understanding of the contract terms, key operational or commercial/financial issues, significant judgements that impact the contract position and the appropriateness of revenue recognised at 31 December 2021. The factors that we considered when determining additional higher-risk contracts to select included low margin, loss making and/or contracts subject to delayed performance or commencement and where the ability to continue work had been affected by circumstances outside the Group's control. <p>For the sample selected for testing we:</p> <ul style="list-style-type: none"> Considered the appropriateness of supporting evidence and the requirements of IFRS 15 and the Group's accounting policies where contracts included additional entitlements to variations and claims, both for and against the Group. Challenged the level of unbilled revenues and the adequacy of the evidence to prove recoverability through subsequent work certifications and cash collections. <p>For the sample contracts where revenue was recognised over time under the percentage of completion basis, we have performed the following:</p> <ul style="list-style-type: none"> Challenged the reasonableness of management's calculations of costs to complete, which included understanding the risks and outstanding works remaining on the contract, the impact of any delays or other delivery issues and the related cost assumptions and contingencies. We had meetings with the contract project managers to understand the project status and outstanding works remaining on the contracts. We tested the cost build up and the correct allocation across contracts (eg to verify no manipulation of costs between profitable and loss-making contracts) through a combination of cost verification and analytical procedures on contract margins. Evaluated the expected margin and revenue recognised to date against latest contract progress. 	<p>From the audit procedures performed, we conclude that the recognition of revenue was appropriate, that the judgements made by management are consistent with the accounting policy to be applied to all contracts with customers, and that the presentation and disclosure of revenue is materially correct.</p>

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Improper revenue recognition continued	<p>For the sample of contracts where revenue is recognised on the earned value basis, we performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated whether the assessment of earned value appropriately depicted outputs actually delivered and progress towards satisfaction of performance obligations. • We tested the cost build up and the correct allocation across contracts (eg to verify no manipulation of costs between profit-making and loss-making contracts and recognition between periods (eg cut-off testing)) through a combination of cost verification against invoices and analytical procedures. • Tested whether revenue has been recognised in the appropriate period. This included checking whether revenue recognised at the year end on open contracts is supported by evidence (eg measured works certificates) that demonstrates the period in which the work was performed. <p>For any loss-making contracts identified, for both percentage of completion and earned value contracts, we tested whether management's assessment of the forecast loss included appropriate estimates in respect of costs to completion.</p> <p>For contracts where there was significant uncertainty over whether the project would be completed, we assessed the appropriateness of the accounting treatment of contract modifications, consideration received and revenue recognised/deferred and the impact on the carrying value of related assets.</p> <p>For revenue recognised at a point in time, we performed revenue cut-off procedures at the year end to determine whether transactions are recorded in the appropriate period based on the recognition criteria under IFRS 15 by vouching the transactions through to third-party support (such as shipping, delivery or acceptance documents).</p> <p>Data-driven journal entry testing was also performed in full scope locations on a risk-based approach, including focussing on entries which were posted manually or those which could be made to overstate revenue.</p> <p>We performed full and specific scope audit procedures over revenue in 21 locations, which covered 95% of the risk amount.</p>	

Independent auditor's report continued

to the members of Keller Group plc

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Carrying value of goodwill (Group) (2021: £121.3m; 2020: £115.2m)</p> <p><i>Refer to the Audit and Risk Committee report (page 92); Accounting policies (page 137); and note 14 of the consolidated financial statements (pages 152 and 153)</i></p> <p>Under IAS 36, an entity must assess intangible items with an indefinite useful life annually, or whenever indicators of impairment are present for all other assets.</p> <p>Due to the degree of estimation involved in calculating the expected future cash flows from cash generating units (CGU) and determining appropriate long-term growth rates and discount rates specific to each CGU (including those arising from acquisitions), we have identified a significant risk regarding the assessment of any impairment against goodwill carrying values, as well as the identification of any indicators of impairment as an area of significant risk.</p> <p>In the prior year, we included an associated risk over the carrying value of investments recorded in the parent company. The risk has decreased in the current year due to the actual and projected financial performance of the Group and thus the headroom between the value-in-use of the CGU's in totality and the related carrying value of investments in the parent company balance sheet and also the growth in the market capitalisation of the Group and thus we do not consider this to represent a key audit matter in the current year.</p>	<p>We have performed the following:</p> <ul style="list-style-type: none"> Performed a walkthrough to understand the impairment analysis and calculation process (eg. controls over the data and assumptions used), level of review on the outlook data in future years and how key inputs were derived. Evaluated the appropriateness of the CGUs identified given changes in Group structure (including acquisitions and disposals) and the allocation of assets and liabilities to the CGUs. In respect of each CGU, we have challenged management over the key inputs and on the achievability of the cash flow forecasts. We have assessed the projected financial information against performance and other market data to assess the robustness of management's forecasting process. Assessed the discount rates applied against cash flows for each CGU by obtaining the underlying data used in the calculation and benchmarking against comparable organisations with the support of our EY valuation experts. Validated the revenue/margin growth rates assumed for the projected financial information for each CGU by comparing them to economic and industry forecasts. Given the uncertainty attached to forecasts presented by rising costs, skills shortages and the potential for suspension or delay to key projects, we have assessed management's assumptions in relation to these factors including the ongoing impact of COVID-19 and increasing costs of energy, materials and labour, in determining the ability to achieve cash flow forecasts. Analysed the historical accuracy of budgets compared with actual results to determine whether forecast cash flows are reliable based on past experience. Challenged the assumptions in the approach taken to determine working capital levels over the forecast period, focussing on the principal reasons and timing of larger fluctuations and how this compared with the historical trend. Performed an integrity review of the goodwill model to be able to conclude that the formulae and construction of these models are effective and accurate. Performed sensitivity analyses by testing key assumptions in the model to recalculate a range of potential outcomes in relation to the size of the headroom between carrying value and fair value. Considered the assumptions around the long-term reliance on concrete, steel and related manufacturing processes, heavy duty combustion machinery, and the potential for 'Environmental, Social and Governance' related covenants or levies which could impact the CGU cash flows. We have also considered the assumptions made by management around the cost of investment in technology in order to adapt to changing regulations related to climate change and emissions. Considered the appropriateness of the related disclosures provided in the notes to the Group financial statements. <p>The primary team centrally executed the work performed across all locations, covering 100% of the balance. Component teams have supported the primary team in assessing the growth rates and achievability of the cash flows based on their understanding of the business and local market and industry conditions.</p>	<p>Based on the final forecast cash flows and assumptions used, there is sufficient headroom across all CGUs to support the carrying value.</p> <p>Based on the procedures performed, management's assessments are considered reasonable.</p>

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Quality of earnings, including disclosure of non-underlying items (2021: £12.3m (pre-tax)); 2020: £33.1m (pre-tax))</p> <p><i>Refer to the Audit and Risk Committee Report (page 92); accounting policies (page 139), and note 8 of the consolidated financial statements (pages 147 and 148)</i></p> <p>The Group's accounting policy is to classify certain income statement items as non-underlying, where they are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles and other non-trading amounts, including those relating to acquisitions and disposals.</p> <p>As at the year end, management identified certain items totalling £12.3m which they believe are significant by either size and/or nature, which warrant separate disclosure in the consolidated financial statements to better reflect underlying business performance.</p> <p>The classification of such items is judgemental and there is a risk that material items are misclassified as 'non-underlying' and are therefore excluded from the results presented in the form of adjusted profit measures, which would mislead the users of the financial statements in understanding the performance of the Group.</p> <p>Furthermore, there is a risk that the financial statements give undue prominence to adjusted performance measures compared with their IFRS equivalents.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained the breakdown of non-underlying items to determine whether by their nature they meet the definition of exceptional items, in accordance with Group policy and ESMA (European Securities and Markets Authority) guidance. • Tested that the amounts included as non-underlying items are supported by appropriate evidence. We performed tests of detail over material restructuring costs to ensure that the underlying expenditure recorded truly relates to a specified restructuring project and not a general expense. We were assisted by our component teams in locations where these material expenditures have arisen. • Assessed the appropriateness of the disclosures of non-underlying items in light of IFRS (IAS 1) and the continued focus by the accounting regulators on alternative profit measures (APMs) with the support of our EY technical review team. • The primary team performed centralised procedures over the classification and disclosure of non-underlying items, and the related risk of material misstatement, in the Group consolidated financial statements as a whole. 	<p>As a result of our audit procedures performed, no items were inappropriately included or excluded from non-underlying items.</p> <p>We have assessed that the alternative performance measures (APMs) included in the Group financial statements are appropriately defined, reconciled to GAAP measures and disclosed.</p>

In the prior year, our auditor's report included a key audit matter in relation to going concern which reflected the uncertainties which had emerged as a result of the COVID-19 pandemic in 2020. In the current year, this risk has reduced reflecting the opening-up of the global economy (including reduced social distancing and travel restrictions), the enrolment of vaccinations, and the resilience of the Group exhibited in its financial performance and in continuing to operate in accordance with expectations despite the emergence of new COVID-19 variants during 2021. Please refer to the 'Conclusions relating to going concern' section above in respect of our work performed in this area.

Independent auditor's report continued

to the members of Keller Group plc

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £4.2m (2020: £4.8m), which is 5% (2020: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with an appropriate materiality basis which excludes non-underlying items, as these were identified as a key audit matter which resulted in specific audit focus.

We determined materiality for the parent company to be £4.7m (2020: £4.8m), which is 1% (2020: 1%) of equity. Equity is the most appropriate measure given the parent company is an investment holding company with no revenue. The materiality determined for the standalone parent company financial statements exceeds the group materiality as it is determined on a different basis given the nature of the operations. For the purposes of the audit of the Group financial statements, our procedures, including those on balances in the parent company that are consolidated, are undertaken with reference to the group assigned materiality and performance materiality set out in this report.

Starting basis	<ul style="list-style-type: none"> • £71.6m • Profit before tax for the year
Adjustments	<ul style="list-style-type: none"> • Add back – £12.3m • Non-underlying items for the year
Materiality	<ul style="list-style-type: none"> • Totals £83.9m • Materiality of £4.2m (5% of materiality basis)

During the course of our audit, we reassessed initial materiality, noting no significant variations from the original assessment at planning

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely £2.1m (2020: £2.4m). We have set performance materiality at this percentage based on our overall risk assessment at the audit planning stage, including consideration for general risk factors such as the ongoing impact of COVID-19.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3m to £1.5m (2020: £0.2m to £1.8m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2020: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report and Accounts set out on pages 1 to 189, including the Strategic report on pages 1 to 67, and Corporate governance report set out on pages 68 to 115 other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 33;
- Directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 33;

- Directors' statement on whether the Board has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 33;
- Directors' statement on fair, balanced and understandable set out on page 115;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 33;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 83; and;
- the section describing the work of the Audit and Risk Committee set out on page 91.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 115, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent auditor's report continued

to the members of Keller Group plc

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those related to the reporting framework (IFRS adopted pursuant to FRS 101, United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and Corporate Governance Code) and the relevant tax compliance regulations in the countries of operations of the reporting components. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements, being the Listing Rules of the London Stock Exchange and the Bribery Act 2010.
- We understood how Keller Group plc is complying with those frameworks by making enquiries of management, reviewing management procedures for oversight by those charged with governance (ie considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the Group's performance and profitability), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence. We corroborated our enquiries through our review of Board minutes, discussions with the Audit and Risk Committee, any correspondence received from regulatory bodies and those responsible for legal and compliance procedures and the Company Secretary.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The key audit matters section above addresses procedures performed in areas where we have concluded the risks of material misstatement are highest (including where due to the risk of fraud). These procedures included testing manual journal entries.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of Board minutes to identify non-compliance with such laws and regulations, review of reporting to the Audit and Risk Committee on compliance with regulations and enquires of the Company Secretary and management.
- In the case of Keller Group plc, all full and specific scope components were instructed to perform procedures in the identification of instances of non-compliance with laws and regulations.
- Component teams did not identify any instances of non-compliance with laws and regulations. In instances where we identified an increased risk in this area, we performed additional audit procedures in order to evaluate whether the risk could have a significant effect on the Group, its stakeholders or the financial statements. There were no identified significant instances of non-compliance with laws and regulations at the Group level.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the company on 19 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. We were appointed as auditors at the Annual General Meeting of members and an engagement letter was signed on 3 March 2022 which applies to all accounting periods from the date of the engagement letter until it is replaced.

The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2019 to 31 December 2021.

- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Harkin (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

7 March 2022

Consolidated income statement

For the year ended 31 December 2021

	Note	2021			2020		
		Underlying £m	Non-underlying items (note 8) £m	Statutory £m	Underlying £m	Non-underlying items (note 8) £m	Statutory £m
Revenue	3,4	2,224.4	–	2,224.4	2,062.5	–	2,062.5
Operating costs	6	(2,132.0)	(9.6)	(2,141.6)	(1,953.2)	(29.6)	(1,982.8)
Amortisation of acquired intangible assets		–	(2.8)	(2.8)	–	(4.2)	(4.2)
Other operating income		–	0.7	0.7	–	0.7	0.7
Share of post-tax results of joint ventures	16	0.4	(0.6)	(0.2)	0.8	–	0.8
Operating profit/(loss)	3	92.8	(12.3)	80.5	110.1	(33.1)	77.0
Finance income	9	0.4	–	0.4	1.1	–	1.1
Finance costs	10	(9.3)	–	(9.3)	(14.3)	–	(14.3)
Profit/(loss) before taxation		83.9	(12.3)	71.6	96.9	(33.1)	63.8
Taxation	11	(20.1)	10.6	(9.5)	(28.3)	5.6	(22.7)
Profit/(loss) for the year		63.8	(1.7)	62.1	68.6	(27.5)	41.1
Attributable to:							
Equity holders of the parent		64.7	(1.7)	63.0	70.0	(27.5)	42.5
Non-controlling interests	33	(0.9)	–	(0.9)	(1.4)	–	(1.4)
		63.8	(1.7)	62.1	68.6	(27.5)	41.1
Earnings per share							
Basic	13	89.5p		87.1p	97.1p		58.9p
Diluted	13	88.4p		86.1p	96.3p		58.5p

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Profit for the year		62.1	41.1
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange movements on translation of foreign operations		(4.3)	(5.9)
Transfer of translation reserve on disposal of subsidiaries		(0.4)	2.9
Cash flow hedge gains taken to equity	25	–	0.5
Cash flow hedge transferred to income statement	25	–	(0.5)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	32	1.2	(2.2)
Tax on remeasurements of defined benefit pension schemes	11	(0.2)	0.4
Other comprehensive loss for the year, net of tax		(3.7)	(4.8)
Total comprehensive income for the year		58.4	36.3
Attributable to:			
Equity holders of the parent		59.3	37.9
Non-controlling interests		(0.9)	(1.6)
		58.4	36.3

Consolidated balance sheet

As at 31 December 2021

	Note	2021 £m	2020 ¹ £m
Assets			
Non-current assets			
Goodwill and intangible assets	14	141.5	118.8
Property, plant and equipment	15	443.4	434.9
Investments in joint ventures	16	4.0	4.4
Deferred tax assets	11	13.0	10.3
Other assets	17	88.5	60.3
		690.4	628.7
Current assets			
Inventories	18	72.1	60.1
Trade and other receivables	19	592.0	501.9
Current tax assets		8.9	2.1
Cash and cash equivalents	20	82.7	66.3
Assets held for sale	21	3.4	8.7
		759.1	639.1
Total assets	3	1,449.5	1,267.8
Liabilities			
Current liabilities			
Loans and borrowings	25	(29.8)	(67.0)
Current tax liabilities		(17.9)	(17.1)
Trade and other payables	22	(505.7)	(381.7)
Provisions	23	(53.8)	(54.4)
		(607.2)	(520.2)
Non-current liabilities			
Loans and borrowings	25	(246.2)	(191.8)
Retirement benefit liabilities	32	(25.7)	(31.1)
Deferred tax liabilities	11	(28.6)	(21.3)
Provisions	23	(77.9)	(71.4)
Other liabilities	24	(21.2)	(22.0)
		(399.6)	(337.6)
Total liabilities	3	(1,006.8)	(857.8)
Net assets	3	442.7	410.0
Equity			
Share capital	27	7.3	7.3
Share premium account		38.1	38.1
Capital redemption reserve	27	7.6	7.6
Translation reserve		11.6	16.3
Other reserve	27	56.9	56.9
Retained earnings		318.4	280.1
Equity attributable to equity holders of the parent		439.9	406.3
Non-controlling interests	33	2.8	3.7
Total equity		442.7	410.0

1 Other assets, trade and other receivables and provisions presented here do not correspond to the published 2020 consolidated financial statements. The comparative balance sheet has been restated to present gross insurance provisions with a separate reimbursement asset recognised for amounts recoverable from insurance providers and customer retentions receivable in more than one year to other non-current assets, as outlined in note 2 to the financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 7 March 2022.

They were signed on its behalf by:

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital (note 27) £m	Share premium account £m	Capital redemption reserve (note 27) £m	Translation reserve £m	Other reserve (note 27) £m	Hedging reserve (note 25) £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non- controlling interests (note 33) £m	Total equity £m
At 1 January 2020	7.3	38.1	7.6	19.1	56.9	—	263.2	392.2	5.3	397.5
Profit/(loss) for the year	—	—	—	—	—	—	42.5	42.5	(1.4)	41.1
Other comprehensive income										
Exchange movements on translation of foreign operations	—	—	—	(5.7)	—	—	—	(5.7)	(0.2)	(5.9)
Transfer of reserves on disposal of subsidiaries	—	—	—	2.9	—	—	—	2.9	—	2.9
Cash flow hedge gains taken to equity	—	—	—	—	—	0.5	—	0.5	—	0.5
Cash flow hedge transferred to income statement	—	—	—	—	—	(0.5)	—	(0.5)	—	(0.5)
Remeasurements of defined benefit pension schemes	—	—	—	—	—	—	(2.2)	(2.2)	—	(2.2)
Tax on remeasurements of defined benefit pension schemes	—	—	—	—	—	—	0.4	0.4	—	0.4
Other comprehensive loss for the year, net of tax	—	—	—	(2.8)	—	—	(1.8)	(4.6)	(0.2)	(4.8)
Total comprehensive (loss)/ income for the year	—	—	—	(2.8)	—	—	40.7	37.9	(1.6)	36.3
Dividends	—	—	—	—	—	—	(25.9)	(25.9)	—	(25.9)
Share-based payments	—	—	—	—	—	—	2.1	2.1	—	2.1
At 31 December 2020 and 1 January 2021	7.3	38.1	7.6	16.3	56.9	—	280.1	406.3	3.7	410.0
Profit/(loss) for the year	—	—	—	—	—	—	63.0	63.0	(0.9)	62.1
Other comprehensive income										
Exchange movements on translation of foreign operations	—	—	—	(4.3)	—	—	—	(4.3)	—	(4.3)
Transfer of reserves on disposal of subsidiaries	—	—	—	(0.4)	—	—	—	(0.4)	—	(0.4)
Remeasurements of defined benefit pension schemes	—	—	—	—	—	—	1.2	1.2	—	1.2
Tax on remeasurements of defined benefit pension schemes	—	—	—	—	—	—	(0.2)	(0.2)	—	(0.2)
Other comprehensive (loss)/income for the year, net of tax	—	—	—	(4.7)	—	—	1.0	(3.7)	—	(3.7)
Total comprehensive (loss)/ income for the year	—	—	—	(4.7)	—	—	64.0	59.3	(0.9)	58.4
Dividends	—	—	—	—	—	—	(25.9)	(25.9)	—	(25.9)
Purchase of own shares for ESOP trust	—	—	—	—	—	—	(3.7)	(3.7)	—	(3.7)
Share-based payments	—	—	—	—	—	—	3.9	3.9	—	3.9
At 31 December 2021	7.3	38.1	7.6	11.6	56.9	—	318.4	439.9	2.8	442.7

Consolidated cash flow statement

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit before taxation		71.6	63.8
Non-underlying items	8	12.3	33.1
Finance income	9	(0.4)	(1.1)
Finance costs	10	9.3	14.3
Underlying operating profit	3	92.8	110.1
Depreciation of property, plant and equipment	15	90.6	94.3
Amortisation of intangible assets	14	0.6	0.6
Share of underlying post-tax results of joint ventures	16	(0.4)	(0.8)
Profit on sale of property, plant and equipment		(1.8)	(0.6)
Other non-cash movements		8.3	1.8
Foreign exchange losses		0.1	1.5
Operating cash flows before movements in working capital and other underlying items		190.2	206.9
(Increase)/decrease in inventories		(18.3)	7.1
(Increase)/decrease in trade and other receivables		(104.4)	111.1
Increase/(decrease) in trade and other payables		119.0	(80.0)
(Decrease)/Increase in provisions, retirement benefit and other non-current liabilities		(7.8)	13.9
Cash generated from operations before non-underlying items		178.7	259.0
Cash inflows from non-underlying items: contract disputes		–	0.7
Cash inflows from non-underlying items: assets held for sale		2.4	–
Cash outflows from non-underlying items: restructuring costs		(3.9)	(11.7)
Cash outflows from non-underlying items: acquisition costs		(0.5)	–
Cash generated from operations		176.7	248.0
Interest paid		(2.0)	(8.8)
Interest element of lease rental payments		(3.1)	(3.8)
Income tax paid		(15.9)	(24.9)
Net cash inflow from operating activities		155.7	210.5
Cash flows from investing activities			
Interest received		0.4	0.6
Proceeds from sale of property, plant and equipment		9.8	7.4
Proceeds on disposal of businesses	5	7.1	2.2
Acquisition of businesses, net of cash acquired	5	(29.9)	–
Acquisition of property, plant and equipment	15	(84.0)	(72.5)
Acquisition of other intangible assets	14	(0.4)	(0.5)
Dividends received from joint ventures	16	–	0.4
Net cash outflow from investing activities		(97.0)	(62.4)
Cash flows from financing activities			
Increase in borrowings		91.2	10.4
Repayment of borrowings		(69.4)	(131.4)
Payment of lease liabilities		(29.8)	(27.2)
Purchase of own shares for ESOP trust		(3.7)	–
Dividends paid	12	(25.9)	(25.9)
Net cash outflow from financing activities		(37.6)	(174.1)
Net increase/(decrease) in cash and cash equivalents		21.1	(26.0)
Cash and cash equivalents at beginning of year		61.6	87.5
Effect of exchange rate movements		(0.9)	0.1

Notes to the consolidated financial statements

1 Corporate information

The consolidated financial statements of Keller Group plc and its subsidiaries (collectively, the 'Group') for the year ended 31 December 2021 were authorised for issue in accordance with the resolution of the Directors on 7 March 2022.

Keller Group plc (the 'company') is a public limited company, incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at 2 Kingdom Street, London W2 6BD. The Group is principally engaged in the provision of specialist geotechnical services. Information on the Group's structure is provided in note 9 of the company financial statements.

2 Significant accounting policies

Basis of preparation

In accordance with the Companies Act 2006, these consolidated financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards. The company prepares its parent company financial statements in accordance with FRS 101.

The consolidated financial statements have been prepared on an historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand, expressed in millions to one decimal point, except when otherwise indicated.

Going concern

As part of the going concern and viability review, management ran a series of downside scenarios on the latest forecast profit and cash flow projections to assess covenant headroom against available funding facilities for a three-year period to 31 December 2024. The going concern review used the same downside scenarios and forecasts for the period through to the end of March 2023, a period of at least 12 months from when the financial statements are authorised for issue and aligning with the period in which the Group's banking covenants are tested. This process involved constructing scenarios to reflect the Group's current assessment of its principal risks, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties modelled by management align with those disclosed within this Annual Report and Accounts.

The following severe but plausible downside assumptions were modelled:

- Rapid downturn in the Group's markets resulting in up to a 10% decline in revenues.
- Ineffective execution of projects reducing profits by 1% of revenue.
- Not having the right skills to deliver reducing profits by 0.5% of revenue.
- A combination of other principal risks and trading risks materialising together reducing profits by up to £84.6m over the period to 31 December 2024. These risks include changing environmental factors, costs of ethical misconduct and regulatory non-compliance, occurrence of an accident causing serious injury to an employee or member of the public, the cost of a product or solution failure and the impact of a previously unrecorded tax liability.
- Deterioration of working capital performance by 5% of six months' sales.

The financial and cash effects of these scenarios were modelled individually and in combination. The focus was on the ability to secure or retain future work and potential downward pressure on margins. Management applied sensitivities against projected revenue, margin and working capital metrics reflecting a series of plausible downside scenarios. Against the most negative scenario, mitigating actions were overlaid. These include a range of cost-cutting measures and overhead savings designed to preserve cash flows. Even in the most extreme downside scenario modelled, including an aggregation of all risks considered, which showed a decrease in operating profit of 42.9% and an increase in net debt of 47.9% against the Group's latest forecast profit and cash flow projections for the review period up to 31 March 2023. The adjusted projections do not show a breach of covenants in respect of available funding facilities or any liquidity shortfall. Consideration was given to scenarios where covenants would be breached and the circumstances giving rise to these scenarios were considered extreme and remote. This process allowed the Board to conclude that the Group will continue to operate on a going concern basis for the period through to the end of March 2023, a period of at least 12 months from when the financial statements are authorised for issue. Accordingly, the consolidated financial statements are prepared on a going concern basis.

At 31 December 2021, the Group had undrawn committed and uncommitted borrowing facilities totalling £291.9m, comprising £219.8m of the unutilised portion of the revolving credit facility, £15.7m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £56.4m, as well as cash and cash equivalents of £82.7m. At 31 December 2021, the Group's net debt to underlying EBITDA ratio (calculated on an IAS 17 covenant basis) was 0.8x, well within the limit of 3.0x.

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change on a number of key estimates within the financial statements, including estimates of future cash flows used in impairment assessments of the carrying value of goodwill, recoverability of deferred tax assets and the useful economic life of plant, equipment and other intangible assets. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to March 2023 nor the viability of the Group over the next three years.

Prior year restatement

Insurance restatement

In October 2021, the Group received a letter from the Financial Reporting Council (FRC) as part of its regular review and assessment of the quality of corporate reporting in the UK, following the Group's inclusion in the 'Thematic review on Provisions, Contingent Liabilities and Contingent Assets.' The letter included a request for further information on the Group's Annual Report and Accounts for the year ended 31 December 2020. The review conducted by the FRC was based solely on the Group's published Annual Report and Accounts and does not provide any assurance that the Annual Report and Accounts are correct in all material respects.

Following finalisation of the correspondence with the FRC, the Directors have concluded that the insurance reimbursement receivables of the Group should be separately presented gross on the consolidated balance sheet, rather than netted off against the insurance and legal provision.

Retentions restatement

Separately from the above, the element of trade receivables relating to customer retentions expected to be received in more than one year was disclosed separately in the revenue note (note 4 to the consolidated financial statements) but classified incorrectly within the trade and other receivables balance sheet line. The Group has amended this disclosure and separately categorised this receivable within other non-current assets as detailed below.

As a result of these items, the consolidated balance sheet as at 31 December 2020 has been restated as follows:

Consolidated balance sheet

	2020 (as reported) £m	Insurance restatement £m	Retentions restatement £m	2020 (restated) £m
Non-current assets				
Other assets	25.9	24.2	10.2	60.3
Current assets				
Trade and other receivables	503.9	8.2	(10.2)	501.9
Current liabilities				
Provisions	(46.2)	(8.2)	–	(54.4)
Of which: Insurance and legal provisions	(12.6)	(8.2)	–	(20.8)
Other provisions	(33.6)	–	–	(33.6)
Non-current liabilities				
Provisions	(47.2)	(24.2)	–	(71.4)
Of which: Insurance and legal provisions	(26.9)	(24.2)	–	(51.1)
Other provisions	(20.3)	–	–	(20.3)

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2020 financial year.

The impact on the opening consolidated balance sheet as at 31 December 2019 is as follows:

Consolidated balance sheet

	2019 (as reported) £m	Insurance restatement £m	Retentions restatement £m	2019 (restated) £m
Non-current assets				
Other assets	22.3	9.1	32.4	63.8
Current assets				
Trade and other receivables	626.7	2.5	(32.4)	596.8
Current liabilities				
Provisions	(28.6)	(2.5)	–	(31.1)
Of which: Insurance and legal provisions	(6.9)	(2.5)	–	(9.4)
Other provisions	(21.7)	–	–	(21.7)
Non-current liabilities				
Provisions	(46.4)	(9.1)	–	(55.5)
Of which: Insurance and legal provisions	(25.8)	(9.1)	–	(34.9)
Other provisions	(20.6)	–	–	(20.6)

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2019 financial year.

Further details of the impact of the restatement can be found in notes 17, 19 and 23 to the consolidated financial statements.

Basis of consolidation

The consolidated financial statements consolidate the accounts of the parent and its subsidiary undertakings to 31 December each year. Subsidiaries are entities controlled by the company. Control exists when the company has power over an entity, exposure to variable returns from its involvement with the entity and the ability to use its power over the entity to affect its returns. Where subsidiary undertakings were acquired or sold during the year, the accounts include the results for the part of the year for which they were subsidiary undertakings using the acquisition method of accounting. Intra-group balances, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Joint operations

Where the Group undertakes contracts jointly with other parties, these are accounted for as joint operations as defined by IFRS 11. In accordance with IFRS 11, the Group accounts for its own share of assets, liabilities, revenues and expenses measured according to the terms of the joint operations agreement.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The consolidated financial statements incorporate a share of the results, assets and liabilities of joint ventures using the equity method of accounting, whereby the investment is carried at cost plus post-acquisition changes in the share of net assets of the joint venture, less any provision for impairment. Losses in excess of the consolidated interest in joint ventures are not recognised except where the Group has a constructive commitment to make good those losses. The results of joint ventures acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The following amendments became effective during the year to 31 December 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform Phase 2' (effective 1 January 2021).
- Amendments to IFRS 16 'COVID-19 Related Rent Concessions beyond 30 June 2021' (effective 1 April 2021).

These amendments have a limited impact on the consolidated financial statements of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform Phase 2' (IBOR)

In September 2019, the IASB issued the first accounting amendment to IFRS 9, IAS 39 and IFRS 7 related to the IBOR reform, which addresses the impact that the current uncertainty could have when applying specific hedge accounting requirements on applicable hedge relationships. The first phase of amendments to IFRS 9 provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reforms. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the current reporting period. The reliefs have meant that the uncertainty over the IBOR reforms has not resulted in the discontinuation of hedge accounting for any of the Group's fair value hedges.

Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were issued by the IASB in August 2020 to provide practical expedients and reliefs in relation to modifications of financial instruments and leases that arise from the transition from IBORs to risk-free rates. Phase 2 also provides further reliefs to hedge accounting requirements. These amendments were effective for the Group from 1 January 2021.

The Group is monitoring and managing the transition to alternative benchmark rates that are linked to existing interest rate benchmarks related to borrowings, leases and derivative contracts. The impact of IBOR reform on the Group is assessed as being limited. The changes only apply to one hedge relationship associated with managing the fixed rate on the US private placement expiring in December 2024 (refer to note 25), for which the Group is exposed to a six-month USD LIBOR that will be available until June 2023. In 2021, the Group amended and restated the £375m syndicated revolving credit facility to replace any reference to IBOR with

Amendments to IFRS 16 'COVID-19 Related Rent Concessions beyond 30 June 2021'

On 28 May 2020, the IASB issued COVID-19 Related Rent Concessions amendments to IFRS 16 'Leases'. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group has not received COVID-19 related rent concessions during the year, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

Summary of significant accounting policies

Foreign currencies

The Group's consolidated financial statements are presented in pounds sterling, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange movements arising on translation for consolidation are recognised in other comprehensive income (OCI). On disposal of a foreign operation, the component of the translation reserve relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the average rate.

The exchange rates used in respect of principal currencies are:

Average rates	2021	2020
US dollar	1.38	1.28
Canadian dollar	1.72	1.72
Euro	1.16	1.12
Singapore dollar	1.85	1.77
Australian dollar	1.83	1.86
<hr/>		
Year end rates	2021	2020
US dollar	1.35	1.37
Canadian dollar	1.71	1.74
Euro	1.19	1.12
Singapore dollar	1.82	1.81
Australian dollar	1.86	1.78

Revenue from contracts with customers

The Group's operations involve the provision of specialist geotechnical services. The majority of the Group's revenue is derived from construction contracts. Typically, the Group's construction contracts consist of one performance obligation; however, for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated) multiple performance obligations exist. Where multiple performance obligations exist, total revenue is allocated to performance obligations based on the relative standalone selling prices of each performance obligation.

For each contract, revenue is the amount that is expected to be received from the customer. Revenue is typically invoiced in stages during the contracts, however smaller contracts are usually invoiced on completion. Variable consideration and contract modifications are assessed on a contract-by-contract basis, according to the terms, facts and circumstances of the project. Variable consideration is recognised only to the extent that it is highly probable that there will not be a significant reversal. The effects of contract modifications are recognised only when the Group considers there is an enforceable right to consideration. In certain circumstances, uncertainty over whether a project will be completed or not will mean that it is not appropriate to recognise contracted revenues.

Revenue attributed to each performance obligation is recognised based on either the input or the output method. The output method is the Group's default revenue recognition approach. The input method is generally used for longer-term, more complex contracts. These methods best reflect the transfer of benefits to the customer.

- **Output method:** revenue is recognised on the direct measurement of progress based on output, such as units of production relative to the total number of contracted production units.
- **Input method:** revenue is recognised on the percentage of completion with reference to cost. The percentage of completion is calculated based on the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the percentage of completion calculation in the period in which the circumstances that give rise to the revision become known.

Where the Group becomes aware that a loss may arise on a contract, and that loss is probable, full provision is made in the consolidated balance sheet; based on the estimated unavoidable costs of meeting the obligations of the contract, where these exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Incremental bid/tender costs and fulfilment costs are not material to the overall contract and are expensed as incurred.

Any revenues recognised in excess of billings are recognised as contract assets within trade and other receivables. Any payments received in excess of revenue recognised are recognised as contract liabilities within trade and other payables.

Revenue from the sale of goods and services

The Group's revenue recognised from the sale of goods and services primarily relates to certain parts of the North America business. These contracts typically have a single performance obligation, or a series of distinct performance obligations that are substantially the same. There are typically two types of contract:

- **Delivery of goods:** revenue for such contracts is recognised at a point in time, on delivery of the goods to the customer.
- **Delivery of goods with installation and/or post-delivery services:** revenue for these contracts is recognised at a point in time by reference to the date on which the goods are installed and/or accepted by the customer.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods. Such provisions are based on management's best judgement of the probability of the outcome in reaching agreement with the relevant tax authorities. For further information refer to note 11.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is recognised on temporary differences in line with IAS 12 'Income Taxes'. Deferred tax assets are recognised when it is considered likely that they will be utilised against future taxable profits or deferred tax liabilities.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or to OCI, in which case the related deferred tax is also dealt with in equity or in OCI.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Interest income and expense

All interest income and expense is recognised in the income statement on an accruals basis, using the effective interest method.

Employee benefit costs

The Group operates a number of defined benefit pension schemes, and also makes payments into defined contribution schemes.

The liability in respect of defined benefit schemes is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the schemes' assets where applicable. As allowed by IAS 19, the Group recognises the administration costs, current service cost and interest on scheme net liabilities in the income statement, and remeasurements of defined benefit plans in OCI in full in the period in which they occur. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. Where there is no legal right to a refund from the plan, the liability is calculated as the minimum funding requirement to the plan that exists at the balance sheet date.

The Group also has long service arrangements in certain overseas countries. These are accounted for in accordance with IAS 19 'Employee Benefits' and accounting follows the same principles as for a defined benefit scheme.

Payments to defined contribution schemes are accounted for on an accruals basis.

Government subsidies

In an attempt to mitigate the impact of the COVID-19 pandemic, during the year some government bodies continued to provide direct subsidies to aid companies. Where the subsidy relates to an expense item, it has been recognised in the consolidated income statement as an offset against the expense for which it was intended to compensate. In the prior year the Group was eligible for deferral of the employer's share of social security taxes in the United States. No additional deferrals took place in 2021. Further details are set out in notes 6 and 7

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Further details are set out in note 15 for impairments recognised in the year. Subsequent expenditure on property, plant and equipment is capitalised when it enhances or improves the condition of the item of property, plant and equipment beyond its original assessed standard of performance. Maintenance expenditure is expensed as incurred.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment using the straight-line method by reference to their estimated useful lives as follows:

Buildings	50 years
Plant and equipment	3 to 12 years
Motor vehicles	4 years
Computers	3 years

Depreciation is not provided for on freehold land.

An item of property, plant and equipment is derecognised upon disposal (ie at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted where appropriate.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (less than £3,000). The Group recognises lease liabilities to make payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (ie the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives as follows:

Land and buildings	3 to 15 years
Plant and equipment	2 to 8 years
Motor vehicles	3 to 5 years

Right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties

option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate applied to each lease is determined by taking into account the risk-free rate of the country where the asset under lease is located, matched to the term of the lease and adjusted for factors such as the credit risk profile of the lessee. Incremental borrowing rates applied to individual leases range from 0.9% to 33.0%.

After the commencement date, the amount of lease liabilities is increased to reflect the addition of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (eg changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in interest-bearing loans and borrowings. Refer to note 26 for details.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant, machinery and vehicles (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low asset value (below £3,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the fair value at the acquisition date. Acquisition-related costs are expensed as incurred and included in administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired, including assets identified as intangibles on acquisition, is recorded as goodwill.

The results of subsidiaries which have been disposed are included up to the effective date of disposal.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually and whenever there is an indication that the goodwill may be impaired in accordance with IAS 36, any impairment losses are recognised immediately in the income statement. Goodwill arising prior to 1 January 1998 was taken directly to equity in the year in which it arose. Such goodwill has not been reinstated on the balance sheet. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Other intangible assets

Intangible assets, other than goodwill, include purchased licences, software (including internally generated software), customer relationships, customer contracts and trade names. Intangible assets are capitalised at cost and amortised on a straight-line basis over their useful economic lives from the date that they are available for use and are stated at cost less accumulated amortisation and impairment losses. The estimated useful economic lives are as follows:

Licences	1 to 4 years
Software	3 to 7 years
Patents	2 to 7 years
Customer relationships	5 to 7 years
Customer contracts	1 to 2 years
Trade names	5 to 7 years

Impairment of assets excluding goodwill

The carrying values of property, plant and equipment, right-of-use assets and other intangibles are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If any such indications exists, the recoverable amount, being the lower of their carrying amount and fair value less costs to sell, of the asset is estimated in order to determine the extent of impairment loss.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in the course of construction. Transfers are made to other property, plant and equipment categories when the assets are available for use.

Inventories

Inventories are measured at the lower of cost and estimated net realisable value with allowance made for obsolete or slow-moving items.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Write-downs to net realisable value are made for slow-moving, damaged or obsolete items based on evaluations made at the local level by reference to frequency of stock turnover or specific factors affecting the items concerned.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, with reference to comparable market transactions. Assets that are classified as held for sale are not depreciated.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

(a) Trade receivables and trade payables

Trade receivables are initially recorded at fair value and subsequently measured at cost and reduced by allowances for estimated irrecoverable amounts.

Trade receivables and contract assets are stated net of expected credit losses (ECLs). The initial ECLs are recognised on recognition of a receivable. This provision is made for each category of receivables with similar risks, based on historical experience and adjusted for the effects of expected or actual changes in customer risk, economic risk and performance expected in the next 12 months. For the lifetime ECL the Group uses a provision matrix.

Trade payables that are not interest bearing, are initially recognised at fair value and carried at amortised cost.

(b) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

(c) Bank and other borrowings

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Subsequent to initial recognition, borrowings are stated at amortised cost, where applicable.

Bank or other borrowings are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, ie to realise the assets and settle the liabilities simultaneously.

(d) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to manage interest rate risk and to hedge fluctuations in foreign currencies in accordance with its risk management policy. In cases where these derivative instruments are significant, hedge accounting is applied as described below. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised in the balance sheet at fair value on the date the derivative contract is entered into and are subsequently remeasured at reporting periods to their fair values. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities

Changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income (OCI). Changes in the fair value of the ineffective portion of cash flow hedges are recognised in the income statement. Amounts originally recognised in OCI are transferred to the income statement when the underlying transaction occurs or if the transaction results in a non-financial asset or liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in OCI is retained in equity until the hedged transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in OCI is transferred to the income statement in the period.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure or variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Provisions

Provisions have been made for employee-related liabilities, restructuring commitments, onerous contracts, insured liabilities and legal claims and other property-related commitments. These are recognised as management's best estimate of the expenditure required to settle the Group's liability at the reporting date.

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow will be required to settle the obligation and the amount of the obligation can be estimated reliably. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost. Details of provisions are set out in note 23.

Provisions for insured liabilities and legal claims include the full estimated value of the liability. Any related insurance reimbursement asset that is virtually certain to be received is separately presented gross within trade and other receivables or other non-current assets on the consolidated balance sheet.

Contingent liabilities

Contingent liabilities are possible obligations of the Group of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated balance sheet, unless they are assumed by the Group as part of a business combination. They are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and recognised as a liability on the balance sheet.

Contingent assets

Contingent assets are possible assets of the Group of which the timing and amount are subject to significant uncertainty. Contingent assets are not recognised in the consolidated balance sheet. They are however disclosed, when they are considered to be probable. A contingent asset is recognised in the financial statements when the inflow of economic benefits is virtually certain.

Financial guarantees

Where Group companies enter into financial guarantee contracts to guarantee the indebtedness or obligations of other companies within the Group, these are considered to be insurance arrangements, and are accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the guarantor will be required to make a payment under the guarantee.

Share-based payments

The Group operates a number of equity-settled executive and employee share plans. For all grants of share options and awards, the fair value of the employee services received in exchange for the grant of share options is recognised as an expense, calculated using appropriate option pricing models. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, with a corresponding increase in retained earnings. The charge is adjusted to reflect expected actual levels of options vesting due to non-market conditions.

Shares purchased and held in trust in connection with the Group's share schemes are deducted from retained earnings. No gain or loss is recognised within the income statement on the market value of these shares compared with the original cost.

Segmental reporting

During the year the Group comprised three geographical divisions which have only one major product or service: specialist geotechnical services. North America; Europe; and Asia-Pacific, Middle East and Africa continue to be managed as separate geographical divisions. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker. The geographical divisions were revised with effect from 1 January 2021; the Middle East and Africa (MEA) business was combined with the Asia-Pacific Division, creating the Asia-Pacific, Middle East and Africa Division, and the remaining Europe, Middle East and Africa Division became the Europe Division. The comparative information has been amended to reflect consistent basis of preparation.

Dividends

Interim dividends are recorded in the Group's consolidated financial statements when paid. Final dividends are recorded in the Group's consolidated financial statements in the period in which they receive shareholder approval.

Non-underlying items

Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles, restructuring costs and other non-trading amounts, including those relating to acquisitions and disposals. Tax arising on these items, including movement in deferred tax assets arising from non-underlying provisions, is also classified as a non-underlying item.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies, reported amounts of assets and liabilities, revenue and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results may also differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that and prior periods, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Construction contracts

The Group's approach to key estimates and judgements relating to construction contracts is set out in the revenue recognition policy. In the Group consolidated balance sheet this impacts contract assets, contract liabilities and contract provisions (refer to notes 4 and 23). As described in the policy the default revenue recognition approach is the output method. When revenue is recognised based on the output method there is little judgement involved in accounting for construction contracts as the amount of revenue that has not been certified/accepted by the client is typically small and is usually based on volumes achieved at agreed rates. These contracts can still be subject to claims and variations resulting in an adjustment to the revenue recognised.

When revenue is recognised based on the input (cost) method, the main factors considered when making estimates and judgements include the cost of the work required to complete the contract in order to estimate the percentage completion, and the outcome of claims raised against the Group by customers or third parties. The Group performed around 6,000 contracts during 2021, at an average revenue of approximately £375,000 and a typical range of between £25,000 and £10m in value. The majority of contracts were completed in the year and therefore there are no estimates involved in accounting for these. For contracts that are not complete at year end, the Group estimates the total costs to complete in order to measure progress and therefore how much revenue to recognise, which may impact the contract asset or liability recorded in the balance sheet. The actual total costs incurred on these contracts will differ from the estimate at 31 December and it is reasonably possible that outcomes on these contracts within the next year could be materially different in aggregate to those estimated. However, due to the level of uncertainty and timing across a large portfolio of contracts, which will be at different stages of their contract life, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level. The estimated costs to complete are management's best estimate at this point in time and no individual estimate or judgement is expected to have a materially different outcome.

In the case of loss-making contracts, a full provision is made based on the estimated unavoidable costs of meeting the obligations of the contract, where these exceed the economic benefits expected to be received. The process for estimating the total cost to complete is the same as for in progress profitable contracts, and will include management's best estimate of all labour, equipment and materials costs required to complete the contracted work. All cost to complete estimates involve judgement over the likely future cost of labour, equipment and materials and the impact of inflation is included if material.

As stated in the revenue recognition accounting policy, variable consideration is assessed on a contract-by-contract basis, according to the terms, facts and circumstances of the project. Variable consideration is recognised only to the extent that it is highly probable that there will not be a significant reversal; management judgement is required in order to determine when variable consideration is highly probable. Uncertainty over whether a project will be completed or not can mean that it is appropriate to treat the contracted revenue as variable consideration.

Carrying value of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out above. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The fair value less costs of disposal calculation is based on available market data for transactions conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The Group estimates the recoverable amount based on value-in-use calculations. The value-in-use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the relevant budget and forecasts for the next three years, including a terminal value assumption. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows, growth rates and maintainable earnings assumed within the calculation. Refer to note 14 for further information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other timing differences to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits (based on the same Board-approved information to support the going concern and goodwill impairment assessments). The Group uses judgement in assessing the recoverability of deferred tax assets, for which the significant assumption is forecast taxable profits. Refer to note 11 for further information.

Insurance and legal provisions

The recognition of provisions for insurance and legal disputes is subject to a significant degree of estimation. In making its estimates, management seek specialist input from legal advisers and the Group's insurance claims handler to estimate the most likely legal outcome. Provisions are reviewed regularly and amounts updated where necessary to reflect developments in the disputes. The ultimate liability may differ from the amount provided depending on the outcome of court proceedings and settlement negotiations or if investigations bring to light new facts. Refer to note 23 for further information.

3 Segmental analysis

During the year the Group was managed as three geographical divisions and has only one major product or service: specialist geotechnical services.

This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

	2021		2020 ¹	
	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m
North America	1,323.1	73.0	1,227.5	83.2
Europe	549.2	24.3	538.5	18.4
Asia-Pacific, Middle East and Africa	352.1	3.4	296.5	15.5
	2,224.4	100.7	2,062.5	117.1
Central items	–	(7.9)	–	(7.0)
Underlying	2,224.4	92.8	2,062.5	110.1
Non-underlying items (note 8)	–	(12.3)	–	(33.1)
	2,224.4	80.5	2,062.5	77.0

	2021				Depreciation ³ and amortisation £m	Tangible and ⁴ intangible assets £m
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m		
North America	827.0	(349.9)	477.1	36.4	46.1	334.7
Europe	273.9	(184.7)	89.2	23.8	25.0	143.7
Asia-Pacific, Middle East and Africa	218.0	(99.9)	118.1	24.2	19.5	103.5
	1,318.9	(634.5)	684.4	84.4	90.6	581.9
Central items ²	130.6	(372.3)	(241.7)	–	0.6	3.0
	1,449.5	(1,006.8)	442.7	84.4	91.2	584.9

	2020 ^{1, 5}				Depreciation ³ and amortisation £m	Tangible and ⁴ intangible assets £m
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m		
North America	690.2	(228.2)	462.0	26.9	47.7	304.0
Europe	275.5	(197.8)	77.7	24.6	25.9	147.3
Asia-Pacific, Middle East and Africa	224.6	(98.7)	125.9	21.5	20.7	101.8
	1,190.3	(524.7)	665.6	73.0	94.3	553.1
Central items ²	77.5	(333.1)	(255.6)	–	0.6	0.6
	1,267.8	(857.8)	410.0	73.0	94.9	553.7

1 From 1 January 2021 the Middle East and Africa (MEA) business was transferred to the Asia-Pacific Division, creating the Asia-Pacific, Middle East and Africa Division, and the remaining Europe, Middle East and Africa Division became the Europe Division. The 2020 comparative segmental information has been updated to reflect this change as it is consistent with the information reviewed by the Chief Operating Decision Maker.

2 Central items include net debt and tax balances, which are managed by the Group.

3 Depreciation and amortisation excludes amortisation of acquired intangible assets.

4 Tangible and intangible assets comprise goodwill, intangible assets and property, plant and equipment.

5 Segment assets and liabilities presented here do not correspond to the published 2020 consolidated financial statements. The comparative balance sheet has been restated to present gross insurance provisions with a separate reimbursement asset recognised for amounts recoverable from insurance providers, as outlined in note 2 to the financial statements.

Notes to the consolidated financial statements continued

3 Segmental analysis continued

Revenue analysed by country:

	2021 £m	2020 £m
United States	1,197.6	1,112.0
Australia	202.4	158.9
Germany	110.0	116.9
Canada	125.1	113.3
United Kingdom	100.4	59.1
Other	488.9	502.3
	2,224.4	2,062.5

4 Revenue

The Group's revenue is derived from contracts with customers. In the following table, revenue is disaggregated by primary geographical market, being the Group's operating segments (see note 3) and timing of revenue recognition:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total revenue £m	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total revenue £m
North America	1,005.0	318.1	1,323.1	944.0	283.5	1,227.5
Europe	549.2	–	549.2	538.5	–	538.5
Asia-Pacific, Middle East and Africa	352.1	–	352.1	296.5	–	296.5
	1,906.3	318.1	2,224.4	1,779.0	283.5	2,062.5

The final contract value will not always have been agreed at the year end. The contract value, and therefore revenue allocated to a performance obligation, may change subsequent to the year end as variations and claims are agreed with the customer. The amount of revenue recognised in 2021 from performance obligations satisfied in previous periods is £28.0m (2020: £21.5m).

The Group's order book comprises the unexecuted elements of orders on contracts that have been awarded. Where a contract is subject to variations, only secured variations are included in the reported order book. As at 31 December 2021, the total order book is £1,296.7m (2020: £1,000.2m).

The order book for contracts with a total duration over one year is £402.0m (2020: £295.8m). Revenue on these contracts is expected to be recognised as follows:

	2021 £m	2020 £m
Less than one year	279.7	185.0
One to two years	103.7	99.8
More than two years	18.6	11.0
	402.0	295.8

The following table provides information about trade receivables, contract assets and contract liabilities arising from contracts with customers:

	2021 £m	2020 £m
Trade receivables	448.8	383.2
Contract assets	107.6	71.3
Contract liabilities	(46.5)	(43.9)

Trade receivables include invoiced amounts for retentions, which are balances typically payable at the end of a construction project, when all contractual performance obligations have been met, and are therefore received over a longer period of time. Included in the trade receivables balance is £85.9m (2020: £97.5m) in respect of retentions anticipated to be receivable within one year. Included in contract assets other receivables is £24.4m (2020: £10.2m).

Significant changes in the contract assets and liabilities during the year are as follows:

	2021		2020	
	Contract assets £m	Contract liabilities £m	Contract assets £m	Contract liabilities £m
As at 1 January	71.3	(43.9)	102.1	(42.0)
Revenue recognised in the current year	654.2	516.0	597.1	619.2
Acquired with businesses	2.0	(0.3)	–	–
Disposal of businesses	–	–	(2.4)	0.5
Amounts transferred to trade receivables	(619.5)	–	(624.3)	–
Cash received/invoices raised for performance obligations not yet satisfied	–	(518.3)	–	(623.1)
Exchange movements	(0.4)	–	(1.2)	1.5
As at 31 December	107.6	(46.5)	71.3	(43.9)

5 Acquisitions and disposals

Acquisitions

On 13 July 2021, the Group acquired 100% of the issued share capital of RECON Services Inc., a geotechnical environmental remediation and industrial services company based in Texas, US, for an initial cash consideration of £20.2m (US\$27.8m). Following the finalisation of the acquired working capital, an adjustment of £0.1m (US\$0.2m) was agreed with the vendor, reducing the consideration paid. In addition, contingent consideration is payable in respect of certain contract awards; the total fair value of the contingent consideration is £9.5m (US\$13.1m) of which £1.5m has been paid and £8.0m is recognised as contingent consideration payable at year end. This amount has been agreed in principle with the vendor (refer to note 34). The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition, customer relationships and the trade name. Goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce, the expectation of future contracts and customer relationships and the operating synergies that arise from the Group's strengthened market position. None of the goodwill is expected to be deductible for tax purposes. Acquisition costs of £0.2m were expensed to the income statement as a non-underlying item.

On 29 September 2021, the Group acquired the trade and assets of Subterranean (Manitoba) Ltd., a geotechnical contractor in Canada, for an initial cash consideration of £7.8m (CAD\$13.4m). Following the finalisation of the acquisition, a working capital true-up of £0.2m (CAD\$0.3m) is receivable, resulting in a net consideration of £7.6m (CAD\$13.1m). Goodwill arising on acquisition is attributable the expectation of future contracts and customer relationships and the operating synergies that arise from the Group's strengthened market position. The goodwill is expected to be deductible for tax purposes. Acquisition costs of £0.3m were expensed to the income statement as a non-underlying item.

On 1 November 2021, the Group acquired the trade and assets of Voges Drilling, a geotechnical foundation company based in Texas, US, for an initial cash consideration of £1.4m (US\$2.0m) and a further £0.8m (US\$1.0m) of deferred consideration to be paid over a three-year period.

For the Subterranean acquisition, £2.2m was provided for against contractual trade receivables acquired of £4.1m, resulting in a fair value of £1.9m. For RECON and Voges, the fair value of the total trade receivables is not materially different from the gross contractual amounts receivable and is expected to be recovered in full.

In the period to 31 December 2021, in total, acquisitions contributed £46.2m to revenue and a underlying profit before tax of £1.4m, as broken down below:

	Revenue £m	Underlying profit/ (loss) before tax £m
RECON	42.8	1.5
Subterranean	3.3	(0.2)
Voges	0.1	0.1
	46.2	1.4

Notes to the consolidated financial statements continued

5 Acquisitions and disposals continued

Had the acquisitions taken place on 1 January 2021, total Group revenue would have been £2,270.2m and underlying profit before tax for the period would have been £82.5m, as broken down below:

	Revenue £m	Underlying profit/ (loss) before tax £m
Group balance for the year to 31 December 2021	2,224.4	83.9
RECON	28.9	(2.4)
Subterranean	16.3	1.0
Voges	0.6	–
	2,270.2	82.5

Adjustments made in respect of the acquisitions in the period to 31 December 2021 for intangible asset valuations, trade and other receivables and contingent consideration are provisional pending completion of the valuation exercise and agreement of any contingent consideration and will be finalised within 12 months of the acquisition date.

	RECON			Subterranean and Voges			Total
	Carrying amount £m	Fair value adjustment £m	Fair value £m	Carrying amount £m	Fair value adjustment £m	Fair value £m	Fair value £m
Assets							
Intangible assets	–	18.9	18.9	0.3	0.1	0.4	19.3
Property, plant and equipment	4.3	0.4	4.7	7.9	(1.8)	6.1	10.8
Other non-current assets	0.1	–	0.1	–	–	–	0.1
Inventories	–	–	–	1.4	(1.4)	–	–
Trade and other receivables	20.5	(0.1)	20.4	4.9	(2.2)	2.7	23.1
Current tax assets	1.4	–	1.4	–	–	–	1.4
Cash and cash equivalents	0.9	–	0.9	–	–	–	0.9
	27.2	19.2	46.4	14.5	(5.3)	9.2	55.6
Liabilities							
Lease liabilities	(1.4)	–	(1.4)	–	–	–	(1.4)
Trade and other payables	(11.0)	(0.2)	(11.2)	(1.3)	–	(1.3)	(12.5)
Current tax liabilities	(1.1)	–	(1.1)	–	–	–	(1.1)
Deferred tax liabilities	–	(5.1)	(5.1)	–	–	–	(5.1)
Provisions	(0.1)	(1.3)	(1.4)	–	–	–	(1.4)
Other non-current liabilities	(0.3)	–	(0.3)	–	–	–	(0.3)
	(13.9)	(6.6)	(20.5)	(1.3)	–	(1.3)	(21.8)
Total identifiable net assets	13.3	12.6	25.9	13.2	(5.3)	7.9	33.8
Goodwill			3.7			1.9	5.6
Total consideration			29.6			9.8	39.4
Satisfied by:							
Initial cash consideration			20.2			9.2	29.4
Contingent consideration			9.5			–	9.5
Deferred consideration			–			0.8	0.8
Purchase price adjustment			(0.1)			(0.2)	(0.3)
			29.6			9.8	39.4
Acquisition of businesses per the cash flow statement:							
Initial cash consideration			20.2			9.2	29.4
Contingent consideration paid			1.5			–	1.5
Purchase price adjustment received			(0.1)			–	(0.1)
Less cash acquired			(0.9)			–	(0.9)
			20.7			9.2	29.9

Disposals

On 28 June 2021, the Group disposed of its Cyntech Anchors operation in Canada, being 100% of the issued share capital of Keller Cyntech U.S. and Cyntech Anchors Ltd., for a total consideration of €6.0m (CAD\$10.2m), consisting of the sale price of €3.1m (CAD\$5.3m) and further sale price adjustments in relation to working capital of €2.9m (CAD\$4.9m).

	Cyntech Anchors €m
Proceeds	3.1
Sale price adjustments	2.9
Net disposal proceeds	6.0
Net assets disposed (see below)	(6.6)
Currency translation gains transferred from translation reserve	0.4
Non-underlying loss on disposal	(0.2)

	Cyntech Anchors €m
Property, plant and equipment	1.4
Inventories	3.9
Trade and other receivables	13.1
Trade and other payables	(10.7)
Other net liabilities	(1.3)
Net assets disposed	6.6

The results for the period are presented below. The 2021 results represent activity prior to the sale.

	Cyntech Anchors	
	2021 €m	2020 €m
Revenue	11.1	19.1
Operating costs	(10.0)	(18.6)
	1.1	0.5

On 8 January 2021, the Group disposed of its Colcrete business, being 100% of the issued share capital of Keller Colcrete Limited, for a cash consideration of €0.4m. Property, plant and equipment of €0.2m and inventories of €0.2m were disposed of. These assets were classified as held for sale at 31 December 2020. During the prior year a loss of €0.4m was recognised, relating to the write-down of Colcrete assets and restructuring costs associated with the exit.

Prior year disposals

On 6 April 2020, the Group disposed of its Brazil operation, being 100% of the issued share capital of Keller Tecnogeo Fundacoes Ltda., for a cash consideration of €0.5m (BRL3.0m). Additional consideration of €0.9m (BRL6.5m) was received in September 2020, resulting in a loss of disposal of €9.2m at 31 December 2020. During 2021 there was a true-up to the sale price of €0.3m, increasing the non-underlying loss on disposal to €9.5m.

On 11 September 2020, the Group disposed of Wannenwetsch GmbH, a non-core business in Germany, for a cash consideration of €2.4m (EUR2.6m). The loss on disposal at 31 December 2020 was €0.9m. During the current year contingent consideration of €0.7m was received in accordance with the terms of the sale and purchase agreement, reducing the non-underlying loss on disposal to €0.2m.

Disposal of businesses per the cash flow statement:

	€m
Cyntech Anchors net proceeds	6.0
Colcrete proceeds	0.4
Wannenwetsch contingent consideration	0.7
	7.1

Notes to the consolidated financial statements continued

6 Operating costs

	Note	2021 £m	2020 £m
Raw materials and consumables		711.8	597.7
Staff costs	7	580.7	572.4
Other operating charges		593.5	549.8
Amortisation of intangible assets	14	0.6	0.6
Expenses relating to short-term leases and leases of low-value assets		154.8	138.4
Depreciation			
Owned property, plant and equipment	15a	64.1	66.3
Right-of-use assets	15b	26.5	28.0
Underlying operating costs		2,132.0	1,953.2
Non-underlying items	8	9.6	29.6
Statutory operating costs		2,141.6	1,982.8
Other operating charges include:			
Redundancy and other reorganisation costs		–	0.2
Fees payable to the company's auditor for the audit of the company's Annual Report and Accounts		1.1	0.9
Fees payable to the company's auditor for other services:			
The audit of the company's subsidiaries, pursuant to legislation		1.9	1.7
Other assurance services		0.1	0.1

During the year, the Group received £2.4m (2020: £5.6m) of direct subsidies with respect to COVID-19 related aid measures introduced by government bodies in various countries. These subsidies are recognised as an offset against the expense item which they are intended to compensate. During the year, the amount received in 2020 in relation to the UK furlough scheme was repaid, this cost was provided for within operating costs at 31 December 2020.

7 Employees

The aggregate staff costs of the Group were.

	2021 £m	2020 £m
Wages and salaries	505.6	498.1
Social security costs	57.5	59.7
Other pension costs	13.7	12.2
Share-based payments	3.9	2.4
	580.7	572.4

These costs include Directors' remuneration. Fees payable to Non-executive Directors totalled £0.5m (2020: £0.5m).

In the United States, the Coronavirus Aid, Relief, and Economic Security Act allowed employers to defer the payment of the employer's share of social security taxes otherwise required to be paid between 27 March and 31 December 2020. The payment of the deferred taxes is required in two instalments; the first half was paid on 3 January 2022 and the remainder is due by January 2023. At 31 December 2021, the amount deferred is £4.7m.

The average number of staff, including Directors, employed by the Group during the year was.

	2021 Number	2020 ¹ Number
North America	4,722	4,305
Europe	2,922	3,034
Asia-Pacific, Middle East and Africa	2,080	1,970
	9,724	9,309

¹ From 1 January 2021 the Middle East and Africa (MEA) business was transferred to the Asia-Pacific Division, creating the Asia-Pacific, Middle East and Africa Division, and the remaining Europe, Middle East and Africa Division became the Europe Division. The 2020 comparative information has been updated to reflect this change.

8 Non-underlying items

Non-underlying items include items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles, restructuring costs and other non-trading amounts, including those relating to acquisitions and disposals. Tax arising on these items, including movement in deferred tax assets arising from non-underlying provisions, is also classified as a non-underlying item. These are detailed below:

	2021 €m	2020 €m
Exceptional restructuring costs	7.3	16.6
Loss on disposal of operations	0.5	11.6
Acquisition costs	0.5	0.3
Contingent consideration: additional amounts provided	1.3	0.8
Goodwill impairment	–	0.3
Non-underlying items in operating costs	9.6	29.6
Amortisation of acquired intangible assets	2.8	4.2
Contingent consideration received	(0.7)	–
Exceptional contract dispute	–	(0.7)
Non-underlying items in other operating income	(0.7)	(0.7)
Amortisation of joint venture acquired intangibles	0.6	–
Total non-underlying items in operating profit	12.3	33.1
Non-underlying finance costs	–	–
Total non-underlying items before taxation	12.3	33.1
Taxation	(10.6)	(5.6)
Total non-underlying items after taxation	1.7	27.5

Non-underlying items in operating costs

Year ended 31 December 2021

Exceptional restructuring costs for the year of €7.3m comprised €4.4m in Europe, €2.5m in Asia-Pacific, Middle East and Africa, €1.6m of central items and a credit of €1.2m in North America.

In Europe, these costs arose as a continuation of the strategic project to rationalise the Europe Division. The restructuring costs during the period comprised redundancy costs, property costs, asset impairments and costs of market exit which include project termination costs. In Asia-Pacific, Middle East and Africa these costs arose as part of the project to rationalise the Middle East and Africa business. The restructuring costs during the period comprised mainly asset impairments and redundancy costs. Centrally, restructuring costs were incurred in KGS, the in-house equipment manufacturer, as a result of a restructuring plan for this business. These costs comprised redundancy costs and asset impairments. In North America the credit arose from the reduction in restructuring costs provided for in 2020 as costs incurred were lower than originally anticipated.

The Cyntech Anchors operation in Canada was disposed of on 28 June 2021, resulting in a net loss on disposal of €0.2m. During 2021 there was a true-up of the sale price of the Brazil disposal reflected in 2020, resulting in an additional loss of €0.3m in the year. This increased the total non-underlying loss on disposal for this transaction to €9.5m.

Acquisition costs of €0.5m in the year comprised professional fees relating to the RECON and Subterranean acquisitions.

Additional contingent consideration payable of €1.3m relates to the acquisition of the Geo Construction Group (Bencor) in 2015, following finalisation of items referenced in the sale and purchase agreement.

Additional contingent consideration of €0.7m was received on the achievement of performance targets in relation to the Wannenwetsch disposal in 2020, reducing the total loss on disposal to €0.2m.

Notes to the consolidated financial statements continued

8 Non-underlying items continued

Year ended 31 December 2020

In 2020, restructuring costs of €16.6m comprised €5.5m in North America, as a result of exiting the Prairies region in Canada and a specific market rationalisation exercise in the US, €11.0m in Europe, Middle East and Africa (now Europe) was incurred as a result of the strategic project to rationalise the division and a net charge of €0.1m in Asia-Pacific (now Asia-Pacific, Middle East and Africa) related to the cessation of the Waterway operation, offset by a restructuring provision release in ASEAN in relation to the activities started in the second half of 2018.

In 2020, a net loss on disposal of €11.6m was recognised during the year, comprising a loss of €9.2m on the disposal of the Group's Brazil operation, a €1.5m loss in relation to the Colcrete Eurodrill business, a UK machinery manufacturer (which comprised €1.1m loss on sale of the Eurodrill assets and €0.4m provisions in relation to the sale of the Colcrete business which completed in 2021), and a €0.9m loss on the disposal of Wannerwetsch GmbH, a non-core business in Germany.

In 2020, acquisition costs of €0.3m related to professional fees associated with the wind-up of an employee share ownership plan at Moretrench, following acquisition in March 2018.

In 2020, the contingent consideration payable of €0.8m related to the acquisition of the Geo Instruments US business in 2017. The goodwill impairment of €0.3m related to the Genco business in Egypt.

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets primarily relates to the Moretrench and RECON acquisitions. The prior year charge also includes amounts related to the Austral acquisition.

Non-underlying items in other operating income

The proceeds of €0.7m in the previous year were received on final settlement of a contributory claim relating to an exceptional contract dispute.

Amortisation of joint venture acquired intangibles

Amortisation of joint venture intangibles relates to the acquisition of NordPile by the Group's joint venture interest KFS Finland Oy during the year. Refer to note 16 for further details.

Non-underlying taxation

Refer to note 11 for details of the non-underlying tax items.

9 Finance income

	2021 €m	2020 €m
Bank and other interest receivable	0.2	0.3
Other finance income	0.2	0.8
	0.4	1.1

10 Finance costs

	2021 €m	2020 €m
Interest payable on bank loans and overdrafts	3.1	4.9
Interest payable on other loans	1.3	2.4
Interest on lease liabilities	3.1	3.8
Net pension interest cost	0.2	0.3
Other interest costs	1.0	1.6
Total interest costs	8.7	13.0
Unwinding of discount and effect of changes in discount rates on provisions	0.6	1.3
Total finance costs	9.3	14.3

11 Taxation

	2021 £m	2020 £m
Current tax expense:		
Current year	14.0	24.3
Prior years	(3.0)	(0.8)
Total current tax	11.0	23.5
Deferred tax expense:		
Current year	(1.7)	(1.2)
Prior years	0.2	0.4
Total deferred tax	(1.5)	(0.8)
	9.5	22.7

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 19% (2020: 19%) as follows:

	2021			2020		
	Underlying £m	Non- underlying items (note 8) £m	Statutory £m	Underlying £m	Non- underlying items (note 8) £m	Statutory £m
Profit/(loss) before tax	83.9	(12.3)	71.6	96.9	(33.1)	63.8
UK corporation tax charge/(credit) at 19% (2020: 19%)	15.9	(2.3)	13.6	18.4	(6.3)	12.1
Tax charged at rates other than 19% (2020: 19%)	5.5	(0.5)	5.0	5.6	(0.8)	4.8
Tax losses and other deductible temporary differences not recognised	3.3	1.2	4.5	6.5	1.6	8.1
Utilisation of tax losses and other deductible temporary differences previously unrecognised	(1.4)	(9.1)	(10.5)	(1.9)	(1.3)	(3.2)
Permanent differences	(0.5)	0.1	(0.4)	(0.2)	2.3	2.1
Adjustments to tax charge in respect of previous periods	(2.8)	–	(2.8)	0.2	(0.6)	(0.4)
Other	0.1	–	0.1	(0.3)	(0.5)	(0.8)
Tax charge/(credit)	20.1	(10.6)	9.5	28.3	(5.6)	22.7
Effective tax rate	24.0%	86.2%	13.3%	29.2%	16.9%	35.6%

The tax credit of £10.6m on non-underlying losses includes £1.5m as the tax benefit of amounts which are expected to be deductible for tax purposes and £9.1m from the partial reduction in the valuation allowance made against deferred tax assets in Canada and Australia at 31 December 2020. As the original valuation allowance was booked through the non-underlying tax charge the credit from the re-recognition of the deferred tax assets has also been treated as a non-underlying item. The 2020 tax credit of £5.6m on non-underlying items includes a partial re-recognition of Australian deferred tax assets of £1.9m as a result of the improved performance of the Australian business, and the benefit of a net tax credit on other non-underlying charges which are expected to be deductible for tax purposes.

The Group is subject to taxation in over 40 countries worldwide and the risk of changes in tax legislation and interpretation from tax authorities in the jurisdictions in which it operates. The assessment of uncertain positions is subjective and subject to management's best judgement of the probability of the outcome in reaching agreement with the relevant tax authorities. Where tax positions are uncertain, provision is made where necessary based on interpretation of legislation, management experience and appropriate professional advice. Management do not expect the outcome of these estimates to be materially different from the position taken.

The Group is monitoring developments in the OECD's Pillar 2 proposals to agree minimum effective tax rates across jurisdictions participating in the OECD programme. Although the Group's activities are mainly in territories which will be unaffected by the Pillar 2 proposals it is possible that additional tax will be charged in the future in countries where corporate tax rates are increased. Any changes are not expected to be introduced before 2024.

Under draft proposals introduced to the US Congress in 2021, the Group would potentially be subject to adverse changes in respect of measures intended to limit the tax deductibility of intra-group financing costs. The proposed measures were unable to secure passage through Congress in 2021 and the Group is awaiting developments to see if the measures, and whether they are in original or revised form, are reintroduced in 2022. At present there is insufficient evidence to assess the probable financial impact on the Group's future tax position.

Notes to the consolidated financial statements continued

11 Taxation continued

The Group has previously disclosed that it has been subject to enquiries from the UK tax authorities in relation to the recovery of tax benefits under EU State Aid provisions. The Group has now received notification from HMRC that their enquiries have been resolved and the original filing position has been accepted. Accordingly, the contingent liability of £4m previously disclosed has been extinguished.

The following are the major deferred tax liabilities and assets recognised by the Group and the movements during the current and prior reporting periods:

	Unused tax losses £m	Accelerated capital allowances £m	Retirement benefit obligations £m	Other employee-related liabilities £m	Bad debts £m	Other ¹ temporary differences £m	Total £m
At 1 January 2020	(14.6)	35.8	(2.6)	(5.9)	(4.7)	4.8	12.8
Charge/(credit) to the income statement	4.1	(0.8)	0.1	(0.8)	(1.9)	(1.5)	(0.8)
Credit to other comprehensive income	–	–	(0.4)	–	–	–	(0.4)
Exchange movements	(0.2)	(0.6)	(0.1)	0.2	0.3	–	(0.4)
Other reallocations/transfers	(0.2)	–	(1.0)	–	0.1	0.9	(0.2)
At 31 December 2020 and 1 January 2021	(10.9)	34.4	(4.0)	(6.5)	(6.2)	4.2	11.0
(Credit)/charge to the income statement	(6.4)	3.2	(0.7)	0.3	(2.4)	4.5	(1.5)
Charge to other comprehensive income	–	–	0.2	–	–	–	0.2
Acquisition and disposal of businesses	–	0.3	–	–	–	4.7	5.0
Exchange movements	0.1	0.3	0.2	(0.1)	(0.1)	0.2	0.6
Other reallocations/transfers	–	–	0.1	–	–	0.2	0.3
At 31 December 2021	(17.2)	38.2	(4.2)	(6.3)	(8.7)	13.8	15.6

1 Other temporary differences are mainly in respect of intangible assets.

Deferred tax assets include amounts of £13.0m (2020: £10.4m) where recovery is based on forecasts of future taxable profits that are expected to be available to offset the reversal of the associated temporary differences. The deferred tax assets arise predominantly in Canada (£6.7m), Australia (£4.2m) and UK (£1.6m). The amount of profits in each territory which are necessary to be realised over the forecast period to support these assets are £25m, £14m and £8m respectively. Canadian tax rules currently allow tax losses to be carried forward up to 20 years. UK and Australia allow losses to be carried forward indefinitely. The recovery of deferred tax assets has been assessed by reviewing the likely timing and level of future taxable profits. The period assessed for recovery of assets is appropriate for each territory having regard to the specific facts and circumstances and the probability of achieving forecast profitability. A 10% shortfall in expected profits would have a proportional impact on the value of the deferred tax assets recoverable.

The following is the analysis of the deferred tax balances:

	2021 £m	2020 £m
Deferred tax liabilities	28.6	21.3
Deferred tax assets	(13.0)	(10.3)
	15.6	11.0

At the balance sheet date, the Group had unused tax losses of £125.0m (2020: £146.4m), mainly arising in Canada, Australia, Malaysia and the UK, available for offset against future profits, on which no deferred tax asset has been recognised. Of these losses, £74.3m (2020: £85.2m) may be carried forward indefinitely.

At the balance sheet date, the aggregate of other deductible temporary differences for which no deferred tax asset has been recognised was £13.9m (2020: £24.7m). These differences have no expiry term.

At the balance sheet date, the aggregate of temporary differences associated with investments in subsidiaries, branches and joint ventures for which no deferred tax liability has been recognised is £124.9m (2020: £118.4m), on the basis that the Group can control the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The unprovided deferred tax liability in respect of these timing differences is £7.6m (2020: £7.4m).

12 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2020 of 23.3p (2019: 23.3p) per share	16.8	16.8
Interim dividend for the year ended 31 December 2021 of 12.6p (2020: 12.6p) per share	9.1	9.1
	25.9	25.9

The Board has recommended a final dividend for the year ended 31 December 2021 of £16.8m, representing 23.3p (2020: 23.3p) per share. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 18 May 2022 and has not been included as a liability in these financial statements.

13 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

When the Group makes a profit, diluted earnings per share equals the profit attributable to equity holders of the parent divided by the weighted average diluted number of shares. When the Group makes a loss, diluted earnings per share equals the loss attributable to the equity holders of the parent divided by the basic average number of shares. This ensures that earnings per share on losses is shown in full and not diluted by unexercised share awards.

Basic and diluted earnings per share are calculated as follows:

	Underlying earnings attributable to the equity holders of the parent		Earnings attributable to the equity holders of the parent	
	2021	2020	2021	2020
Basic and diluted earnings (£m)	64.7	70.0	63.0	42.5
Weighted average number of ordinary shares (m)¹				
Basic number of ordinary shares outstanding	72.3	72.1	72.3	72.1
Effect of dilution from:				
Share options and awards	0.9	0.6	0.9	0.6
Diluted number of ordinary shares outstanding	73.2	72.7	73.2	72.7
Earnings per share				
Basic earnings per share (p)	89.5	97.1	87.1	58.9
Diluted earnings per share (p)	88.4	96.3	86.1	58.5

1 The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year. The weighted average number of shares excludes those held in the Employee Share Ownership Plan Trust and those held in treasury, which for the purpose of this calculation are treated as cancelled.

Notes to the consolidated financial statements continued

14 Goodwill and intangible assets

	Goodwill £m	Arising on acquisition £m	Other £m	Total £m
Cost				
At 1 January 2020	228.6	59.0	23.4	311.0
Additions	–	–	0.5	0.5
Disposal of businesses	(7.2)	–	–	(7.2)
Exchange movements	(1.8)	(0.1)	(0.6)	(2.5)
At 31 December 2020 and 1 January 2021	219.6	58.9	23.3	301.8
Additions	–	–	0.4	0.4
Acquired with businesses (note 5) ¹	5.6	19.3	–	24.9
Disposals	–	–	(0.7)	(0.7)
Exchange movements	1.1	0.5	(0.6)	1.0
At 31 December 2021	226.3	78.7	22.4	327.4
Accumulated amortisation and impairment				
At 1 January 2020	111.8	52.4	22.1	186.3
Impairment charge for the year	0.3	–	–	0.3
Amortisation charge for the year	–	4.2	0.6	4.8
Disposal of businesses	(7.2)	–	–	(7.2)
Exchange movements	(0.5)	(0.1)	(0.6)	(1.2)
At 31 December 2020 and 1 January 2021	104.4	56.5	22.1	183.0
Amortisation charge for the year	–	2.8	0.6	3.4
Disposals	–	–	(0.7)	(0.7)
Exchange movements	0.6	(0.1)	(0.3)	0.2
At 31 December 2021	105.0	59.2	21.7	185.9
Carrying amount				
At 1 January 2020	116.8	6.6	1.3	124.7
At 31 December 2020 and 1 January 2021	115.2	2.4	1.2	118.8
At 31 December 2021	121.3	19.5	0.7	141.5

¹ Goodwill arising on acquisition relates to the acquisition of RECON and Subterranean. Refer to note 5 for further details.

Intangible assets arising on acquisition represent customer contracts and relationships with a carrying amount of £13.9m (2020: £0.3m) and trade names with a carrying amount of £5.6m (2020: £2.1m). Other intangibles represent internally developed software and licences. There are no indicators of impairment for these assets at 31 December 2021.

For the purposes of impairment testing, goodwill has been allocated to nine separate cash-generating units (CGUs). The carrying amount of goodwill allocated to the five CGUs with the largest goodwill balances is significant in comparison to the total carrying amount of goodwill and comprises 92% of the total (2020: 94%). The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below, together with the pre-tax discount rate and medium-term growth rate used in their value-in-use calculations:

CGU	Geographical segment	2021			2020		
		Carrying value £m	Pre-tax discount rate %	Forecast growth rate %	Carrying value £m	Pre-tax discount rate %	Forecast growth rate %
Keller US	North America	45.0	11.6	2.0	44.4	13.0	2.0
Suncoast	North America	31.9	11.6	2.0	31.4	13.3	2.0
Keller Canada	North America	15.0	11.8	2.0	12.8	12.6	2.0
Keller Limited	Europe	12.1	10.1	3.0	12.1	12.7	3.0
Austral	Asia-Pacific, Middle East and Africa	7.3	12.9	2.0	7.6	14.2	2.0
Other ¹	North America and Europe	10.0			6.9		
		121.3			115.2		

¹ Pre-tax discount rates and forecast growth rates are defined by market.

The recoverable amount of the goodwill allocated to each CGU has been calculated on a value-in-use basis. The calculations use cash flow projections based on financial budgets and forecasts approved by management and cover a three-year period.

The Group's businesses operate in a diverse geographical set of markets, some of which are expected to continue to face uncertain conditions in future years. The most important factors in the value-in-use calculations are the forecast revenues and operating margins during the forecast period, the growth rates and discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are revenue and operating margins assumed throughout the forecast period. Revenue and operating margins are prepared as part of the Group's three-year forecast in line with the Group's annual business planning process. The Group's budget for 2022 and financial projections for 2023 and 2024 were approved by the Board, and have been used as the basis for input into the value-in-use calculation.

Management considers all the forecast revenues, margins and profits to be reasonably achievable given recent performance and the historic trading results of the relevant CGUs. A margin for historical forecasting error has also been factored into the value-in-use model. Cash flows beyond 2024 which are deemed to be on a continuing basis have been extrapolated using the forecast growth rates above and do not exceed the long-term average growth rates for the markets in which the relevant CGUs operate. The growth rates used in the Group's value-in-use calculation into perpetuity are based on forecasted growth in the construction sector in each region where a CGU is located and adjusted for longer-term compound annual growth rates for each CGU as estimated by management. The discount rates used in the value-in-use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs, adjusted as necessary to reflect the risk associated with the asset being tested.

Management believes that any reasonable possible change in the key assumptions on which the recoverable amounts of the CGUs are based would not cause any of their carrying amounts to exceed their recoverable amounts.

A number of sensitivities were run on the projections to identify the changes required in the each of the key assumptions that, in isolation, would give rise to an impairment of the following goodwill balances.

CGU	Geographical segment	Increase in ¹ discount rate	Reduction in ¹ future growth rate	Reduction in final year cash flow %
Keller US	North America	24.5	39.3	85.9
Suncoast	North America	63.7	740.0	108.0
Keller Canada	North America	9.5	11.9	60.0
Keller Limited	Europe	5.0	6.0	48.9
Austral	Asia-Pacific, Middle East and Africa	21.4	35.8	84.8

¹ The increase in discount rate and reduction in future growth rate are presented as gross movements.

Notes to the consolidated financial statements continued

15 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	Note	2021 £m	2020 £m
Property, plant and equipment – owned assets	15a	375.5	365.4
Right-of-use assets – leased assets	15b	67.9	69.5
At 31 December		443.4	434.9

15 a) Property, plant and equipment – owned assets

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	Total £m
Cost				
At 1 January 2020	70.7	880.4	9.6	960.7
Additions	2.2	67.9	2.4	72.5
Disposals	(1.5)	(37.5)	(0.7)	(39.7)
Transfers to held for sale ¹	(0.5)	(23.3)	–	(23.8)
Disposal of businesses	(2.3)	(12.2)	–	(14.5)
Reclassification	–	4.3	(4.3)	–
Exchange movements	0.3	(0.9)	0.3	(0.3)
At 31 December 2020 and 1 January 2021	68.9	878.7	7.3	954.9
Additions	3.4	79.3	1.3	84.0
Acquired with businesses (note 5)	0.7	8.7	–	9.4
Disposals	(2.5)	(41.4)	–	(43.9)
Net transfers to held for sale ¹	–	1.3	–	1.3
Disposal of businesses (note 5)	–	(1.2)	(0.5)	(1.7)
Reclassification	–	2.4	(2.4)	–
Exchange movements	(1.5)	(16.9)	(0.2)	(18.6)
At 31 December 2021	69.0	910.9	5.5	985.4
Accumulated depreciation and impairment				
At 1 January 2020	20.9	555.1	–	576.0
Charge for the year	2.2	64.1	–	66.3
Disposals	(0.2)	(32.7)	–	(32.9)
Transfers to held for sale ¹	(0.5)	(15.4)	–	(15.9)
Disposal of businesses	(1.2)	(9.2)	–	(10.4)
Impairments	0.1	6.5	–	6.6
Exchange movements	0.1	(0.3)	–	(0.2)
At 31 December 2020 and 1 January 2021	21.4	568.1	–	589.5
Charge for the year	1.7	62.4	–	64.1
Disposals	(0.7)	(35.2)	–	(35.9)
Net transfers to held for sale ¹	–	0.9	–	0.9
Disposal of businesses (note 5)	–	(0.3)	–	(0.3)
Impairments	–	3.4	–	3.4
Exchange movements	(0.5)	(11.3)	–	(11.8)
At 31 December 2021	21.9	588.0	–	609.9
Carrying amount				
At 1 January 2020	49.8	325.3	9.6	384.7
At 31 December 2020 and 1 January 2021	47.5	310.6	7.3	365.4
At 31 December 2021	47.1	322.9	5.5	375.5

The Group had contractual commitments for the acquisition of property, plant and equipment of £7.2m (2020: £7.5m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

Impairments in the year include the write-down of surplus equipment to their value-in-use in the Middle East and Africa and KGS, the in-house equipment manufacturer, where it is not being relocated to other more active parts of the Group. The carrying amount of these assets was £1.9m, compared to a value-in-use of £0.3m, which resulted in a non-underlying impairment charge of £1.6m. Details of restructuring are set out in note 8. Also included are impairments in the year relating to assets that are inaccessible due to a contract suspension. The carrying amount of these assets was £1.8m, compared to a value-in-use of £nil, which resulted in an underlying impairment charge of £1.8m.

15 b) Right-of-use assets – leased assets

The Group has lease contracts for various items of land and buildings, plant, machinery and vehicles used in its operations. Leases of land and buildings generally have lease terms between three and 15 years, while plant, machinery and vehicles generally have lease terms between two and eight years. The Group's obligations under its leases are secured by the lessor's title to the lease assets. Generally, the Group is restricted from assigning and subleasing its leased assets. There are several lease contracts that include extension and termination options.

The Group has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the year

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
At 1 January 2020	47.4	28.5	75.9
Additions	8.4	14.3	22.7
Depreciation expense	(13.4)	(14.6)	(28.0)
Impairment expense	(0.7)	–	(0.7)
Contract modifications	1.3	(0.8)	0.5
Exchange movements	(0.8)	(0.1)	(0.9)
At 31 December 2020 and 1 January 2021	42.2	27.3	69.5
Additions	11.3	12.1	23.4
Acquired with businesses (note 5)	0.4	1.0	1.4
Depreciation expense	(12.6)	(13.9)	(26.5)
Impairment expense	–	(4.4)	(4.4)
Contract modifications	1.7	3.1	4.8
Exchange movements	(0.1)	(0.2)	(0.3)
At 31 December 2021	42.9	25.0	67.9

The carrying amounts of lease liabilities (included within note 25 within loans and borrowings) and the movements during the year are set out in note 26.

Impairments in the year relate to assets that are inaccessible due to a contract suspension. The carrying amount of these assets was £4.4m, compared to a value-in-use of £nil, which resulted in an underlying impairment charge of £4.4m.

Notes to the consolidated financial statements continued

16 Investments in joint ventures

	£m
At 1 January 2021	4.4
Share of underlying post-tax results	0.4
Share of non-underlying post-tax results (note 8)	(0.6)
Exchange movements	(0.2)
At 31 December 2021	4.0

	£m
At 1 January 2020	3.8
Share of underlying post-tax results	0.8
Dividends received	(0.4)
Exchange movements	0.2
At 31 December 2020	4.4

The Group's investment in joint ventures relates to a 50% interest in the ordinary shares of KFS Finland Oy, an entity incorporated in Finland. Refer to note 9 of the company accounts for the registered address.

In 2021, KFS Finland Oy earned total revenue of £36.8m (2020: £34.6m) and a statutory loss after tax for the year of £0.4m (2020: statutory profit after tax of £1.6m)

Aggregate amounts relating to joint ventures:

	2021			2020
	Underlying £m	Non-underlying items (note 8) £m	Statutory £m	Statutory £m
Revenue	18.4	–	18.4	17.3
Operating costs ¹	(17.9)	(0.6)	(18.5)	(16.4)
Operating profit/(loss)	0.5	(0.6)	(0.1)	0.9
Finance costs	(0.1)	–	(0.1)	–
Profit/(loss) before taxation	0.4	(0.6)	(0.2)	0.9
Taxation	–	–	–	(0.1)
Share of post-tax results	0.4	(0.6)	(0.2)	0.8

1 Included within operating costs is depreciation on owned assets of £0.8m (2020: £0.6m).

	KFS Finland Oy (100% of results)		Group portion of the joint venture	
	2021 £m	2020 £m	2021 £m	2020 £m
Non-current assets	20.4	10.0	10.2	5.0
Cash and cash equivalents	1.2	0.8	0.6	0.4
Other current assets	7.8	4.4	3.9	2.2
Total assets	29.4	15.2	14.7	7.6
Other current liabilities	(8.4)	(3.6)	(4.2)	(1.8)
Non-current loans and borrowings	(11.2)	(2.8)	(5.6)	(1.4)
Other non-current liabilities	(1.8)	–	(0.9)	–
Total liabilities	(21.4)	(6.4)	(10.7)	(3.2)
Share of net assets	8.0	8.8	4.0	4.4

On 8 September 2021, KFS Finland Oy acquired NordPile, a driven and piling contractor, for £7.3m (EUR8.5m). The fair value of the Group's share of intangibles acquired was £2.1m (EUR2.4m), representing the fair value of customer contracts at the date of acquisition and customer relationships. Amortisation of these assets is recognised as a non-underlying item.

17 Other non-current assets

	2021 £m	2020 ¹ £m
Fair value of derivative financial instruments	2.6	5.4
Non-qualifying deferred compensation plan assets	20.6	18.3
Other assets	26.5	12.4
Insurance receivables	38.8	24.2
	88.5	60.3

1 The comparative balance sheet has been restated to present gross insurance provisions with a separate reimbursement asset recognised for amounts recoverable from insurance providers and customer retentions receivable in more than one year to other non-current assets, as outlined in note 2 to the financial statements

A non-qualifying deferred compensation plan (NQ) is available to US employees, whereby an element of eligible employee bonuses and salary is deferred over a period of four to six years. The plan allows participants to receive tax relief for contributions beyond the limits of the tax-free amounts allowed per the 401k defined contribution pension plan. The plan is administered by a professional investment provider with participants able to select their investments from an approved listing. An amount equal to each participant's compensation deferral is transferred into a trust and invested in various marketable securities. The related trust assets are not identical to investments held on behalf of the employee but are invested in similar funds with the objective that performance of the assets closely tracks the liabilities. The investments held in the trust are designated solely for the purpose of paying benefits under the non-qualified deferred compensation plan. The investments in the trust would however be available to all unsecured general creditors in the event of insolvency.

The value of both the employee investments and those held in trust by the company are measured using Level 1 inputs per IFRS 13 ('quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date') based on published market prices at the end of the period. Adjustments to the fair value are recorded within net finance costs in the consolidated income statement.

At 31 December 2021, non-current assets in relation to the investments held in the trust were £20.6m (2020: £18.3m). The fair value movement on these assets was £1.1m (2020: £2.2m). During the period proceeds from the sale of NQ-related investments were £nil (2020: £nil). At 31 December 2021, non-current liabilities in relation to the participant investments were £15.8m (2020: £14.7m). These are accounted for as financial liabilities at fair value through profit or loss. The fair value movement on these liabilities was £2.1m (2020: £2.7m). During the year £1.4m (2020: £1.2m) of compensation was deferred.

Other assets include customer retentions receivable of £24.4m (2020: £10.2m). For further information refer to note 4. Note 2 highlights the restatement required in the presentation of customer receivables.

18 Inventories

	2021 £m	2020 £m
Raw materials and consumables	40.6	41.3
Work in progress	1.8	0.3
Finished goods	29.7	18.5
	72.1	60.1

During 2021, £2.4m (2020: £3.8m) of inventory write-downs were recognised as an expense in the consolidated income statement.

Notes to the consolidated financial statements continued

19 Trade and other receivables

	2021 €m	2020 ¹ €m
Trade receivables	448.8	383.2
Contract assets	107.6	71.3
Other receivables	15.9	21.2
Fair value of derivative financial instruments	–	0.8
Prepayments	19.6	17.2
Insurance receivables	0.1	8.2
	592.0	501.9

¹ The comparative balance sheet has been restated to present gross insurance provisions with a separate reimbursement asset recognised for amounts recoverable from insurance providers and customer retentions receivable in more than one year to other non-current assets, as outlined in note 2 to the financial statements.

Trade receivables and contract assets included in the balance sheet are shown net of expected credit loss provisions as detailed in note 2.

The movement in the provision held against trade receivables and contract assets (including expected credit losses) is as follows:

	2021 €m	2020 €m
At 1 January	42.9	38.1
Used during the year	(3.1)	(6.3)
Additional provisions	24.6	23.6
Unused amounts reversed	(11.9)	(12.1)
Acquired with businesses	2.4	–
Disposal of businesses	–	(0.7)
Exchange movements	(1.2)	0.3
At 31 December	53.7	42.9

Set out below is information about the credit risk exposure on the Group's trade receivables, detailing past due but not impaired, based on agreed terms and conditions with the customer:

	2021 €m	2020 €m
Overdue by less than 30 days	125.2	65.9
Overdue by between 31 and 90 days	59.6	31.0
Overdue by more than 90 days	20.2	25.9
	205.0	122.8

20 Cash and cash equivalents

	2021 €m	2020 €m
Bank balances	77.9	64.2
Short-term deposits	4.8	2.1
Cash and cash equivalents in the balance sheet	82.7	66.3
Bank overdrafts	(0.9)	(4.7)
Cash and cash equivalents in the cash flow statement	81.8	61.6

Cash and cash equivalents include £2.7m (2020: £3.1m) of the Group's share of cash and cash equivalents held by joint operations, and £1.7m (2020: £0.5m) of restricted cash which is subject to local country restrictions.

21 Assets held for sale

	2021 £m	2020 £m
Plant and machinery	3.1	7.9
Inventories	0.3	0.3
Trade receivables	–	0.5
	3.4	8.7

Assets held for sale mainly comprise plant and machinery in Waterway, as a result of the wind-down of the business, and equipment in the North America Division following a rationalisation exercise.

22 Trade and other payables

	2021 £m	2020 £m
Trade payables	268.8	169.3
Other taxes and social security payable	25.2	23.0
Other payables	117.2	97.3
Contract liabilities	46.5	43.9
Accruals	48.0	47.7
Fair value of derivative financial instruments	–	0.5
	505.7	381.7

Other payables include contingent and deferred consideration of £12.3m (2020: £0.8m).

23 Provisions

	Employee provisions £m	Restructuring provisions £m	Contract provisions £m	Insurance and legal provisions £m	Other provisions £m	Total £m
At 31 December 2020 (presented)	9.3	5.6	35.3	39.5	3.7	93.4
Restatement ¹	–	–	–	32.4	–	32.4
At 31 December 2020 (restated)	9.3	5.6	35.3	71.9	3.7	125.8
Charge for the year	4.7	5.2	22.8	12.3	0.8	45.8
Acquired with businesses (note 5)	–	–	0.5	–	0.9	1.4
Disposal of businesses (note 5)	(0.1)	–	–	–	–	(0.1)
Used during the year	(4.4)	(6.9)	(11.6)	(7.1)	(0.9)	(30.9)
Unused amounts reversed	(0.1)	(0.2)	(4.9)	(3.4)	(0.9)	(9.5)
Unwinding of discount and changes in the discount rate	0.4	–	–	(0.1)	–	0.3
Exchange movements	0.1	(0.2)	(0.2)	(0.8)	–	(1.1)
At 31 December 2021	9.9	3.5	41.9	72.8	3.6	131.7
Current	3.2	3.5	34.1	9.4	3.6	53.8
Non-current	6.7	–	7.8	63.4	–	77.9
At 31 December 2021	9.9	3.5	41.9	72.8	3.6	131.7

1 The comparative balance sheet has been restated to present gross insurance provisions with a separate reimbursement asset recognised for amounts recoverable from insurance providers, as outlined in note 2 to the financial statements.

Notes to the consolidated financial statements continued

23 Provisions continued

Employee provisions

Employee provisions relate to various liabilities in respect of employee rights and benefits, including the workers' compensation scheme in North America and long service leave benefits in Australia.

At 31 December 2021, the provision in respect of workers' compensation was £6.5m (2020: £6.8m). A provision is recognised when an employee informs the company of a workers' compensation claim. The provision is measured based on information provided by the workers' compensation insurer. The actual costs that may be incurred in respect of these claims are dependent on the assessment of an employee's claim and potential medical expenses, with timing of outflows variable depending on the claim.

At 31 December 2021, the provision in respect of long service leave was £1.7m (2020: £1.6m). A provision is recognised at the point an employee joins the company, with an adjustment made to factor the likelihood that the employee will remain in continuous service with the company to meet the threshold to receive the benefits. It is measured at the present value of expected future payments for services provided by employees up to the reporting date. The actual costs that may be incurred are dependent on the length of service of employees and amended for any joiners and leavers. The provision is utilised when the leave is taken by the employee or when unused leave is paid on termination of employment.

Employee provisions also includes an amount of £1.4m (2020: £0.9m) in respect of social security contributions on share options. This provision is utilised as the options are exercised by employees, which occurs when the awards vest.

Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring, has raised a valid expectation in those individuals affected and liabilities have been identified. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring.

The restructuring provisions in 2021 relate primarily to the relevant activities in the Europe and Asia-Pacific, Middle East and Africa Divisions. The provisions comprise mainly amounts for redundancy costs. Estimates may differ from the actual charges depending on the finalisation of redundancy amounts. These provisions are expected to be utilised within the next 12 months.

Contract provisions

Contract provisions include onerous contracts where the forecast costs of completing the contract exceed the revenue. Provision is made in full when such losses are foreseen, based on the estimated unavoidable costs of meeting the obligations of the contract, where these exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The majority of this balance is expected to be utilised in the next 12 months, given the general short-term nature of contracts. The non-current element of the provision relates to longer-term contracts and customer claims and disputes.

Insurance and legal provisions

Insurance and legal provisions comprises the liability for legal claims against the Group, including those that are retained within the Group's captive insurer (the 'captive'). The captive covers both public liability and professional indemnity claims for the Group. The captive covers liabilities below an upper limit above which third-party insurance applies.

Following the identification of an error (refer to note 2 for further details) there was a change in accounting policy for the presentation of provisions for legal claims and related insurance receivables. Provisions for insurance and legal claims are made based on the best estimate of the likely total settlement value of a claim against the Group. Management seek specialist input from legal advisers and the Group's insurance claims handler to estimate the most likely legal outcome. The outcome of legal negotiations is inherently uncertain; as a result, there can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred.

A provision is recognised when it is judged likely that a legal claim will result in a payment to the claimant and the amount of the claim can be reliably estimated. Provisions are utilised as insurance claims are settled, which may take a number of years. A separate insurance receivable is recognised to the extent that confirmed third-party insurance is expected to cover any element of an estimated claim value and is virtually certain to be recovered. The asset is recognised within other non-current assets (refer to note 17) and trade and other receivables (refer to note 19). Management considers that there are no instances of reimbursable assets which are probable in nature.

Other provisions

Other provisions are in respect of property dilapidation arising from lease obligations and other operational provisions. Where a lease includes a 'make-good' requirement, provision for the cost is recognised as the obligation is incurred, either at the commencement of the lease or as a consequence of using the asset, and the cost of the expected work required can be reliably estimated. These are expected to be utilised over the relevant lease term which ranges from 3 to 15 years across the Group.

24 Other non-current liabilities

	2021 €m	2020 €m
Non-qualifying compensation plan liabilities	15.8	14.8
Other liabilities	5.4	7.2
	21.2	22.0

Other liabilities include deferred consideration of €0.4m (2020: €2.2m), and €4.7m (2020: contingent consideration of €4.5m) in respect of US social security tax deferrals, refer to note 7 for further information.

Refer to note 17 for further information on the non-qualifying deferred compensation plan.

25 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business and have been identified as risks for the Group. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange and interest rates.

The Group does not trade in financial instruments nor does it engage in speculative derivative transactions.

Currency risk

The Group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The Group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the Group's borrowings are held in sterling, US dollars and Australian dollars.

The Group manages its currency flows to minimise transaction exchange risk. Forward contracts are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to the repatriation of profits, intra-group loan repayments and any foreign currency cash flows associated with acquisitions. The Group's treasury risk management is performed at the Group's head office.

As at 31 December 2021, the fair value of outstanding foreign exchange forward contracts was £nil (2020: £0.5m, included in current liabilities).

Interest rate risk

Interest rate risk is managed by either fixed and floating rate borrowings dependent upon the purpose and term of the financing.

As at 31 December 2021, approximately 99% (2020: 97%) of the Group's third-party borrowings were at floating interest rates.

Hedging currency risk and interest rate risk

The Group hedges currency risk and interest rate risk. Where hedging instruments are used to hedge significant individual transactions, the Group ensures that the critical terms, including dates, currencies, nominal amounts, interest rates and lengths of interest periods, are matched. The Group uses both qualitative and quantitative methods to confirm this and to assess the effectiveness of the hedge.

For currency hedging, the main source of hedge ineffectiveness is the relative movement of the forward points of the different currencies.

For interest rate hedging, the main sources of hedge ineffectiveness include changes in the US LIBOR rate and the movement in discount factors.

Credit risk

The Group's principal financial assets are trade and other receivables, bank and cash balances and a limited number of investments and derivatives held to hedge certain Group exposures. These represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular review of these ratings.

Customer credit risk is mitigated by the Group's relatively small average contract size and diversity, both geographically and in terms of end markets. No individual customer represented more than 3% of revenue in 2021. The ageing of trade receivables that were past due but not impaired is shown in note 19.

The Group evaluates each new customer and assesses their creditworthiness before any contract is undertaken.

The Group reviews customer receivables (including contract assets) on an ageing basis and provides against expected unrecoverable amounts. Experience has shown the level of historical provision required to be relatively low. Credit loss provisioning reflects past experience, economic factors and specific conditions.

Notes to the consolidated financial statements continued

25 Financial instruments continued

The Group's estimated exposure to credit risk for trade receivables and contract assets is disclosed in note 19. This amount is the accumulation of several years of provisions for known or expected credit losses. Consideration of future events is generally taken into account when deciding when and how much to provide for of the Group's trade receivables and contract assets.

Liquidity risk and capital management

The Group's capital structure is kept under constant review, taking into account the need for availability and cost of various sources of funding. The capital structure of the Group consists of net debt and equity as shown in the consolidated balance sheet. The Group maintains a balance between the certainty of funding and a flexible, cost-effective financing structure, with all main borrowings being from committed facilities. The Group's policy ensures that its capital structure is appropriate to support this balance and the Group's operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's debt and committed facilities mainly comprise a \$75m private placement repayable in December 2024 and a £375m syndicated revolving credit facility expiring in November 2025. These facilities are subject to certain covenants linked to the Group's financing structure, specifically regarding the ratios of net debt and interest to profit. The Group has complied with these covenants throughout the year.

At the year end, the Group also had other borrowing facilities available of £76.0m (2020: £385.3m). In 2020, facilities available included £300m available under the Bank of England Covid Corporate Financing Facility, which expired on 23 March 2021.

Private placements

In October and December 2014, \$50m and \$75m respectively was raised through a private placement with US institutions. The proceeds of the issue of \$50m Series A notes 3.81% due 2021 and \$75m Series B notes 4.17% due 2024 were used to refinance maturing private placements. In October 2021 the \$50m private placement was repaid, in line with the agreed terms. The US private placement notes are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting (as described below), and are retranslated at the exchange rate at each period end. The carrying value of the private placement liabilities at 31 December 2021 was £58.1m (2020: £97.3m).

Hedging

The 2014 \$50m and \$75m fixed rate private placement liabilities were swapped into floating rates by means of US dollar interest rate swaps (the '2014 swaps'). The 2014 swaps have the same maturity as the private placement liabilities and have been designated as fair value hedges. The objective is to protect against the Group's exposure to changes in the fair value of the US private placement debt and to protect related interest cash flows due to changes in US dollar interest rates.

The fair value of the 2014 swaps at 31 December 2021 was £2.6m (2020: £6.2m); of this amount £2.6m (2020: £5.4m) is included in other non-current assets. At 31 December 2020, £0.8m was included in trade and other receivables. The effective portion of the changes in the fair value of the 2014 swaps gave rise to a loss of £3.6m (2020: gain of £2.8m), which has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items. In October 2021, the interest rate swap hedging the tranche of the private placement liability repaid in the year was closed out in line with the agreed terms.

All hedges are tested for effectiveness every six months. All hedging relationships remained effective during the year.

Accounting classifications

	2021 £m	2020 £m
Financial assets measured at fair value through profit or loss		
Non-qualifying deferred compensation plan	20.6	18.3
Interest rate swaps	2.6	6.2
Financial assets measured at amortised cost		
Trade receivables	448.8	383.2
Contract assets	107.6	71.3
Cash and cash equivalents	82.7	66.3
Financial liabilities at fair value through profit or loss		
Forward exchange contracts	-	(0.5)
Contingent and deferred consideration	(12.7)	(3.0)
Financial liabilities measured at amortised cost		
Trade payables	(268.8)	(169.3)
Contract liabilities	(46.5)	(43.9)
Loans and borrowings	(200.6)	(185.0)

Effective interest rates and maturity analysis

In respect of financial liabilities, the following table indicates their effective interest rates and undiscounted contractual cash flows at the balance sheet date:

	2021					Total £m	Carrying amount as shown in the balance sheet £m
	Effective interest rate %	Due within 1 year £m	Due within 1–2 years £m	Due within 2–5 years £m	Due after more than 5 years £m		
Bank loans and overdrafts	1.0	1.5	0.4	139.3	0.1	141.3	141.8
Bonds and other loans	1.6	3.6	2.3	57.8	–	63.7	58.8
Lease liabilities	–	30.3	17.4	27.3	7.6	82.6	75.4
Contract liabilities	–	46.5	–	–	–	46.5	46.5
Trade payables	–	268.8	–	–	–	268.8	268.8
Contingent consideration	–	12.3	0.4	–	–	12.7	12.7
		363.0	20.5	224.4	7.7	615.6	604.0

	2020					Total £m	Carrying amount as shown in the balance sheet £m
	Effective interest rate %	Due within 1 year £m	Due within 1–2 years £m	Due within 2–5 years £m	Due after more than 5 years £m		
Bank loans and overdrafts	2.1	4.9	–	80.1	0.5	85.5	85.3
Bonds and other loans	1.6	40.6	4.5	59.3	–	104.4	99.7
Lease liabilities	–	27.4	18.7	24.7	11.1	81.9	73.8
Contract liabilities	–	43.9	–	–	–	43.9	43.9
Trade payables	–	169.2	–	–	–	169.3	169.3
Contingent consideration	–	0.8	2.2	–	–	3.0	3.0
		286.8	25.4	164.1	11.6	488.0	475.0

Loans and borrowings analysis

	2021 £m	2020 £m
\$75m private placement (due December 2024)	58.1	60.0
\$50m private placement (repaid October 2021)	–	37.3
£375m syndicated revolving credit facility (expiring November 2025)	138.5	78.3
Bank overdrafts	0.9	4.7
Other bank borrowings	2.4	2.3
Other loans	0.7	2.4
Lease liabilities (note 26)	75.4	73.8
Total loans and borrowings	276.0	258.8

The Group has substantial borrowing facilities available to it. The undrawn committed facilities available at 31 December 2021 amounted to £235.5m (2020: £313.2m). This mainly comprised the unutilised portion of the Group's £375m revolving credit facility, which expires on 23 November 2025. In addition, the Group had undrawn uncommitted borrowing facilities totalling £56.4m at 31 December 2021 (2020: £359.4m). In 2020 this included £300m available under the Bank of England Covid Corporate Financing Facility (CCFC) which expired 23 March 2021. No drawings were made on the CCFC. Other uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time. Facilities totalling £3.2m (2020: £4.0m) are secured against certain assets. Future obligations under finance leases on a former IAS 17 basis totalled £1.5m (2020: £2.2m), including interest of £0.1m (2020: £nil).

Notes to the consolidated financial statements continued

25 Financial instruments continued

Changes in loans and borrowings were as follows:

	2020 £m	Cash flows £m	Other ¹ £m	New leases £m	Acquisition of businesses £m	Foreign exchange movements £m	Fair value changes £m	2021 £m
Bank overdrafts	(4.7)	3.7	—	—	—	0.1	—	(0.9)
Bank loans	(80.6)	(59.0)	(1.2)	—	—	(0.1)	—	(140.9)
Other loans	(99.7)	37.2	0.6	—	—	(0.5)	3.6	(58.8)
Lease liabilities (note 26)	(73.8)	29.8	(7.1)	(23.4)	(1.4)	0.5	—	(75.4)
Total loans and borrowings	(258.8)	11.7	(7.7)	(23.4)	(1.4)	—	3.6	(276.0)
Derivative financial instruments	5.7	—	—	—	—	—	(3.1)	2.6

1 Other comprises disposals and contract modifications and interest accretion on lease liabilities.

Cash flow hedges

At 31 December 2021, the Group held no instruments to hedge exposures to changes in foreign currency rates. At 31 December 2020, the Group held the following instruments:

	2020						Change in fair value used for calculating hedge ineffectiveness €m	Nominal amount \$m
	Maturity				Carrying amount			
	<1 year €m	1~2 years €m	2~5 years €m	>5 years €m	Asset €m	Liability¹ €m		
Forward exchange contracts	(0.5)	—	—	—	—	(0.5)	—	25.0

1 Included within other liabilities

Fair value hedges

The Group held the following instruments to hedge exposures to changes in interest rates:

	2021						Change in fair value used for calculating hedge ineffectiveness £m	Nominal ² amount \$m
	Maturity				Carrying amount			
	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m	Asset ¹ £m	Liability £m		
Interest rate swaps	–	–	2.6	–	2.6	–	–	9.4

	2020						Change in fair value used for calculating hedge ineffectiveness £m	Nominal ² amount \$m
	Maturity				Carrying amount			
	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m	Asset ¹ £m	Liability £m		
Interest rate swaps	0.8	–	5.4	–	6.2	–	–	14.4

1 Included within other assets.

2 The average fixed interest rate is 4.0%.

The Group had the following hedged items relating to the above instruments:

	2021			2020		
	Carrying ¹ amount liability £m	Change in fair value used for calculating hedge ineffectiveness £m	Hedge ² ineffectiveness in profit or loss £m	Carrying ¹ amount liability £m	Change in fair value used for calculating hedge ineffectiveness £m	Hedge ² ineffectiveness in profit or loss £m
\$75m private placements (2020: \$125m)	(58.1)	—	—	(97.3)	—	—
Fair value hedge adjustments	3.6	—	—	2.8	—	—

1 Included within loans and borrowings

2 Included in operating profit for the year

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments; being derivatives, interest-bearing loans and borrowings, contingent and deferred consideration and payables, receivables and construction assets.

Derivatives

The fair values of interest rate and cross-currency swaps are calculated based on expected future principal and interest cash flows, discounted using market rates prevailing at the balance sheet date. The valuation methods of all of the Group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 assets are financial assets and liabilities that do not have regular market pricing, but whose fair value can be determined based on other data values or market prices.

Interest-bearing loans and borrowings

Fair value is calculated based on expected future principal and interest cash flows discounted using appropriate discount rates prevailing at the balance sheet date.

Contingent and deferred consideration

Fair value is calculated based on the amounts expected to be paid, determined by reference to forecasts of future performance of the acquired businesses, discounted using appropriate discount rates prevailing at the balance sheet date and the probability of contingent events and targets being achieved.

The valuation methods of the Group's contingent consideration carried at fair value are categorised as Level 3. Level 3 assets are financial assets and liabilities that are considered to be the most illiquid. Their values have been estimated using available management information including subjective assumptions.

There are no individually significant unobservable inputs used in the fair value measurement of the Group's contingent consideration as at 31 December 2021.

The following table shows a reconciliation from the opening to closing balances for contingent and deferred consideration.

	2021 €m	2020 €m
At 1 January	3.0	2.4
Acquisition of businesses (note 5)	8.8	–
Additional amounts provided (note 8)	1.3	0.8
Paid during the period	(0.4)	–
Released during the period	(0.1)	–
Exchange movements	0.1	(0.2)
At 31 December	12.7	3.0

During the year, the Group acquired RECON Services Inc. Contingent consideration is payable in respect of certain contract awards; the total fair value of the contingent consideration at 31 December 2021 is €8.0m. This amount has been agreed in with the vendor (refer to note 34). The Group also acquired Voges Drilling. Deferred consideration of €0.8m is to be paid over a three-year period. Refer to note 5 for further details.

Additional contingent consideration payable of €1.3m relates to the acquisition of the Geo Construction Group (Bencor) in 2015, following the finalisation of items referenced in the sale and purchase agreement. This now reflects the maximum value payable under the sale and purchase agreement.

Contingent consideration was paid during the period of €0.4m in respect of the Geo Instruments acquisition in 2017, with an additional €0.1m released in the period. In the prior period, an additional €0.8m was provided.

At 31 December 2021, contingent consideration of €11.9m (2020: €2.4m) is payable between one and two years (2020: €0.8m for Geo Instruments payable in one year).

At 31 December 2021, €0.4m deferred consideration, in respect of Voges Drilling, is payable in one year and €0.4m is payable between one and two years.

The fair value measurement of the contingent consideration could be affected if the forecast financial performance is different to that estimated. A better than estimated performance may increase the value of the contingent consideration payable.

Payables, receivables and contract assets

For payables, receivables and contract assets with an expected maturity of one year or less, the carrying amount is deemed to reflect the fair value.

Notes to the consolidated financial statements continued

25 Financial instruments continued

Interest rate and currency profile

The profile of the Group's financial assets and financial liabilities after taking account of the impact of hedging instruments was as follows:

	2021					Total
	GBP	USD	EUR	CAD	Other ¹	
Weighted average fixed debt interest rate (%)	–	–	1.5	–	6.1	–
Weighted average fixed debt period (years)	–	–	4.1	–	0.3	–
	£m	£m	£m	£m	£m	£m
Fixed rate financial liabilities	–	–	(1.7)	–	(1.3)	(3.0)
Floating rate financial liabilities	(63.3)	(111.8)	(0.1)	–	(22.4)	(197.6)
Lease liabilities	(3.5)	(45.1)	(12.7)	(3.2)	(10.9)	(75.4)
Financial assets	4.3	14.7	6.9	8.4	48.4	82.7
Net debt	(62.5)	(142.2)	(7.6)	5.2	13.8	(193.3)
	£m	£m	£m	£m	£m	£m
	GBP	USD	EUR	CAD	Other ¹	Total
Weighted average fixed debt interest rate (%)	–	–	1.3	–	8.4	–
Weighted average fixed debt period (years)	–	–	4.6	–	1.4	–
	£m	£m	£m	£m	£m	£m
Fixed rate financial liabilities	–	–	(2.6)	–	(2.1)	(4.7)
Floating rate financial liabilities	(43.5)	(97.3)	(12.3)	(5.2)	(22.0)	(180.3)
Lease liabilities	(1.2)	(46.4)	(12.2)	(3.5)	(10.5)	(73.8)
Financial assets	3.7	9.7	10.1	1.8	41.0	66.3
Net debt	(41.0)	(134.0)	(17.0)	(6.9)	6.4	(192.5)

1 Included within other floating rate financial liabilities are AUD revolver loans of £21.5m (2020: £5.8m). Included within other financial assets are AUD cash balances of £4.1m (2020: £1.5m), ZAR cash balances of £5.6m (2020: £4.4m) and SGD cash balances of £4.3m (2020: £2.3m).

Sensitivity analysis

At 31 December 2021, it is estimated that a general movement of one percentage point in interest rates would increase or decrease the Group's profit before taxation by approximately £1.2m (2020: £1.1m).

It is estimated that a general increase of 10 percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation and non-underlying items by approximately £5.0m for the year ended 31 December 2021 (2020: £12.0m). The estimated impact of a 10 percentage point decrease in the value of sterling is an increase of £6.1m (2020: £14.6m) in the Group's profit before taxation and non-underlying items. This sensitivity relates to the impact of retranslation of foreign earnings only. The impact on the Group's earnings of currency transaction exchange risk is not significant. These sensitivities assume all other factors remain constant.

26 Lease liabilities

Set out below are the carrying amounts of lease liabilities (included within note 25 within loans and borrowings) and the movements during the year:

	2021 £m	2020 £m
At 1 January	73.8	78.4
Additions	24.8	22.5
Contract modifications	4.0	0.3
Interest expense	3.1	3.8
Payments	(29.8)	(30.2)
Exchange movements	(0.5)	(1.0)
At 31 December	75.4	73.8

27 Share capital and reserves

	2021 £m	2020 £m
Allotted, called up and fully paid equity share capital:		
73,099,735 ordinary shares of 10p each (2020: 73,099,735)	7.3	7.3

The company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares.

The capital redemption reserve of £7.6m is a non-distributable reserve created when the company's shares were redeemed or purchased other than from the proceeds of a fresh issue of shares.

The other reserve of £56.9m is a non-distributable reserve created when merger relief was applied to an issue of shares under section 612 of the Companies Act 2006 to part-fund the acquisition of Keller Canada. The reserve becomes distributable should Keller Canada be disposed of.

As at 31 December 2021, the total number of shares held in treasury was 777,917 (2020: 889,733).

During the year to 31 December 2021, 417,240 ordinary shares were purchased by the Keller Group Employee Benefit Trust (2020: nil), to be used to satisfy future obligations of the company under the Keller Group plc Long Term Incentive Plan. The cost of the market purchases was £3.7m (2020: £nil).

There is a dividend waiver in place for both shares held in treasury and by the Keller Group Employee Benefit Trust.

28 Related party transactions

Transactions between the parent, its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation. Other related party transactions are disclosed below:

Compensation of key management personnel

The remuneration of the Board and Executive Committee, who are the key management personnel, comprised:

	2021 £m	2020 £m
Short-term employee benefits	8.2	8.3
Post-employment benefits	0.3	0.4
Termination payments	0.4	0.4
	8.9	9.1

Other related party transactions

As at the year end there was a net balance of £0.1m owed by (2020: £0.1m owed by) the joint venture. These amounts are unsecured, have no fixed date of repayment and are repayable on demand.

29 Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £7.2m (2020: £7.5m) and relates to property, plant and equipment purchases.

Notes to the consolidated financial statements continued

30 Guarantees, contingent liabilities and contingent assets

Claims against the Group arise in the normal course of business, some of which lead to litigation or arbitration procedures. Such claims are predominantly covered by the Group's insurance arrangements. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

The company and certain of its subsidiary undertakings have entered into a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other Group companies. At 31 December 2021, the Group had outstanding standby letters of credit and surety bonds for the Group's captive insurance arrangements totalling £26.5m (2020: £25.4m). The Group enters into performance and advance payment bonds and other undertakings in the ordinary course of business. At 31 December 2021, the Group had £138.3m outstanding related to performance and advanced payment bonds (2020: £154.0m). These are treated as a contingent liability until such time it becomes probable that payment will be required under the individual terms of each agreement.

The company has provided a guarantee of certain subsidiaries' liabilities to take the exemption from having to prepare individual accounts under section 394A and section 394C of the Companies Act 2006 and exemption from having their financial statements audited under sections 479A to 479C of the Companies Act 2006. These are listed in note 9 of the company accounts.

At 31 December 2021, the Group had no contingent assets (2020: £nil).

31 Share-based payments

The Group operates a Long Term Incentive Plan (the 'Plan').

Outstanding awards are as follows:

	Number
Outstanding at 1 January 2020	2,090,277
Granted during 2020	788,062
Lapsed during 2020	(662,030)
Exercised during 2020	(152,899)
Outstanding at 31 December 2020 and 1 January 2021	2,063,410
Granted during 2021	805,367
Lapsed during 2021	(782,525)
Exercised during 2021	(111,816)
Outstanding at 31 December 2021	1,974,436
Exercisable at 1 January 2020	–
Exercisable at 31 December 2020 and 1 January 2021	–
Exercisable at 31 December 2021	–

The average share price during the year was 865.1p (2020: 651.0p).

Under IFRS 2, the fair value of services received in return for share awards granted is measured by reference to the fair value of share options granted. The estimate of the fair value of share awards granted is measured based on a stochastic model. The contractual life of the award is used as an input into this model, with expectations of early exercise being incorporated into the model.

The inputs into the stochastic model are as follows:

	2021	2020
Share price at grant	856.0p	720.0p
Weighted average exercise price	0.0p	0.0p
Expected volatility	47.3%	39.1%
Expected life	3 years	3 years
Risk-free rate	0.14%	0.11%
Expected dividend yield	0.00%	0.00%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years, adjusted for any expected changes to future volatility due to publicly available information.

The Group recognised total expenses (included in operating costs) of €3.9m (2020: €2.4m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 827.6p (2020: 695.5p).

The awards, which are taken as shares, are intended to be satisfied from shares held under the Keller Group Employee Benefit Trust (the 'Trust') or from treasury shares held. The shares held by the Trust are accounted for as a deduction from equity in retained earnings. At 31 December 2021, 417,240 ordinary shares were held by the Trust with a value of €3.7m. These shares were purchased during the year. At 31 December 2020, no shares were held in the Trust.

32 Retirement benefit liabilities

The Group operates pension schemes in the UK and overseas.

In the UK, the Group operates the Keller Group Pension Scheme (the 'Scheme'), a defined benefit scheme, which has been closed to new members since 1999 and was closed to all future benefit accrual with effect from 31 March 2006. Under the Scheme, employees are normally entitled to retirement benefits on attainment of a retirement age of 65. The Scheme is subject to UK pensions legislation which, inter alia, provides for the regulation of work-based pension schemes by The Pensions Regulator. The trustees are aware of and adhere to the Codes of Practice issued by The Pensions Regulator. The Scheme trustees currently comprise one member-nominated trustee and two employer-nominated trustees. An employer-nominated trustee is also the Chair of the trustees. The Scheme exposes the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk, which are managed through the investment strategy to acceptable levels established by the trustees. The Scheme can invest in a wide range of asset classes including equities, bonds, cash, property, alternatives (including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives) and annuity policies. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risk in the portfolio or for the purposes of efficient portfolio management. With effect from the most recent actuarial valuation date (5 April 2020), the Group has agreed to pay annual contributions of £2.7m, to increase by 3.6% per annum, until 5 August 2024, subject to a review of the level of employer contributions at the next actuarial review in 2023.

Between 1990 and 1997, the Scheme members accrued a Guaranteed Minimum Pension (GMP). This amount differed between men and women in accordance with the rules which were applicable at that time. On 26 October 2018, there was a court judgement (in the case of *Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC*) that confirmed that GMP is to be made equal for men and women. In 2018, the estimated increase in the Scheme's liabilities was £1.3m, which was recognised as a past service cost in 2018 as a charge to non-underlying items. On 20 November 2020, there was an updated judgement requiring an allowance to be made for past transfers. The estimated increase in the Scheme's liability in respect of this is less than £0.1m. These estimates remain appropriate for 2021. The actual cost may differ when the GMP equalisation exercise is complete.

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2021 (2020: £nil). The total UK defined contribution pension charge for the year was £1.4m (2020: £1.2m).

The Group has defined benefit retirement obligations in Germany and Austria. Under these schemes, employees are entitled to retirement benefits on attainment of a retirement age of 65, provided they have either five or ten years of employment with the Group, depending on the area or field they are working in. The amount of benefit payable depends on the grade of the employee and the number of years of service. Benefits under these schemes only apply to employees who joined the Group prior to 1997. These defined benefit retirement obligations are funded on the Group's balance sheet and obligations are met as and when required by the Group.

Notes to the consolidated financial statements continued

32 Retirement benefit liabilities continued

The Group has a number of end of service schemes in the Middle East as required by local laws and regulations. The amount of benefit payable depends on the current salary of the employee and the number of years of service. These retirement obligations are funded on the Group's balance sheet and obligations are met as and when required by the Group.

The Group operates a defined contribution scheme for employees in North America, where the Group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total North America pension charge for the year was €6.4m (2020: €5.9m).

In Australia, there is a defined contribution scheme where the Group is required to ensure that a prescribed level of superannuation support of an employee's notional base earnings is made. This prescribed level of support is currently 10.0% (2020: 9.5%). The total Australian pension charge for the year was €3.8m (2020: €3.1m).

Details of the Group's defined benefit schemes are as follows:

	The Keller Group Pension Scheme (UK) 2021 £m	The Keller Group Pension Scheme (UK) 2020 £m	German¹, Austrian and other schemes 2021 £m	German¹, Austrian and other schemes 2020 £m
Present value of the scheme liabilities	(58.3)	(65.0)	(18.9)	(21.9)
Fair value of assets	63.7	58.0	–	–
Surplus/(deficit) in the scheme	5.4	(7.0)	(18.9)	(21.9)
Irrecoverable surplus	(12.2)	(2.2)	–	–
Net defined benefit liability	(6.8)	(9.2)	(18.9)	(21.9)

1 Included in this balance is €3.0m (2020: £2.9m) in relation to the end of service schemes in the Middle East.

For the Keller Group Pension Scheme, based on the net deficit of the Scheme as at 31 December 2021 and the committed payments under the Schedule of Contributions agreed on 17 November 2020, there is a notional surplus of £12.2m (2020: £2.2m). Management is of the view that, based on the Scheme rules, it does not have an unconditional right to a refund of a surplus under IFRIC 14, and therefore an additional balance sheet liability in respect of a 'minimum funding requirement' has been recognised. The minimum funding requirement is calculated using the agreed contributions of £2.7m a year with effect from 1 January 2021, increasing by 3.6% per annum on 1 January going forward to 5 August 2024. The contributions will be reviewed following the next actuarial review to be prepared as at 5 April 2023.

The value of the Scheme liabilities has been determined by the actuary using the following assumptions:

	The Keller Group Pension Scheme (UK) 2021 %	The Keller Group Pension Scheme (UK) 2020 %	German and Austrian schemes 2021 %	German and Austrian schemes 2020 %
Discount rate	2.0	1.2	0.8	0.3
Interest on assets	2.0	1.2	–	–
Rate of increase in pensions in payment	3.5	3.4	2.0	2.0
Rate of increase in pensions in deferment	2.9	2.7	3.2	1.6
Rate of inflation	3.5	3.3	3.2	1.6

The mortality rate assumptions are based on published statistics. The average remaining life expectancy, in years, of a pensioner retiring at the age of 65 at the balance sheet date is:

	The Keller Group Pension Scheme (UK) 2021	The Keller Group Pension Scheme (UK) 2020	German and Austrian schemes 2021	German and Austrian schemes 2020
Male currently aged 65	21.0	20.9	19.5	19.4
Female currently aged 65	23.3	23.3	22.8	22.8

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) 2021 £m	The Keller Group Pension Scheme (UK) 2020 £m	German, Austrian and other schemes 2021 £m	German, Austrian and other schemes 2020 £m
Equities	16.8	17.5	—	—
Target return funds ¹	8.1	14.5	—	—
Gilts	—	10.1	—	—
Bonds	19.7	10.0	—	—
Liability driven investing (LDI) portfolios ²	15.9	—	—	—
Cash	3.2	0.1	—	—
	63.7	52.2	—	—

1 A diversified growth fund split between mainly UK listed equities, bonds and alternative investments which are capped at 20% of the total fund

2 A portfolio of gilt and swap contracts, backed by investment-grade credit instruments, that is designed to hedge the majority of the interest rate and inflation risks associated with the Schemes' obligations

Notes to the consolidated financial statements continued

32 Retirement benefit liabilities continued

	The Keller Group Pension Scheme (UK) 2021 £m	The Keller Group Pension Scheme (UK) 2020 £m	German ¹ , Austrian and other schemes 2021 £m	German ¹ , Austrian and other schemes 2020 £m
Changes in scheme liabilities				
Opening balance	(65.0)	(60.4)	(21.9)	(20.7)
Current service cost	–	–	(0.6)	(0.7)
Interest cost	(0.8)	(1.2)	(0.1)	(0.1)
Benefits paid	2.1	3.7	1.5	1.2
Exchange movements	–	–	1.0	(0.8)
Experience loss on defined benefit obligation	–	(0.4)	–	–
Changes to demographic assumptions	(0.6)	2.7	–	–
Changes to financial assumptions	6.0	(9.4)	1.2	(0.8)
Closing balance	(58.3)	(65.0)	(18.9)	(21.9)
Changes in scheme assets				
Opening balance	58.0	52.2	–	–
Interest on assets	0.7	1.0	–	–
Administration costs	(0.2)	(0.2)	–	–
Employer contributions	2.7	2.6	–	–
Benefits paid	(2.1)	(3.7)	–	–
Return on plan assets less interest	4.6	6.1	–	–
Closing balance	63.7	58.0	–	–
Actual return on scheme assets	5.3	7.1	–	–
Statement of comprehensive income				
Return on plan assets less interest	4.6	6.1	–	–
Experience loss on defined benefit obligation	–	(0.4)	–	–
Changes to demographic assumptions	(0.6)	2.7	–	–
Changes to financial assumptions	6.0	(9.4)	1.2	(0.8)
Change in irrecoverable surplus	(10.0)	(0.4)	–	–
Remeasurements of defined benefit plans	–	(1.4)	1.2	(0.8)
Cumulative remeasurements of defined benefit plans	(25.6)	(25.6)	(9.2)	(10.4)
Expense recognised in the income statement				
Current service cost	–	–	0.6	0.7
Administration costs	0.2	0.2	–	–
Operating costs	0.2	0.2	0.6	0.7
Net pension interest cost	0.1	0.2	0.1	0.1
Expense recognised in the income statement	0.3	0.4	0.7	0.8
Movements in the balance sheet liability				
Net liability at start of year	9.2	10.0	21.9	20.7
Expense recognised in the income statement	0.3	0.4	0.7	0.8
Employer contributions	(2.7)	(2.6)	–	–
Benefits paid	–	–	(1.5)	(1.2)
Exchange movements	–	–	(1.0)	0.8
Remeasurements of defined benefit plans	–	1.4	(1.2)	0.8
Net liability at end of year	6.8	9.2	18.9	21.9

1 Other comprises end of service schemes in the Middle East of €3.0m (2020: €2.9m).

A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £1.1m, whilst a reduction in the inflation assumption of 0.1%, including its impact on the revaluation in deferment and pension increases in payment, would decrease the deficit by £0.7m. A decrease in the mortality rate by one year would decrease the deficit in the schemes by £1.4m. Note that these sensitivities do not include end of service schemes in the Middle

The weighted average duration of the defined benefit obligation is approximately 17 years for the UK scheme and 11 years for the German and Austrian schemes. The history of experience adjustments on scheme assets and liabilities for all the Group's defined benefit pension schemes, including the end of service schemes in the Middle East, are as follows:

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Present value of defined benefit obligation	(77.2)	(86.9)	(81.1)	(71.7)	(75.3)
Fair value of scheme assets	63.7	58.0	52.2	45.2	46.1
Deficit in the schemes	(13.5)	(28.9)	(28.9)	(26.5)	(29.2)
Irrecoverable surplus	(12.2)	(2.2)	(1.8)	(1.4)	–
Net defined benefit liability	(25.7)	(31.1)	(30.7)	(27.9)	(29.2)
Experience adjustments on scheme liabilities	6.6	(7.9)	(8.2)	3.7	(1.8)
Experience adjustments on scheme assets	4.6	6.1	5.4	(1.5)	3.2

33 Non-controlling interests

Financial information of subsidiaries that have a material non-controlling interest is provided below:

Name	Country of incorporation	2021	2020
Keller Fondations Speciales SPA	Algeria	49%	49%
Keller Turki Company Limited	Saudi Arabia	35%	35%

Please refer to note 9 of the company accounts for the registered addresses.

Loss attributable to non-controlling interests:

	2021 £m	2020 £m
Keller Fondations Speciales SPA	(0.5)	(0.6)
Keller Turki Company Limited	(0.3)	(1.0)
Other interests	(0.1)	0.2
	(0.9)	(1.4)

Share of net assets of non-controlling interests:

	2021 £m	2020 £m
Keller Fondations Speciales SPA	2.9	3.5
Keller Turki Company Limited	(0.3)	0.1
Other interests	0.2	0.1
	2.8	3.7

Notes to the consolidated financial statements continued

33 Non-controlling interests continued

Aggregate amounts relating to material non-controlling interests:

	2021 €m		2020 €m	
	Keller Fondations Speciales SPA	Keller Turki Company Limited	Keller Fondations Speciales SPA	Keller Turki Company Limited
Revenue	0.9	4.2	0.8	1.5
Operating costs	(1.2)	(4.5)	(1.4)	(2.5)
Operating loss	(0.3)	(0.3)	(0.6)	(1.0)
Finance costs	–	–	–	–
Loss before taxation	(0.3)	(0.3)	(0.6)	(1.0)
Taxation	(0.2)	–	–	–
Loss attributable to non-controlling interests	(0.5)	(0.3)	(0.6)	(1.0)

	2021 €m		2020 €m	
	Keller Fondations Speciales SPA	Keller Turki Company Limited	Keller Fondations Speciales SPA	Keller Turki Company Limited
Non-current assets	0.9	0.7	1.2	0.9
Current assets	2.8	2.4	4.0	1.0
Current liabilities	(0.8)	(2.8)	(1.7)	(1.1)
Non-current liabilities	–	(0.6)	–	(0.7)
Share of net assets/(liabilities)	2.9	(0.3)	3.5	0.1

34 Post balance sheet events

On 15 February 2022, an agreement was reached with the vendor of RECON Services Inc. to finalise the amount of contingent consideration payable in respect of the acquisition made in July 2021. A final settlement amount of £8.7m (US\$11.7m) was agreed in respect of the remaining contingent consideration payable and other liabilities arising from the sale and purchase agreement. This represents a non-adjusting post balance sheet event under IFRS. The change in fair value of the contingent consideration between the 31 December 2021 balance sheet date and the agreement reached on 15 February will be reflected in the income statement for the period ending 31 December 2022.

Company balance sheet

As at 31 December 2021

	Note	2021 £m	2020 £m
Assets			
Investments	2	513.9	513.9
Deferred tax assets		0.3	0.6
Other assets	3	2.8	5.4
Non-current assets		517.0	519.9
Amounts owed by subsidiary undertakings:			
– Amounts falling due within one year		0.2	0.5
– Amounts falling due after one year		55.6	130.5
Current tax assets		3.6	–
Trade and other debtors	4	0.8	1.1
Cash and bank balances		10.9	0.8
Current assets		71.1	132.9
Liabilities			
Bank and other loans		–	(37.3)
Trade and other creditors	5	(10.5)	(8.5)
Amounts owed to subsidiary undertakings		(0.4)	(0.3)
Creditors: amounts falling due within one year		(10.9)	(46.1)
Net current assets		60.2	86.8
Total assets less current liabilities		577.2	606.7
Bank and other loans		(56.4)	(72.2)
Amounts owed to subsidiary undertakings		(44.2)	(45.6)
Other creditors	6	(6.2)	(5.4)
Pension liabilities	8	(0.8)	(1.1)
Creditors: amounts falling due after one year		(107.6)	(124.3)
Net assets		469.6	482.4
Capital and reserves			
Called up share capital		7.3	7.3
Share premium account		38.1	38.1
Capital redemption reserve		7.6	7.6
Other reserve		56.9	56.9
Retained earnings		359.7	372.5
Shareholders' funds		469.6	482.4

The company's profit for the year was £12.9m (2020: £13.8m).

These financial statements were approved by the Board of Directors and authorised for issue on 7 March 2022.

They were signed on its behalf by:


Michael Speakman
 Chief Executive Officer


David Burke
 Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December 2021

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 January 2020	7.3	38.1	7.6	56.9	~	382.6	492.5
Profit for the year	~	~	~	~	~	13.8	13.8
Cash flow gains taken to equity	~	~	~	~	0.5	~	0.5
Cash flow hedge transferred to income statement	~	~	~	~	(0.5)	~	(0.5)
Remeasurement of defined benefit pension schemes	~	~	~	~	~	(0.1)	(0.1)
Total comprehensive income for the year	~	~	~	~	~	13.7	13.7
Dividends	~	~	~	~	~	(25.9)	(25.9)
Share-based payments	~	~	~	~	~	2.1	2.1
At 31 December 2020 and 1 January 2021	7.3	38.1	7.6	56.9	~	372.5	482.4
Profit for the year	~	~	~	~	~	12.9	12.9
Remeasurement of defined benefit pension schemes	~	~	~	~	~	~	~
Total comprehensive income for the year	~	~	~	~	~	12.9	12.9
Dividends	~	~	~	~	~	(25.9)	(25.9)
Purchase of own shares for ESOP trust	~	~	~	~	~	(3.7)	(3.7)
Share-based payments	~	~	~	~	~	3.9	3.9
At 31 December 2021	7.3	38.1	7.6	56.9	~	359.7	469.6

Details of the capital redemption reserve and the other reserve are included in note 27 of the consolidated financial statements.

Details of the shares held by the Keller Group Employee Benefit Trust and the share-based payment scheme are included in note 31 to the consolidated financial statements.

Of the retained earnings, an amount of £236.8m (2020: £236.8m) attributable to profits arising on an intra-group reorganisation is not distributable.

Notes to the company financial statements

1 Principal accounting policies

Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 2006 (the 'Act'). The company meets the definition of a qualifying entity under FRS 100 ('Financial Reporting Standard 100') issued by the Financial Reporting Council and reports under FRS 101.

Except as noted below, the company's accounting policies are consistent with those described in the consolidated financial statements of Keller Group plc. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, related party transactions and comparative information. Where required, equivalent disclosures are given in the consolidated financial statements. In addition, disclosures in relation to share capital (note 27) and dividends (note 12) have not been repeated here as there are no differences to those provided in the consolidated financial statements.

These company financial statements have been prepared on the going concern basis and under the historical cost convention. The financial statements are presented in pounds sterling, which is the company's functional currency, and all values are rounded to the nearest hundred thousand, expressed in millions to one decimal point, except when otherwise indicated.

Profit of the parent company

The company has taken advantage of section 408 of the Act and consequently the statement of comprehensive income (including the profit and loss account) of the parent company is not presented as part of these accounts. The profit after tax of the parent company for the financial year amounted to £12.9m (2020: £13.8m).

Amounts owed by subsidiary undertakings

The company holds inter-company loans with subsidiary undertakings with repayment dates being a mixture of repayable on demand or repayable on a fixed contractual date. These inter-company loans are disclosed on the face of the balance sheet. None are past due nor impaired. The carrying value of these loans approximates their fair value. The expected credit loss on these loans with subsidiary undertakings is expected to be immaterial, both on initial recognition and subsequently.

Financial instruments

Details of the company's risk management processes and hedge accounting are included in the disclosures in note 25 to the consolidated financial statements.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Audit fees

The company has taken the exemption granted under SI 2008/489 not to disclose non-audit fees paid to its auditors as these are disclosed in the consolidated financial statements.

Employees

The company has no employees other than the Directors. The remuneration of the Executive Directors is disclosed in the audited section of the Remuneration policy report on pages 102 to 111. Fees payable to Non-executive Directors totalled £0.5m (2020: £0.5m).

2 Investments

	2021 £m	2020 £m
Shares at cost		
At 1 January	513.9	513.9
Allowances for impairment	—	—
At 31 December	513.9	513.9

The company's investments are included in note 9.

Notes to the company financial statements continued

3 Other assets

	2021 €m	2020 €m
Fair value of derivative financial instruments	2.6	5.4
Other assets	0.2	–
	2.8	5.4

4 Trade and other debtors

	2021 €m	2020 €m
Other receivables	0.2	0.2
Prepayments	0.6	0.1
Fair value of derivative financial instruments	–	0.8
	0.8	1.1

5 Trade and other creditors

	2021 €m	2020 €m
Trade creditors and accruals	10.5	8.3
Accrued interest	–	0.2
	10.5	8.5

6 Other creditors

	2021 €m	2020 €m
Other creditors	6.2	5.4
	6.2	5.4

7 Contingent liabilities

The company and certain of its subsidiary undertakings have entered a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other Group companies. At 31 December 2021, the company's liability in respect of the guarantees against bank borrowings amounted to €140.2m (2020: €70.4m). In addition, outstanding standby letters of credit and surety bonds for the Group's captive insurance arrangements totalled €26.5m (2020: €25.4m).

In addition, as set out in note 9, the company has provided a guarantee of certain subsidiaries' liabilities to take the exemption from having to prepare individual accounts under section 394A and section 394C of the Companies Act 2006 and exemption from having their financial statements audited under sections 479A to 479C of the Companies Act 2006.

8 Pension liabilities

In the UK, the company participates in the Keller Group Pension Scheme (the 'Scheme'), a defined benefit scheme, details of which are given in note 32 to the consolidated financial statements. The company's share of the present value of the assets of the Scheme at the date of the last actuarial valuation on 5 April 2020 was £7.0m and the actuarial valuation showed a funding level of 77%.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the Scheme, are given in note 32 to the consolidated financial statements. The policy for determining the allocation of each participating company's pension liability is based on where each Scheme member was employed.

In respect of Guaranteed Minimum Pension the estimated increase in the Scheme's liabilities was £0.2m. This was recognised as a past service cost in 2018. An allowance has been made for an irrecoverable surplus of £1.7m (2020: £0.2m), representing the company's allocation as a result of the Group not having an unconditional right to refund of a surplus under IFRIC 14. These items are explained further in note 32 of the consolidated financial statements.

Details of the company's share of the Scheme are as follows:

	2021 £m	2020 £m
Present value of the scheme liabilities	(8.1)	(9.1)
Present value of assets	9.0	8.2
Surplus/(deficit) in the scheme	0.9	(0.9)
Irrecoverable surplus	(1.7)	(0.2)
Net defined benefit liability	(0.8)	(1.1)

The assets of the Scheme were as follows:

	2021 £m	2020 £m
Equities	2.5	2.7
Target return funds ¹	1.1	2.2
Gilts	–	1.6
Bonds	2.8	1.6
Liability driven investing (LDI) portfolios ²	2.2	–
Cash	0.4	0.1
	9.0	8.2

¹ A diversified growth fund split between mainly UK listed equities, bonds and alternative investments which are capped at 20% of the total fund.

² A portfolio of gilt and swap contracts, backed by investment-grade credit instruments, that is designed to hedge the majority of the interest rate and inflation risks associated with the Schemes' obligations.

Notes to the company financial statements continued

8 Pension liabilities continued

	2021 £m	2020 £m
Changes in scheme liabilities		
Opening balance	(9.1)	(9.0)
Interest cost	(0.1)	(0.1)
Benefits paid	0.3	0.5
Experience loss on defined benefit obligation	–	(0.1)
Changes to demographic assumptions	(0.1)	1.0
Changes to financial assumptions	0.9	(1.4)
Closing balance	(8.1)	(9.1)
Changes in scheme assets		
Opening balance	8.2	7.9
Interest on assets	0.1	0.1
Employer contributions	0.3	0.4
Benefits paid	(0.3)	(0.5)
Return on plan assets less interest	0.7	0.3
Closing balance	9.0	8.2
Actual return on scheme assets	0.8	0.4
Statement of comprehensive income		
Return on plan assets less interest	0.7	0.3
Experience loss on defined benefit obligation	–	(0.1)
Changes to demographic assumptions	(0.1)	1.0
Changes to financial assumptions	0.9	(1.4)
Change in irrecoverable surplus	(1.5)	0.1
Remeasurements of defined benefit plans	–	(0.1)
Cumulative remeasurements of defined benefit plans	(3.5)	(3.5)
Expense recognised in the income statement		
Net pension interest costs	–	–
Expense recognised in the income statement	–	–
Movements in the balance sheet liability		
Net liability at start of year	1.1	1.4
Expense recognised in the income statement	–	–
Employer contributions	(0.3)	(0.4)
Remeasurements of defined benefit plans	–	0.1
Net liability at end of year	0.8	1.1

The contributions expected to be paid during 2022 are £0.4m.

The history of experience adjustments on scheme assets and liabilities is as follows:

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Present value of defined benefit obligations	(8.1)	(9.1)	(9.0)	(8.3)	(9.0)
Fair value of scheme assets	9.0	8.2	7.9	6.8	7.0
Surplus/(deficit) in the scheme	0.9	(0.9)	(1.1)	(1.5)	(2.0)
Irrecoverable surplus	(1.7)	(0.2)	(0.3)	(0.2)	–
Net defined benefit liability	(0.8)	(1.1)	(1.4)	(1.7)	(2.0)
Experience adjustments on scheme liabilities	0.8	(0.4)	(0.8)	0.7	(0.5)
Experience adjustments on scheme assets	0.7	0.3	0.8	(0.4)	0.6

The company contributes to a defined contribution scheme; there were no contributions outstanding in respect of the scheme at 31 December 2021

9 Group companies

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries and joint ventures as at 31 December 2021 is disclosed below. Unless otherwise stated, each of the subsidiary undertakings is wholly owned through ordinary shares by intermediate subsidiary undertakings.

All of the subsidiary undertakings are included within the consolidated financial statements.

All trading companies are engaged in the principal activities of the Group, as defined in the Directors' report.

Name	Address
A.C.N. 000 120 936 Pty Ltd	Suite G01, 2–4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
A.C.N. 000 842 240 Pty Ltd	Suite G01, 2–4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
A.C.N. 001 252 875 Pty Ltd	Suite G01, 2–4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
A.C.N. 006 103 135 Pty Ltd	Suite G01, 2–4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
A.C.N. 008 673 167 Pty Ltd	Suite G01, 2–4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
A.C.N. 099 793 852 Pty Ltd	Suite G01, 2–4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Accrete Industrial Flooring Limited	2 Kingdom Street, London, W2 6BD, United Kingdom
Accrete Limited	2 Kingdom Street, London, W2 6BD, United Kingdom
Ansah Asia Sdn Bhd	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia
Austral Construction Pty Ltd	112–126 Hallam Valley Road, Dandenong, VIC, 3175, Australia
Austral Group Holdings Pty Ltd	112–126 Hallam Valley Road, Dandenong, VIC, 3175, Australia
Austral Investors Pty Ltd	112–126 Hallam Valley Road, Dandenong, VIC, 3175, Australia
Austral Plant Services Pty Ltd	112–126 Hallam Valley Road, Dandenong, VIC, 3175, Australia
Capital Insurance Limited ¹	1st Floor Goldie House, 1–4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle of Man
Case Foundation Company	The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, MD, 21201, United States
Cyntech Construction Ltd.	4529, Melrose Street, Port Alberni, BC, V9Y 1K7, Canada
Fondedile Foundations UK Ltd	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Frankpile Botswana (Pty) Limited	First floor, Plot 64518, Fairgrounds Office Park, Gaborone, Botswana
Frankpile Ghana Limited	Plot LI/13/86, Bethlehem Street, Tema, Ghana
Frankpile International Projects Limited	C/O DTOS Ltd, 10th floor, Standard Chartered Tower, Ebene, Mauritius
Frankpile Mauritius International (Seychelles) Limited	Maison La Rosiere, Palm Street, Victoria, Mahe, Seychelles
Frankpile Swaziland (Pty) Limited	Tenant Office 204, 2nd floor, Inyatsi House, 760 Dr David Hynd Road, Trelwany Park, Manzini, Eswatini
GENCO Geotechnical Engineering Contractors Limited	Sheraton Buildings-Plot 10, Block 1161 Cairo, Cairo, Egypt
GEO Instruments Polska Sp. z o.o.	Lysakow Drugi nr 47, 28–300 Jedrzejew, Poland
Geo-Instruments GmbH	Mausegatt 45, 44866 Bochum, Germany
Geo-Instruments Sarl	8 Allee des Ginkgos Parc d'Activites du Chene, Activillage 69673 Bron Cedex, France
GEO-Instruments, Inc.	The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, MD, 21201, United States
Golden Triangle Construction Materials, Inc.	9720 Derrington Road, Houston, TX 77064 United States
Keller (M) Sdn Bhd	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia
Keller AsiaPacific Limited	72, Anson Road #11–03, Anson House, Singapore, 079911
Keller Australia Pty Limited ²	Suite G01, 2–4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Keller Canada Holdings Ltd.	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Canada Services Ltd	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Central Asia LLP	21B/4 Satpayev St., Atyrau, 060006, Kazakhstan
Keller Cimentaciones Chile, SpA	Avenida Providencia 185, Of-806 7500571 Providencia, Santiago de Chile, Chile
Keller Cimentaciones de Latinoamerica SA de CV	Av. Presidente Masaryk 101, Int. 402, Bosque de Chapultepec I Seccion Delegacion Miguel Hidalgo, 11580 CDMX, Mexico
Keller Cimentaciones SAC	Avenida Santo Toribio 143, Urbanizacion El Rosario, Departamento San Isidro, Lima, Peru
Keller Cimentaciones, S.L.U.	Calle de la Argentina, 15, 28806 Alcala de Henares, Madrid, Spain
Keller Drilling, Inc.	CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA, 90017, United States
Keller Egypt LLC	Sheraton Buildings, Bld. 2, El Meshera Ahmed Ismail Street, Naza Square, 1159 Cairo, Egypt

Notes to the company financial statements continued

9 Group companies continued

Name	Address
Keller Finance Limited	2 Kingdom Street, London, W2 6BD, United Kingdom
Keller Financing	2 Kingdom Street, London, W2 6BD, United Kingdom
Keller Fondations Speciales SAS	2 rue Denis Papin, 67120, Duttlenheim, France
Keller Fondations Speciales SPA ³	No. 35, Route de Khmiss El Khechna, Sbâat, 16012 Rouiba, w. Alger, Algeria
Keller Fondazioni S.r.l	Via Isarco 1, Varna, I-39040, Italy
Keller Foundations (S E Asia) Pte Ltd	18 Boon Lay Way, #04-104, Tradehub 21, 609966, Singapore
Keller Foundations Ltd.	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Foundations Vietnam Company Limited	24 Dang Thai Mai Street, Ward 7, Phu Nhuan District, Ho Chi Minh City, Vietnam
Keller Funderingstechnieken B.V.	Europalaan 16, 2408 BG, Alphen aan den Rijn, Netherlands
Keller Funderingsteknik Danmark ApS	Lottenborgvej 24, 2800 Kongens Lyngby, Denmark
Keller Geotechnics (Mauritius) Ltd	Geoffrey Road, Bambous, Mauritius
Keller Geotechnics Namibia (Pty) Limited	2nd floor, LA Chambers, Ausspans Plaza, Dr Agostinho Neto Road, Windhoek, Namibia
Keller Geotechnics SA (Pty) Ltd ⁴	16 Industry Rd, Clayville Industrial, Olifantsfontein, 1666, Gauteng, South Africa
Keller Geotechnics Tanzania Ltd	1127 Amverton Tower, Chole Road, Dar es Salaam, Tanzania.
Keller Geotehnica Srl	Bucuresti Sectorul 1, Str., Uruguay, Nr. 27, Etaj 1, Ap. 2, Romania
Keller Geoteknikk AS	Hovfaret 13, Oslo, 0275, Norway
Keller Ground Engineering Bangladesh Limited	661/3 Ashkona Bazar, Hazi Camp, Dhakinkhan, Dhaka-1230, Bangladesh, Dhaka, Bangladesh
Keller Ground Engineering India Private Limited	7th Floor, Eastern Wing, Centennial Square 5A, Dr Ambedkar Road, Kodambakkam, Chennai, 600024, India
Keller Ground Engineering LLC ⁵	Office # 14, Building # 700 Boushar Street 51, Oman
Keller Grundbau Ges.m.b.H.	Guglgasse 15, BT4a/3.OG, Vienna, 1110, Austria
Keller Grundbau GmbH	Kaiserleistraße 8, Offenbach am Main, 63067, Germany
Keller Grundlaggning AB	Östra Lindomev 50, 437 34, Lindome, Sweden
Keller Hellas S.A.	Keller Hellas S.A. Antheon 102, GR-57019 N. Epivates-Thessaloniki, Greece
Keller Holding GmbH	Kaiserleistraße 8, Offenbach am Main, 63067, Germany
Keller Holdings Limited ¹	2 Kingdom Street, London, W2 6BD, United Kingdom
Keller Holdings, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
Keller Investments LLP	2 Kingdom Street, London, W2 6BD, United Kingdom
Keller Limited ¹	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Keller Management Services, LLC	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
Keller Mélyépítő Korlátolt Felelősségű Társaság	1124 Budapest, Csörsz utca 41. 6. em., Hungary
Keller Mocambique, Limitada	Bairro da Matola D, Estrada Nacional N4, Avenida Samora Machel nr. 393, Matola, Mozambique
Keller New Zealand Limited	C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand
Keller North America, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
Keller Polska Sp. z o.o.	ul. Poznanska172, Ozarow Mazowiecki, PL-05850, Poland
Keller Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Keller Puerto Rico, LLC	1875 Mayfield Road, Odenton, MD, 21113, United States
Keller Qatar L.L.C ⁶	Office No 273 Al Jazeera Complex-B Satwa Road, Wholesale Market, Doha, Qatar
Keller Resources Limited	2 Kingdom Street, London, W2 6BD, United Kingdom
Keller speciálne zakladani spol. s r.o.	Na Pankraci 30, 14000 Praha 4, Czech Republic
Keller specialne zakladanie spol.s.r.o.	Hranica 18 - AB 6, 82105 Bratislava, Slovakia
Keller Turki Company Limited ⁷	PO Box 718, Dammam, 31421, Saudi Arabia
Keller Ukraine LLC	30, Vasylykivska Street, Kiev, 03022, Ukraine
Keller West Africa S.A.	Autoroute du Nord, PK 22, Allokoi, district de Yopougon, 01 BP 7534 - Abidjan 01, Côte d'Ivoire
Keller-MTS AG	Allmendstrasse 5, Regensburg, 8105, Switzerland

Name	Address
Makers Holdings Limited ¹	2 Kingdom Street, London, W2 6BD, United Kingdom
Makers Management Services Limited ¹	2 Kingdom Street, London, W2 6BD, United Kingdom
Makers Services Limited	2 Kingdom Street, London, W2 6BD, United Kingdom
Makers UK Limited	2 Kingdom Street, London, W2 6BD, United Kingdom
Moretrench Industrial Inc.	820, Rear Tavern Road, West Trenton, NJ, 08628, United States
Nesur Tecnologia Servicios S.A.	Union Mercantil LA, Num.33, Portal 1, Planta 5, Puerta C, 29004 Malaga, Spain
North American Foundation Engineering Inc.	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
PHI Group Limited ¹	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Piling Contractors New Zealand Limited	C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand
Piling Contractors Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
PT. Keller Franki Indonesia ⁹	Gedung Graha Kencana Lantai 7 Unit B-I, Jalan Raya Perjuangan No. 88, Kebon Jeruk, Jakarta Barat, 11530, Indonesia
Recon Europe Holding, LLC	251 Little Falls Drive, Wilmington, DE 19808 United States
Recon GP, LLC	251 Little Falls Drive, Wilmington, DE 19808, United States
Recon Holdings II, Inc.	251 Little Falls Drive, Wilmington, DE 19808, United States
Recon Holdings III, Inc.	251 Little Falls Drive, Wilmington, DE 19808, United States
Recon Services Inc. (Canada)	199 Bay Street, 5300 Commerce Court West, Toronto, ON M5L 1B9 Canada
Recon Services, Inc.	251 Little Falls Drive, Wilmington, DE 19808, United States
Recon Servicios Ambientales Puerto Rico, LLC	c/o Fast Solutions, LLC, Citi Tower, 252 Ponce de Leon Avenue, Floor 20, San Juan, PR 00918, Puerto Rico
Remedial Construction Services, L.P.	211 E. 7th Street, Suite 620, Austin, TX 78701, United States
Resource Piling (M) Sdn. Bhd.	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia
Resource Piling Pte Ltd	18 Boon Lay Way, #04-113, Tradehub 21, 609966, Singapore
Suncoast Post-Tension, Ltd.	1209, Orange Street, Wilmington, DE, 19801, United States
Terratest-Keller J.V. SAPI de CV ¹⁰	Presidente Masarik 62, Oficina 110, Bosques de Chapultepec, Distrito Federal, 11580, Mexico
Waterway Constructions Group Pty Limited	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia
Waterway Constructions Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia

1 Owned directly by the company.

2 Share capital consists of 99% ordinary shares. The remaining 1% consists of ordinary A, ordinary B and ordinary C shares.

3 51% owned by Keller Fondations Speciales SAS and other Keller companies.

4 75.1% owned by Keller Holdings Limited.

5 70% owned by Keller Holdings Limited.

6 49% owned by Keller Holdings Limited.

7 65% owned by Keller Grundbau GmbH.

8 Joint venture 50% owned by Keller Holdings Limited, based in Tuusula, Finland. The company is managed jointly by an equal number of directors from each of the two shareholder companies.

9 Share capital consists of 56% Class A Shares and 44% Class B Shares. Keller Foundations (SE Asia) Pte Limited owns 100% of the Class A Shares and 25% of the Class B Shares.

10 Joint venture 50% owned by Keller Cimentaciones de Latinoamerica SA de CV, based in Mexico DF. No longer trading and due to be dissolved.

Notes to the company financial statements continued

Keller Group plc has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from having to prepare individual accounts under section 394A and section 394C of the Companies Act 2006 in respect of the year ended 31 December 2021:

Company	Registered number
Keller Financing	04592933
Keller EMEA Limited	02427060
Keller Resources Limited	04592974
Keller Finance Australia Limited	06768174

Keller Group plc has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under sections 479A to 479C of the Companies Act 2006 in respect of the year ended 31 December 2021:

Company	Registered number
Keller Holdings Limited	02499601
Keller Finance Limited	02922459
Keller Investments LLP	OC412294

Adjusted performance measures

The Group's results as reported under International Financial Reporting Standards (IFRS) and presented in the consolidated financial statements (the 'statutory results') are significantly impacted by movements in exchange rates relative to sterling, as well as by exceptional items and non-trading amounts relating to acquisitions.

As a result, adjusted performance measures have been used throughout the Annual Report and Accounts to describe the Group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business because they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior year.

Underlying measures

The term 'underlying' excludes the impact of items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangible assets and other non-trading amounts relating to acquisitions and disposals (collectively 'non-underlying items'), net of any associated tax. Underlying measures allow management and investors to compare performance without the potentially distorting effects of one-off items or non-trading items. Non-underlying items are disclosed separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group.

Constant currency measures

The constant currency basis ('constant currency') adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling. This is achieved by retranslating the 2020 results of overseas operations into sterling at the 2021 average exchange rates.

A reconciliation between the underlying results and the reported statutory results is shown on the face of the consolidated income statement, with non-underlying items detailed in note 8 to the consolidated financial statements. A reconciliation between the 2020 underlying result and the 2020 constant currency result is shown below and compared to the underlying 2021 performance.

Revenue by segment

	2021		2020		Statutory change %	Constant currency change %
	Statutory £m	Statutory £m	Impact of exchange movements £m	Constant currency £m		
North America	1,323.1	1,227.5	(80.7)	1,146.8	+8%	+15%
Europe	549.2	538.5	(16.3)	522.2	+2%	+5%
Asia-Pacific, Middle East and Africa	352.1	296.5	(4.0)	292.5	+19%	+20%
Group	2,224.4	2,062.5	(101.0)	1,961.5	+8%	+13%

Underlying operating profit by segment

	2021		2020		Underlying change %	Constant currency change %
	Underlying £m	Underlying £m	Impact of exchange movements £m	Constant currency £m		
North America	73.0	83.2	(5.9)	77.3	-12%	-6%
Europe	24.3	18.4	(0.8)	17.6	+32%	+38%
Asia-Pacific, Middle East and Africa	3.4	15.5	(0.7)	14.8	-78%	-77%
Central items	(7.9)	(7.0)	—	(7.0)	n/a	n/a
Group	92.8	110.1	(7.4)	102.7	-16%	-10%

Underlying operating margin

Underlying operating margin is underlying operating profit as a percentage of revenue.

Adjusted performance measures continued

Other adjusted measures

Where not presented and reconciled on the face of the consolidated income statement, consolidated balance sheet or consolidated cash flow statement, the adjusted measures are reconciled to the IFRS statutory numbers below:

EBITDA (statutory)

	2021 £m	2020 £m
Underlying operating profit	92.8	110.1
Depreciation and impairment of owned property, plant and equipment	65.9	66.3
Depreciation and impairment of right-of-use assets	30.9	28.0
Amortisation of intangible assets	0.6	0.6
Underlying EBITDA	190.2	205.0
Non-underlying items in operating costs	(9.6)	(29.6)
Non-underlying items in other operating income	0.7	0.7
EBITDA	181.3	176.1

EBITDA (IAS 17 covenant basis)

	2021 £m	2020 £m
Underlying operating profit	92.8	110.1
Depreciation and impairment of owned property, plant and equipment	65.9	66.3
Depreciation and impairment of right-of-use assets	30.9	28.0
Legacy IAS 17 operating lease charges	(32.7)	(30.0)
Amortisation of intangible assets	0.6	0.6
Underlying EBITDA	157.5	175.0
Non-underlying items in operating costs	(9.6)	(29.6)
Non-underlying items in other operating income	0.7	0.7
EBITDA	148.6	146.1

Net finance costs

	2021 £m	2020 £m
Finance income	(0.4)	(1.1)
Underlying finance costs	9.3	14.3
Net finance costs (statutory)	8.9	13.2
Finance charge on lease liabilities ¹	(3.0)	(3.6)
Lender covenant adjustments	(0.7)	(1.5)
Net finance costs (IAS 17 covenant basis)	5.2	8.1

¹ Excluding legacy IAS 17 finance leases

Net capital expenditure

	2021 £m	2020 £m
Acquisition of property, plant and equipment	84.0	72.5
Acquisition of other intangible assets	0.4	0.5
Proceeds from sale of property, plant and equipment	(9.8)	(7.4)
Net capital expenditure¹	74.6	65.6

¹ Net capital expenditure excludes right-of-use assets

Net debt

	2021 €m	2020 €m
Current loans and borrowings	29.8	67.0
Non-current loans and borrowings	246.2	191.8
Cash and cash equivalents	(82.7)	(66.3)
Net debt (statutory)	193.3	192.5
Lease liabilities ¹	(73.9)	(71.6)
Net debt (IAS 17 covenant basis)	119.4	120.9

1 Excluding legacy IAS 17 finance leases.

Leverage ratio

The leverage ratio is calculated as net debt to underlying EBITDA.

Statutory

	2021 €m	2020 €m
Net debt	193.3	192.5
Underlying EBITDA	190.2	205.0
Leverage ratio (x)	1.0	0.9

IAS 17 covenant basis

	2021 €m	2020 €m
Net debt	119.4	120.9
Underlying EBITDA	157.5	175.0
Leverage ratio (x)	0.8	0.7

Order book

The Group's disclosure of its order book is aimed to provide insight into its backlog of work and future performance. The Group's order book is not a measure of past performance and therefore cannot be derived from its consolidated financial statements. The Group's order book comprises the unexecuted elements of orders on contracts that have been awarded. Where a contract is subject to variations, only secured variations are included in the reported order book.

Financial record

	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 ¹ £m	2020 ¹ £m	2021 £m
Consolidated income statement										
Continuing operations										
Revenue	1,317.5	1,438.2	1,599.7	1,562.4	1,780.0	2,070.6	2,224.5	2,300.5	2,062.5	2,224.4
Underlying EBITDA	91.9	124.2	141.9	155.5	158.6	177.2	167.5	198.4	205.0	190.2
Underlying operating profit	48.3	77.8	92.0	103.4	95.3	108.7	96.6	103.8	110.1	92.8
Underlying net finance costs	(4.8)	(3.7)	(6.9)	(7.7)	(10.2)	(10.0)	(16.1)	(22.5)	(13.2)	(8.9)
Underlying profit before taxation	43.5	74.1	85.1	95.7	85.1	98.7	80.5	81.3	96.9	83.9
Underlying taxation	(13.5)	(23.8)	(29.7)	(33.0)	(29.8)	(24.7)	(22.5)	(22.4)	(28.3)	(20.1)
Underlying profit for the year	30.0	50.3	55.4	62.7	55.3	74.0	58.0	58.9	68.6	63.8
Non-underlying items ²	—	(20.2)	(56.6)	(36.4)	(7.3)	13.5	(71.8)	(37.2)	(27.5)	(1.7)
Profit/(loss) for the year	30.0	30.1	(1.2)	26.3	48.0	87.5	(13.8)	21.7	41.1	62.1
Underlying EBITDA (IAS 17 covenant basis)	91.9	124.2	141.9	155.5	158.6	177.2	167.5	170.8	175.0	157.5
Consolidated balance sheet										
Working capital	97.6	124.1	104.1	97.1	152.5	181.3	225.4	200.9	180.3	158.4
Property, plant and equipment	248.5	281.9	295.6	331.8	405.6	399.2	422.0	460.6	434.9	443.4
Intangible and other non-current assets	112.1	202.8	203.4	183.0	218.2	198.3	179.5	192.3	183.5	234.0
Net debt (statutory)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(289.8)	(192.5)	(193.3)
Other net liabilities	(71.3)	(92.5)	(154.6)	(94.9)	(41.1)	(77.1)	(114.2)	(166.5)	(196.2)	(199.8)
Net assets	335.7	372.6	346.3	334.0	429.6	472.2	426.5	397.5	410.0	442.7
Net debt (IAS 17 covenant basis)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(213.1)	(120.9)	(119.4)
Underlying key performance indicators										
Diluted earnings per share from continuing operations (p)	45.0	71.9	74.2	85.4	74.8	101.8	79.1	81.3	96.3	88.4
Dividend per share (p)	22.8	24.0	25.2	27.1	28.5	34.2	35.9	35.9	35.9	35.9
Operating margin	3.7%	5.4%	5.8%	6.6%	5.4%	5.2%	4.3%	4.5%	5.3%	4.2%
Return on capital employed ³	11.6%	16.7%	18.3%	20.5%	15.3%	15.1%	13.2%	14.4%	16.4%	14.4%
Net debt: EBITDA (statutory)	0.6x	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x	1.5x	0.9x	1.0x
Net debt: EBITDA (IAS 17 covenant basis)	0.6x	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x	1.2x	0.7x	0.8x

1 Working capital, intangible and other non-current assets and other net liabilities presented here do not correspond to the published 2020 consolidated financial statements. The comparative balance sheet has been restated to present gross insurance provisions with a separate reimbursement asset recognised for amounts recoverable from insurance providers and customer retentions receivable in more than one year to other non-current assets, as outlined in note 2 to the consolidated financial statements.

2 Non-underlying items are items which are exceptional by their size and/or are non-trading in nature and are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial position of the Group.

3 Calculated as operating profit expressed as a percentage of average capital employed. 'Capital employed' is net assets before non-controlling interests plus net debt and net defined benefit retirement liabilities.

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Cautionary statement

This document contains certain forward-looking statements with respect to Keller's financial condition, results of operations and business, and certain of Keller's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'will', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates'. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates. For a more detailed description of these risks, uncertainties and other factors, please see the risk management approach and principal risks section of the strategic report.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Keller or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Keller does not intend to update these forward-looking statements.

Nothing in this document should be regarded as a profits forecast.

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