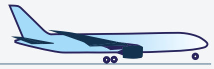
Keller Group plc
Annual Report and
Accounts 2020

Building the foundations for a sustainable future

Contents



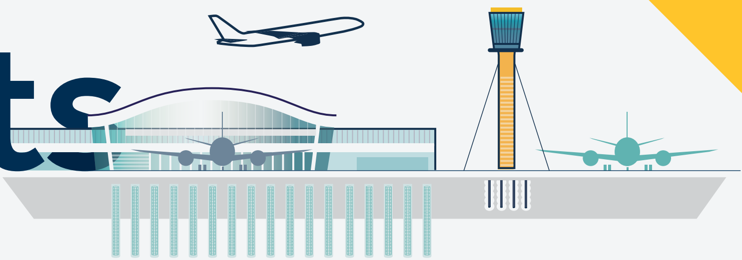
Every day, people around the world live, work and play on ground prepared by Keller, the world's largest geotechnical specialist contractor.

Used alone or in combination, our techniques solve a wide range of geotechnical challenges across the entire construction sector. Our projects are typically for a single, local site, perhaps for a building, a basement or a wharf. But we also have the financial strength, know-how, capacity and global reach to tackle the largest and most demanding projects around the world.

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.

https://investors.keller.com

Highlights



Group highlights

£2,062.5m ↓ 10%

Revenue
(2019: £2,300.5m)

£1.0bn → No change

Order book
(2019: £1.0bn)

£110.1m ↑ 6%

Underlying operating profit
(2019: £103.8m)

£41.1m ↑ 89%

Statutory profit after tax
(2019: £21.7m)

5.3% ↑ +80bps

Underlying operating margin
(2019: 4.5%)

£120.9m ↓ 43%

Net debt[1]
(2019: £213.1m)

96.3p ↑ 18%

Diluted underlying earnings per share
(2019: 81.3p)

35.9p → No change

Dividend
(2019: 35.9p)

Financial highlights

	Underlying		Statutory	
	2020	2019	**2020**	2019
Operating profit (£m)	**110.1**	103.8	**77.0**	74.1
Operating margin (%)	**5.3**	4.5	**3.7**	3.2
Return on capital employed (%)	**16.4**	14.4	**11.5**	10.3
Profit after tax (£m)	**68.6**	58.9	**41.1**	21.7
Net debt (£m)	**120.9[1]**	213.1[1]	**192.5[2]**	289.8[2]

1 Net debt is on a covenant basis. Reconciliation to statutory numbers is set out in the adjusted performance measures section on page 179.
2 Net debt on a statutory basis is set out in the adjusted performance measures section on page 179.

At a glance

At its simplest, we get ground ready to build on, providing solutions to geotechnical challenges across the entire construction sector.

1860
established

c9,000
employees

20+
acquisitions since 2000

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.

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 16

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

Integrity

Collaboration

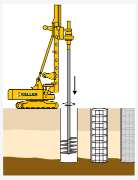
Excellence

We have the people, expertise, experience and financial stability to respond quickly and see projects through safely and successfully.

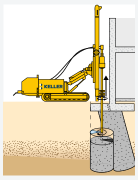
What we do

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

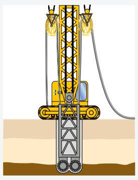
For more information
See page 10



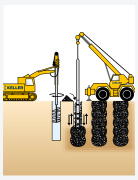
Deep foundations



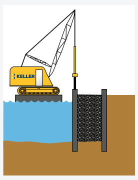
Grouting



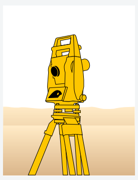
Earth retention



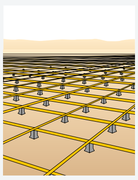
Ground improvement



Marine

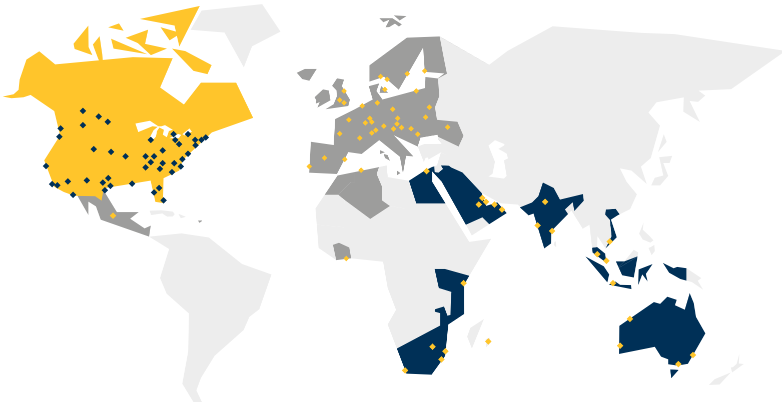


Instrumentation and monitoring



Post-tension systems

Our organisation



North America

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

For more information
See page 18

Europe

- Central Europe
- French Speaking Countries
- Iberia
- North-East Europe
- UK
- South-East Europe and Nordics

For more information
See page 20

AMEA
(Asia-Pacific, Middle East and Africa)

- ASEAN
- Austral
- India
- Keller Australia
- Middle East and Africa

For more information
See page 22

From 1 January 2021, Keller's Middle East and Franki Africa businesses were integrated to become our Middle East and Africa Business Unit, and moved from EMEA division into APAC division. EMEA was then renamed Europe division and APAC renamed Asia-Pacific, Middle East and Africa (AMEA) division. Financial reporting for 2020 is, however, still based on the previous organisation structure and business units.

21
business units

6,000
contracts executed a year

£25k to £10m
typical range in project value

£350k
average project value

Chairman's statement

"The fundamental financial strength of the Group's business model, even in the face of the pandemic, is evidenced by quality earnings, strong cash generation and the continuation of the Group's dividend."

Peter Hill CBE
Chairman

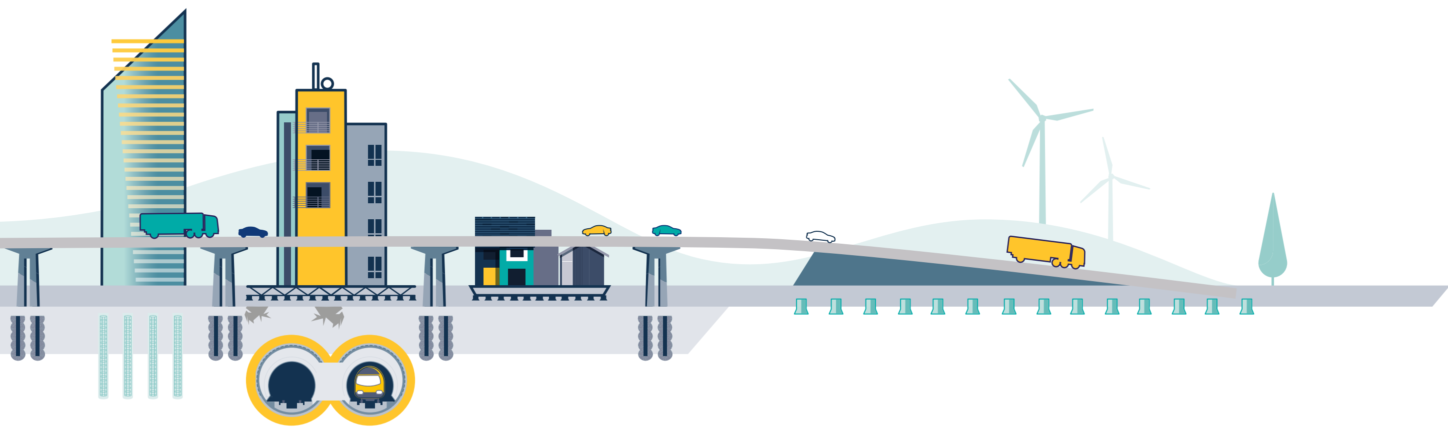
Keller celebrated its 160th anniversary in 2020. Johann Keller moved to Renchen, Germany in November 1860 and founded his business for well and pump construction. The company expanded to meet the growing infrastructure needs in the area, going from supplying water pipes to local villages to engineering foundations for new bridges over the Rhine. Many more years of growth, innovation and engineering excellence have followed.

Overview

The Group delivered a strong performance in 2020, despite the disruption and challenges of the global pandemic. Whilst the Group's revenue decreased, driven by the impact of COVID-19 and the strategic exit of certain non-core businesses, underlying operating profit and operating margin increased. The increase in operating profit was driven by a strong operating performance in North America, the benefit of a full year of profitability in APAC and the initial benefits of the strategic actions we have taken to become a more efficient, more focused and higher-quality business. We have also continued to strengthen the balance sheet with tight working capital management and strong free cash generation which has significantly reduced our net debt.

We have continued to make strong progress with the implementation of our new strategy and, despite the pandemic, the Group has successfully rationalised its geographic presence and exited certain non-core activities in line with the new strategy. Our resources have become increasingly focused on those markets and activities where customers value our skills and expertise, where we can achieve mutual benefits and deliver an appropriate level of financial return. All of these outcomes have been achieved by our resilient, dedicated and hardworking employees around the world, with many going to extraordinary lengths in difficult circumstances to safely deliver on our commitments to our customers.

The fundamental financial strength of the Group's business model, even in the face of the pandemic, is evidenced by the continuation of the Group's progressive dividend policy, whereby we have increased or maintained dividends every year since flotation in 1994.



In the midst of a global pandemic, our employees have shown an exceptional level of resilience and commitment. I would like to thank every single employee for their commitment, hard work and determination in what was a very challenging year."

Peter Hill CBE
Chairman

Strategy

As well as delivering a strong financial performance, and despite the impact of COVID-19, we continued to successfully execute on our new strategy to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, generating long-term value for our stakeholders. 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.

On 1 January 2020 the reorganisation of our North America division became effective, integrating all of our foundations businesses in North America into one unified organisation, branded as Keller. I am pleased to report we exceeded our 2020 target for the incremental revenue benefit from being able to offer all products and services across North America. We have also generated the anticipated cost and efficiency savings at the top end of the guidance range and significantly earlier than our 2022 target. We are therefore well placed to realise our longer-term objectives of improved market share, operational delivery and financial performance.

In EMEA we executed on our plan to reduce our geographic presence, withdrawing from South America and rationalising Franki Africa into the new combined Middle East and Africa Business Unit. We also exited certain non-core business activities including Wannenwetsch in Germany and Colcrete Eurodrill in the UK.

Case study

Emerging stronger from the pandemic

When the COVID-19 pandemic hit, it impacted all our markets, and situations changed on a daily, sometimes even hourly, basis. From the very start, our values of integrity, collaboration and excellence shaped our approach. Our focus was first to ensure our people were able to keep themselves and others safe and well, whilst also helping us continue to operate for our customers and preserving the safety of our business.

Our Group HR Director was put in charge of our response, working closely with a dedicated global crisis team. They met regularly to put in place appropriate company protocols in line with World Health Organization guidelines, supplemented by local guidance relevant to the countries in which we operate.

Many of our people quickly adapted to working from home. Thousands of others went to work on site as normal, always ensuring the necessary safety measures and precautions were in place. This included social distancing, appropriate personal protective equipment, and use of our stop work authority if, at any time, someone felt unsafe or that the controls were not enough.

Wherever they could, our teams kept working for our customers despite the challenges. To get to site, some drove from Austria to Frankfurt, flew to Stockholm, then drove to Gothenburg – a 27-hour trip. In Australia, when flights stopped, colleagues hired a coach for the 26-hour, 1,700km socially distanced drive from Brisbane back to site in Melbourne.

We kept up a regular cadence of internal communication using a variety of channels to keep our people well informed. This included creation of a dedicated COVID-19 resource page on our intranet; Board, Chief Executive and Executive Committee emails and videos; and the launch of a news app to provide easier access to information.

Recognising the importance of hearing from our people, especially during challenging times, we surveyed some 800 employees at the height of the pandemic. Most agreed that Keller was managing the COVID-19 pandemic well, and that they were able to continue with their jobs, with levels of agreement above 90% for most statements.

Our strong sense of family in Keller was also exemplified in our response. People checked in with colleagues separated from their loved ones during lockdown, in some cases by country, to see how they could help.

When Singapore's foreign-worker dormitories were quarantined, we provided much-needed support to our 80 colleagues impacted, from just keeping in touch to buying essential items, and during Ramadan, delivering care packages.

India's stay-at-home decree gave people just four hours to comply. We provided lodging for our stranded workers, ensuring they had access to basic amenities as well as essential personal protective equipment.

Overall, the response from our people has been outstanding. It is their passion, dedication and commitment to our customers that has enabled us to continue to deliver operationally and emerge from the pandemic an even stronger organisation.

Chairman's statement continued

During 2020, all the business units in the APAC division traded profitably throughout the year, despite COVID-19, reflecting the full-year performance benefits of the business restructuring and management reorganisation that began in late 2018 and completed in 2019.

Our newly formed Middle East and Africa business has combined with APAC, with effect from 1 January 2021, to create our Asia-Pacific, Middle East and Africa (AMEA) division. This brings together under one management team all of our businesses in developing geographies which have similar market characteristics and customers, with a greater focus on large contracts, particularly in the resources sector.

Similar to the North America division, the restructured Europe division is comprised of larger, more functionally self-sufficient business units that benefit from their established market positions in sustainable markets.

Safety

The health and safety of our employees is paramount and this priority was heightened by the COVID-19 pandemic. The guidance and support we provided to our employees followed World Health Organization guidelines, supplemented by local authority guidance in the regions in which we operate, as well as our company-specific protocols. This approach enabled us to continue to execute work, wherever the local regulatory regime allowed, in a safe and productive manner. However, I'm deeply saddened that as a Group we lost two employees due to COVID-19 related illness and our thoughts are with their families.

During the year, Keller's accident frequency rate continued to trend downwards, reaching 0.12 at 31 December 2020. This is the lowest level achieved by Keller, and we believe it to be an industry-leading performance. However, we recognise that we still have a way to go to eradicate harm from our operations. We also significantly reduced the number of serious incidents in the year, but each incident reminds us that we cannot become at all complacent. The Board and management hold safety as paramount and together we continue to push for further improvement in pursuit of our goal of zero harm.

Environmental, Social and Governance

The Board maintains its commitment to the highest standards of governance and has taken steps during the year to consider and strengthen our approach to align with the UK Corporate Governance Code. As the Director responsible for sustainability, I am committed to better understand and oversee our contribution to sustainable development and work collaboratively with our stakeholders to reduce our impacts. Our corporate purpose, 'building the foundations for a sustainable future', is at the heart of everything we do.

We have further integrated into our operations the United Nations Sustainable Development Goals (SDGs) that are most relevant to Keller's core business and therefore where we can have the greatest impact on sustainability.

As a Board we consider the interests of our wide group of stakeholders in the performance of our duties. The Workforce Engagement Committee entered its second year and is making great strides in the Keller People agenda, including the launch of a new Culture and Employee Engagement programme.

Throughout the pandemic the Board has continued to balance the interests of all the Group's stakeholders. At the start of the pandemic we put in place a number of measures across the Group that strengthened our resilience and minimised both the potential human and financial impact of the crisis, including selectively accessing relevant governmental support schemes across our major markets and securing an investment grade £300m facility under the UK Government's Covid Corporate Financing Facility (CCFF). Given the resilience of the business and the probity of management, the CCFF scheme, as anticipated, was never drawn upon. The relatively small amount of support taken by way of the Coronavirus Job Retention Scheme, representing approximately 0.1% of our global employment costs, has been fully repaid.

Board development

In September 2020 we announced the appointment of David Burke as Chief Financial Officer, who joined the Board and Executive Committee in October. David joined Keller from J. Murphy & Sons Ltd, a leading international specialist engineering and construction company, where he had been Chief Financial Officer since 2016. He has a track record of driving business performance and change in the construction and services sectors across varied cultures and geographies including Europe, the Middle East, the Americas and Asia.

On behalf of the Board, I would like to convey my immense gratitude for the substantial contribution that Mark Hooper made during his interim appointment as Chief Financial Officer during a period of significant challenge in our business. Mark joined Keller in 2019 as Group Financial Controller and was Group Chief Financial Officer on an interim basis for 12 months to October 2020. I am delighted at his appointment as Chief Financial Officer, Europe, where I wish him every success in supporting the Group in its strategic endeavour to develop our focused, high-quality business in the region.

Dividends

Notwithstanding the COVID-19 pandemic, the Board decided that it would be appropriate to maintain the 2019 final dividend and declare an interim dividend for 2020, prudently at the same level as in 2019. The continuation of dividend payments during 2020 reflected the financial strength of the Group, its significant liquidity position and the longer-term confidence in the performance of the business.

The Board continues to recognise the importance of returns to shareholders. Keller has consistently increased or maintained its dividend over the 26 years since first listing on the London Stock Exchange. The Board is recommending the payment of a 2020 final dividend of 23.3p per share (2019: 23.3p per share) to be paid on 25 June 2021 to shareholders on the register as at the close of business on 4 June 2021.

Employees

In the midst of a global pandemic, our employees have shown an exceptional level of resilience and commitment, with many making huge personal sacrifices, including being away from their homes and families for extended lengths of time, to work on our customer projects. I would like to thank every single employee for their commitment, hard work and determination in what was a very challenging year.

Our people are key and we continue to build on our culture where everyone at Keller has equal access to opportunities. We actively encourage all of our people to deliver exceptional performance and realise their full potential. Improving diversity, equity and inclusion remains a priority for us with the launch of our Inclusion Commitment, with Conscious Leadership workshops held for the Board and Executive Committee. We piloted a five-step talent management programme to help leaders assess current talent and build capability for the future.

Prospects

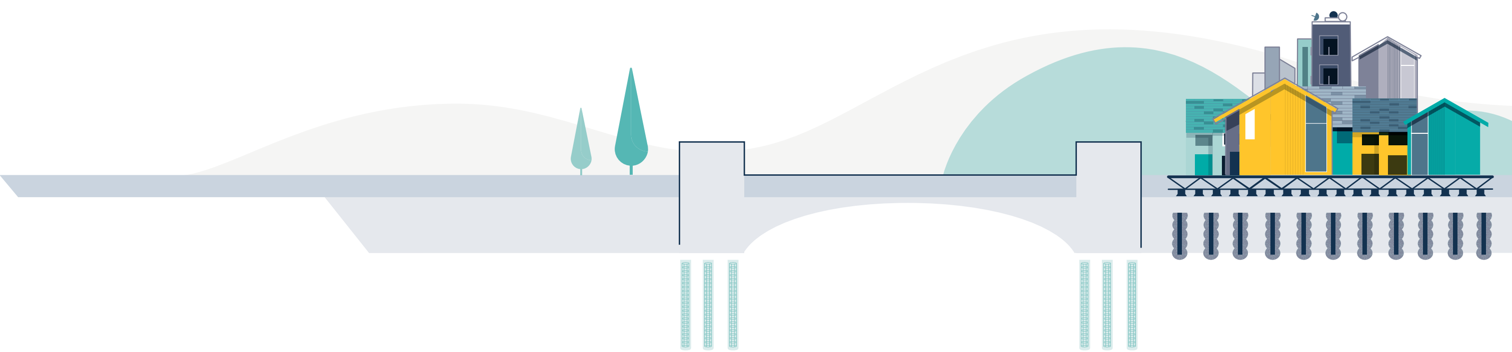
The late cycle nature of our business makes us naturally cautious about the short-term economic impact of the global pandemic. Whilst we are proactively managing the business accordingly and despite the strong momentum at the end of 2020, our expectations for a reduced trading performance in 2021 are unchanged. With the considerable work done on rationalising our businesses and reorganising our divisions to focus on markets where we see greatest opportunity and have leading positions, we are confident that the Group is well positioned to exploit the recovery from any post-pandemic recessionary markets. The long-term fundamentals for Keller continue to be strong and the Group will benefit from the positive medium and long-term market trends of urbanisation and infrastructure growth.

Peter Hill CBE
Chairman
9 March 2021

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 2020.

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 57 and 66-67

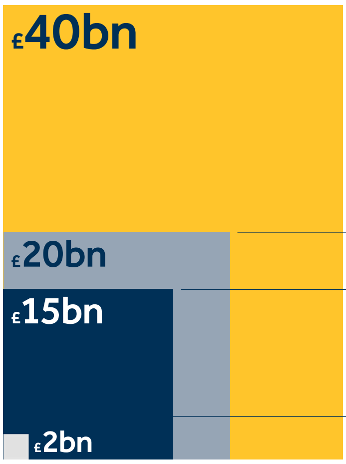


Our market

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 engineered solutions and operational excellence that drive market leadership.

A strong position but plenty of room to grow



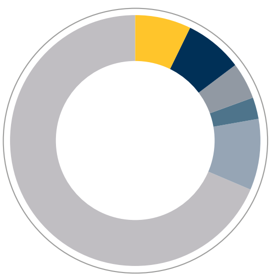
1. Global geotechnical contracting market £40bn

2. Addressable markets £20bn

3. Core markets where we choose to operate £15bn

4. Keller today £2bn

Share of addressable market £20bn[1]



- Keller
- Soletanche/Bachy/Menard
- Bauer (contracting)
- Trevi (contracting)
- General contracting-owned
- Country/regional specific, smaller players

1 Sources: Keller accounts, IHS Global Insight, GlobalData and other local sources.

Market potential

Diverse global market

13% market share

Operating globally in differing countries and across the construction sectors from residential to infrastructure gives us the resilience to trade through national cyclicality. The geotechnical market is estimated[1] to be around £40bn 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 £15bn. With a £2bn operation, we have a 13% share of those 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 2020 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.

Variety of projects and sectors

c6,000
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 £350,000.

Fragmented competition

£20bn
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.

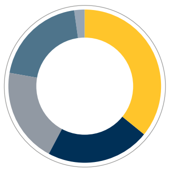
Niche sub-sector

5.3%
Keller underlying operating margin (2019: 4.5%)

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 2020 revenue



Infrastructure/public buildings	36%
Power/industrial	22%
Office/commercial	20%
Residential	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 manufacturing capacities and develop market-leading data acquisition 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 brownfield or marginal sites.

Business model

While the construction process varies from project to project, we are typically one of the first contractors on site.

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 c9,000 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 organisation by business unit ensures 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 content and 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 equipment where there is competitive advantage to do so.

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

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

Opportunity identification

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.

Project Lifecycle Management

What differentiates us?

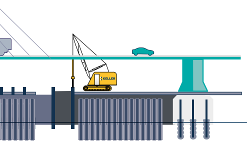
Global strength and local focus

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, improving results for customers and profitability for Keller.



Ensuring our work is done efficiently is critical for our customers in saving them money and providing a sound platform for the remaining work on a project.

Very often we will partner with a main contractor on a bid. Depending on the nature of a project, Keller may provide insights into design and other construction phases.

Generally though, value is created and captured principally from our groundwork activities.

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.

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 the transfer of technologies between businesses, development of existing technologies, and acquisition of new technologies, 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 industry activities around the world.

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 to reduce potential impacts.

The value created

Long-term sustainable value

Employees — c9,000 (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 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 26-year history of uninterrupted dividends.
- Continued growth opportunities.

Communities — C CDP score[1] (above sector average)

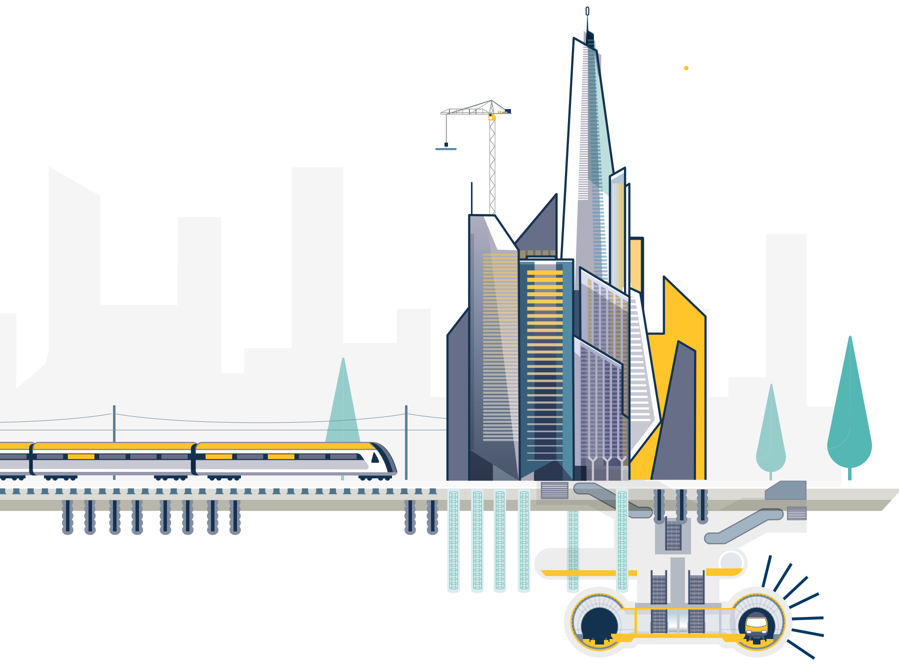
- Local employment opportunities, directly and indirectly.
- A focus on the United Nations sustainable development goals where we can have the greatest impact.
- A commitment to reducing the carbon intensity of our work and increasing the quality and granularity of our carbon reporting.
- Participation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

1 CDP is one of the world's largest environmental stewardship disclosure projects, focusing on our impacts and work on climate change.

Chief Executive Officer's review

"The Keller team has shown tremendous resilience in a challenging year. Their actions and commitment are evidenced by the strength of the Group's operational and financial performance."

Michael Speakman
Chief Executive Officer



Overview

Despite the pandemic, 2020 has been a strong year for Keller, operationally, financially and strategically. The way the Keller team has responded to the challenges of COVID-19 and their actions and commitment are evidenced by the strength of the Group's operational and financial performance during the year.

Whilst the Group's revenue decreased, driven by the impact of COVID-19 and the strategic exit of certain non-core businesses, underlying operating profit and operating margin both increased. This was a result of a strong operating performance in North America, the full-year benefit of the return to profitability in APAC and the initial benefits of the strategic actions we have taken. We have made significant strategic progress, implementing all the actions that we set out a year ago to reshape the business. We are progressively transforming the Group into a more efficient, more focused, higher-quality business with industry-leading margins, achieving both sustainable operational delivery and cash generation.

Safety

The safety of our employees is at the very top of our agenda and whilst we continue to make progress in this area we will not be satisfied until we achieve and maintain our goal of zero harm.

At the beginning of the year, to add impetus to this critical agenda, we established a Safety Leadership Committee, consisting of the CEO, the Divisional Presidents and chaired by John Raine, the Group Head of Health and Safety. This committee has driven some key initiatives during the year and begun the process of sharing and setting minimum acceptable operating practices across the Group. These initiatives include the further development of the safety field app 'InSite', and the development and implementation of a cage design and operating standard. We also launched our new global incident management system, which has improved the reporting and analysis of both incidents and potential incidents.

We continue to make progress with strong, industry-leading performance. In 2020 we recorded a further 20% improvement in our accident frequency rate (AFR) with an all-time low of 0.12 injuries per 100,000 hours worked, and 9.5% improvement in total recordable incident rate (TRIR). Last year we identified critical injuries as an area of focus and we have seen a 35% reduction in these incidents from 17 in 2019 to 11 in 2020. In early 2021, a tragic fatality occurred following an accident on a site in Austria in which we lost a long-serving and valued employee. This brings into sharp focus the risks of the environment in which we operate and the need for perpetual vigilance. A thorough investigation is under way at this time.

We have a number of safety ambitions for next year and we will continue to leverage our experienced and knowledgeable safety resources across the Group.

In response to the identified additional operational challenges posed by the pandemic, a COVID-19 steering team was established under the leadership of Graeme Cook, Group Human Resources Director. The guidance and support we provided to our employees followed 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. However, I'm deeply saddened that as a Group we lost two employees due to COVID-19 related illness and our thoughts go to their families.

Financial performance

Group revenue was £2,062.5m, 10% down on the prior year, due to the impact of COVID-19 and the strategic exit of certain non-core businesses.

Underlying operating profit was £110.1m, an increase of 5% at constant currency, despite the impact of COVID-19. The benefit of a sustained and recovering margin in APAC, as well as an improving margin in North America following the reorganisation of the foundations business that became effective at the start of 2020, more than offset a decline in EMEA's performance, largely due to COVID-19. Underlying operating margin improved from 4.5% in 2019 to 5.3% in 2020, reflecting the implementation of our strategy to focus on higher-quality work.

Underlying diluted earnings per share increased by 18% to 96.3p per share (2019: 81.3p per share), driven by an increase in operating profit and a lower interest charge.

The continued focus on cash flow performance generated significant improvements in the year, resulting in the Group's net debt reducing by 43% to £120.9m (2019: £213.1m) equating to a net debt / EBITDA leverage ratio of 0.7x (2019: 1.2x) (on a bank covenant IAS 17 basis), comfortably within our recently lowered target range of 0.5x-1.5x and compared to our covenant limit of 3.0x.

Case study

Benefitting from diversity

At Keller, we embrace the broadest definition of diversity. This is because our 9,000 employees across the globe represent a wide range of backgrounds, cultures, experiences, perspectives and insights. And we believe this is essential to successfully deliver our business strategy and best serve our customers around the world.

Our new Group Head of Talent and Diversity has been central to developing our global approach to diversity, equity and inclusion and other core elements of the Keller People agenda.

As part of Global Diversity Month, we launched 'We are Keller'. This sets out our Group-wide Inclusion Commitments which bring together what we are doing to ensure a diverse and inclusive workplace where everyone has an equal chance to succeed on their merit.

Recognising that change often starts at the top of an organisation, we partnered with Global Diversity Practice who delivered Inclusive Leadership workshops for both our Board and Executive Committee. The commitments were then used to develop specific priorities relevant and impactful for the workforce in each of our divisions and functions.

We also launched our 'Unearthing Potential' Talent Management Programme which is Keller's commitment to developing, nurturing and empowering our people. The programme includes a diversity lens to ensure transparency around succession planning and identify opportunities to strengthen and diversify our talent pipeline.

To enrich our inclusive culture where all forms of diversity are recognised, we supported and celebrated a number of key global events that represent the breadth of our workforce. These included International Women's Day, Pride Month and World Mental Health Day.

Our aim is to be an organisation where people feel involved, respected and connected to our business. Where everyone has a role to play in fostering an inclusive environment that generates diverse perspectives in our work .

Tapping into the collective knowledge and experiences of our 9,000 employees helps us to look at opportunities and challenges from different perspectives and develop novel and innovative ideas to address them."

Michael Speakman
Chief Executive Officer

Chief Executive Officer's review
continued

At the outset of the pandemic the Group secured an investment grade £300m facility under the Covid Corporate Financing Facility (CCFF). We did not draw, and indeed did not ever expect to draw, on the CCFF. The CCFF was only secured to provide additional protection, in extremis, in the event of an unexpected and significant deterioration in market conditions and customer payment behaviours resulting in a very material deterioration in working capital performance. The Group had access to substantial borrowing facilities and retained a significant level of available liquidity throughout the year. At 31 December 2020, the Group had undrawn committed and uncommitted borrowing facilities totalling £672.6m (31 December 2019: £247.0m).

Our return on capital employed (ROCE) of 16.4% was above the 14.4% recorded in 2019, driven by both higher profitability and a more efficient capital base.

The Board decided that it would be appropriate to maintain the 2019 final dividend and declare an interim dividend for 2020, prudently at the same level as in 2019. The continuation of dividend payments during 2020 reflected the financial strength of the Group, its significant liquidity position and the longer-term confidence in the performance of the business.

The Board fully recognises the importance of dividends to shareholders and we have increased or maintained dividends every year, since the Group was listed in 1994, reflecting the strong cash generative nature of the Group. The Board is recommending the payment of a 2020 final dividend of 23.3p per share (2019: 23.3p per share) to be paid on 25 June 2021 to shareholders on the register as at the close of business on 4 June 2021.

Operating performance

We experienced a strong start to the year in the first quarter before market conditions deteriorated swiftly in late March as the national and regional COVID-19 restrictions took effect. We were impacted by site closures and travel restrictions both within markets and across countries. We proactively put in place a broad range of measures to reduce costs and manage our liquidity, including operating cost reductions, cancellation of discretionary projects, reduced capital expenditure and an even greater focus on our working capital management. During the second quarter we sought to minimise the potential financial and other risks arising from the crisis but to also maximise our flexibility to respond to an uncertain landscape. We accessed relevant governmental support schemes across our markets, including furlough in the UK and tax deferrals, where appropriate.

In the second half of the year, we saw the site access restrictions that were preventing us from working largely lifted and the effect of the pandemic principally evolved into logistical and border challenges. We also saw a general softening of order intake, although the order book remained robust.

Once the Board was satisfied that trading and outlook for the remainder of the year was likely to be resilient, the Board took the decision to reimburse the relatively small amount of support taken by way of the UK furlough (Job Retention Scheme grant), representing approximately 0.1% of our global employment costs.

On 1 January 2020 the reorganisation in our North America division became effective, integrating all of our foundations businesses in North America into one unified organisation, branded as Keller. The reorganisation has been very successful and we exceeded our 2020 target for the incremental revenue benefit of being able to offer all products and services across North America. We have also generated cost and efficiency savings at the top end of our guidance range of £4.5m to £6.0m per annum and significantly earlier than our 2022 target. In addition, the division benefitted from improved profitability from the recently restructured Canadian business and strong volume at Suncoast, the Group's post-tension business.

In EMEA we made good strategic progress, reducing our geographic presence, withdrawing from South America and rationalising Franki Africa into the new Middle East and Africa Business Unit. We also exited certain non-core business activities including Wannenwetsch in Germany and Colcrete Eurodrill in the UK. Trading across the region was mixed given the impact of COVID-19, with varying levels of activity by market. We benefitted from the completion of the oil refinery in Mexico and progress on the Sandbukta-Moss-Sastad (SMS2) rail project in Norway. The UK Business Unit, which represents less than 3% of overall Group revenue, benefitted from the High Speed Two (HS2) project where we have been engaged on the early contractor stage on two sections.

During 2020 all the business units in the APAC division traded profitably throughout the year, despite COVID-19, reflecting the full-year performance benefits of the business restructuring and management changes that were completed in 2019.

Our newly formed Middle East and Africa Business Unit has combined with APAC, with effect from 1 January 2021, to create an Asia-Pacific, Middle East and Africa (AMEA) division. This brings together under one management team all of our businesses in developing geographies and which have similar market characteristics and customers, with a greater focus on large contracts, particularly in the resources sector.

The EMEA division has become our Europe division which, like the North America division, comprises larger, more functionally self-sufficient business units that benefit from established market positions in sustainable markets. As a result of the rationalisation and simplification of EMEA, the more focused Europe division is in the process of reducing the size of its headquarters, and will establish a divisional headquarters using a similar model to that already successfully implemented in the APAC division. As previously announced, the rightsizing of the Europe divisional headquarters gave rise to a non-underlying restructuring charge in 2020 and will reduce our operating costs from 2021 onwards.

Strategy

The Board refined the Group's corporate purpose during the year, to reflect 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.

We will concentrate on being 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.

To maintain a **balanced portfolio** we must focus on sustainable markets, both by geography and products, in which to set up base businesses that will be profitable through the cycle, and supplement this base business with selective, opportunistic attractive projects. We will seek to exploit customer-focused growth opportunities, both organic and through acquisition, and to command a leading share in our chosen markets.

As an experienced specialist geotechnical contractor, we are well equipped to deliver value to customers by providing technically robust and cost-competitive solutions. We do this by offering alternative designs and **engineered solutions** that meet customers' specifications whilst reducing costs.

Whatever construction brief the customer selects for a project, strong operational execution is imperative to remain competitive, and therefore **operational excellence** is at the core of the Group. We strive to continuously excel operationally and provide safe, on-time and high-quality delivery of projects. Continuous, incremental improvements will ensure that we remain competitive in our chosen markets.

Our local businesses will leverage the strength of the Group by exploiting the **expertise and scale** and sustainability of Keller's global processes and resources. This means access to a strong balance sheet and knowledge base across the Group, as well as generating benefit from higher utilisation of people and assets. Being a global group we will work to share best practice in operations, technical knowledge, governance and compliance.

Progress on strategic priorities for 2020

We have made strong progress strategically, implementing all the actions that we set out a year ago, and progressively transforming the Group into a more efficient, higher-quality business, focusing our resources on those markets and activities where customers value our skills and expertise, where we can achieve mutual benefits and deliver an appropriate level of financial return. Despite the impact of COVID-19, we have made good progress in the rationalisation of our geographic presence and exiting from certain non-core activities.

In North America, James Hind and his team successfully executed the reorganisation and rebranding of our foundations businesses, exceeding expected revenue benefits and achieving the cost and efficiency benefits ahead of time, and at the higher end of the target range.

In EMEA, we exited South America and also completed the rationalisation of Franki Africa. We exited two further non-core businesses, Wannenwetsch, in Germany, and Colcrete Eurodrill, in the UK.

As announced in November 2020, our newly formed Middle East and Africa business has combined with APAC, effective 1 January 2021, to create an Asia-Pacific, Middle East and Africa (AMEA) division, led by Peter Wyton.

The former EMEA division is now our Europe division, headed by Jim De Waele.

Strategic priorities for 2021

The strategic focus in 2020 has primarily been on the Group's structure, ensuring that we are present in the appropriate geographic markets, providing profitable services and developing the optimum organisation. Whilst there is a small element of restructuring left to complete, the main emphasis for 2021 will be to begin the long-term processes of improving operational performance and increasing market penetration.

Across the whole Group there will be an increased emphasis on performance management in respect of all the activities of the business, particularly projects and business units. The development of further commercial and financial improvements to our project performance management will be addressed by our CFO David Burke, and its application to smaller-value projects will be the remit of Venu Raju, our Equipment and Operations Director.

The longer-term simplification, standardisation and systemisation of our global operating model will be undertaken by Eric Drooff, Operations Director North America, supported by Katrina Roche, Group CIO. This initiative will be progressively implemented across the Group's systems infrastructure, with the explicit goal of becoming more efficient in the medium term.

People

I am immensely proud of how our people responded to the many diverse challenges of the global pandemic. We acted quickly at the onset to protect our people whilst they continued to protect the business by continuing to safely deliver projects for our customers. Many of our employees went to extraordinary lengths to continue to deliver on projects for our customers, including moving their families across continents, and many others were apart from their loved ones for extended periods of time. I would like to acknowledge all of this endeavour and thank all of Keller's employees for their commitment, hard work and expertise during this exceptionally challenging year.

Outlook

Despite the pandemic, 2020 has been a strong year for Keller, operationally, financially and strategically. The way the Keller team has responded to the challenges of COVID-19, and their actions and commitment, are evidenced by the strength of the Group's operational and financial performance during the year. We have also made significant strategic progress, implementing all the actions that we set out a year ago to reshape the business. We are progressively transforming the Group into a more efficient, more focused and higher-quality business with industry-leading margins, achieving both sustainable operational delivery and cash generation.

Notwithstanding the strong momentum at the end of 2020, our expectations for a reduced trading performance in 2021 are unchanged. As previously indicated, we saw a softening in the order intake during the second half of 2020 and into 2021 with overall trading in the early part of the year relatively subdued. This, together with the late cycle nature of our business and the continuing uncertainty arising from the pandemic and macroeconomic outlook, means that we remain suitably cautious about the year ahead. We therefore anticipate 2021 to be a more challenging year than 2020, particularly in the first half which was especially strong last year.

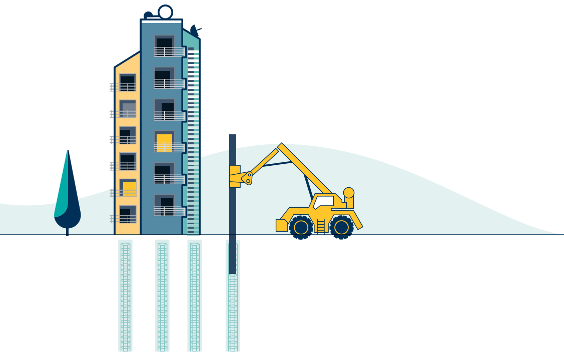
Nonetheless, our leading market positions and the strategic actions we have taken to improve the Group's performance, together with our financial resilience, will allow us to benefit from the longer-term structural growth drivers for global infrastructure and urbanisation in the years ahead. We therefore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

Michael Speakman
Chief Executive Officer
9 March 2021

Our strategy

Keller's strategy is to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects. In 2020, we continued to make progress in generating sustainable long-term value for our stakeholders.

Strategic lever	What we achieved in 2020
A balanced portfolio We select sustainable markets (geography, sector and products) in which to set up base businesses and attractive projects.	• Successfully exited from Brazil, Chile and Peru. • Completed the rationalisation of Franki Africa and its integration into our Middle East operations, forming a new Middle East and Africa Business Unit. • Exited two non-core businesses, Wannenwetsch in Germany and Colcrete Eurodrill in the UK.
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. • Brought Neutrogel®, a new environmentally friendly grouting system, to market. • Delivered SMS2 and Barmer Refinery, and continued Cape Lambert, major projects. • Improved productivity through our redesigned vibrocat VC05-2 rig. • Implemented KDAQ on our ground improvement fleet to standardise the way we gather and process data from site and help benchmark quality control and productivity. • Piloted a new system to track equipment faults and reduce unplanned downtime and an app to provide remote fault fixing.
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 0.12. • Continued to embed Project Lifecycle Management to ensure risks are considered during tenders, factored into bids and continually monitored. • Continued to embed 5S and other lean manufacturing tools on our sites and in our yards. • Rolled out InSite, a new daily field reporting app to help ensure our protocols are applied consistently and improve safety.
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. • Made good progress with our global IT approach which is moving the business onto common platforms. • Continued our efforts on workforce engagement. • Improved our Enterprise Risk Management (including Group Head of Risk hire) and introduced additional control initiatives including global finance standards. • Refreshed our Diversity, Equity and Inclusion Strategy, launched our Inclusion Commitments and held Conscious Leadership workshops for our Board and Executive Committee.



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.

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 the cycle 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.
- Complete further reorganisation to reduce overheads.
- Develop our sustainability 'cube', a tool to help geotechnical businesses embed sustainable practices into daily business.

- Following a pause due to COVID-19, restart our best-in-class global project manager and field leadership programmes.
- Implement a replacement ERP system, starting in North America.
- Continue to share best practice in operations, technical knowledge, governance and compliance.

KPIs

Market share in core markets
Share of our core markets

13.7%
(2019: 13.4%)
↑ 2.3%

Operating margins[1]
Underlying operating profit expressed as a percentage of revenue

5.3%
(2019: 4.5%)
↑ 18%

Return on capital employed[1]
Underlying operating profit as a net return on capital employed

16.4%
(2019: 14.4%)
↑ 14%

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

0.12
(2019: 0.15)
↓ 20%

1 Underlying measures allow management and investors to compare performance without the potentially distorting effects of one-off items or non-trading items. Definitions of underlying measures can be found under adjusted performance measures on page 179.

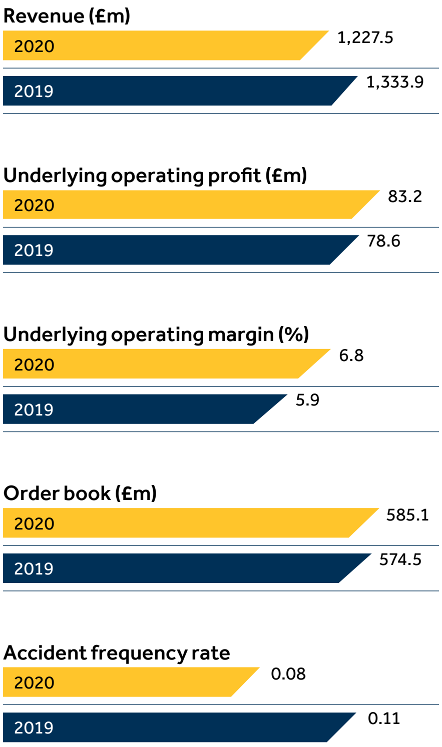
North America

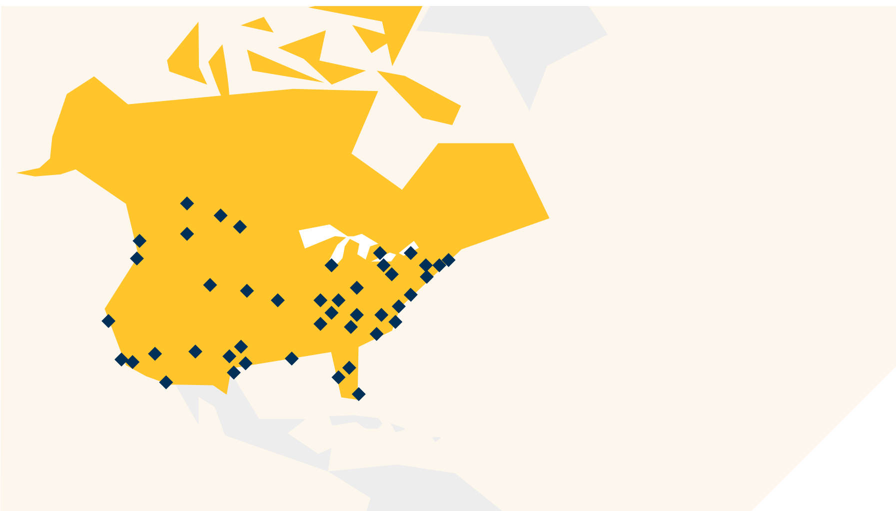
Business units

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

Business units reflect 2020 reporting. See page 3 for latest organisational structure that reflects changes made in 2020 and effective from 1 January 2021.

KPIs





	2020 £m	2019 £m	Constant currency
Revenue	**1,227.5**	1,333.9	-7.9%
Underlying operating profit	**83.2**	78.6	5.8%
Underlying operating margin	**6.8%**	5.9%	
Order book[1]	**585.1**	574.5	1.8%

1 Comparative order book stated at constant currency.

In North America, revenue decreased by 7.9%, on a constant currency basis, with a material slowdown in the second half in our foundations business driven by a COVID-19 related construction market downturn. This was partly offset by incremental revenue following the reorganisation of the foundations business that became effective from 1 January 2020, and revenue growth at Suncoast. Operating profit increased by 5.8% to £83.2m on an underlying basis, driven by operating efficiencies and cost reductions following the reorganisation of the foundations business, strong demand at Suncoast and the turnaround in Canada. The underlying operating margin increased to 6.8% from 5.9% in the prior year. Cash performance was particularly strong as a result of the underlying cash generative nature of the business and the settlement of aged claims. Our continued focus on safety saw our key metric, accident frequency rate, fall from 0.11 in 2019 to 0.08 for 2020, a 27% improvement.

In 2020 the construction industry in the US grew 5%, driven by a 12% increase in residential construction. Non-residential construction was flat year-on-year overall, though down 3% in the second half. The Canadian construction market was down 4% year-on-year.

We benefitted from a strong start to the year following the continued momentum we experienced at the end of 2019 as well as the relatively mild winter which typically curtails activity in the first quarter. From the end of March, trading became more challenged due to the COVID-19 pandemic, when the ability to operate was to some extent subject to state restrictions and lockdowns. The business was quick to respond to the impact, putting in place a range of measures to reduce costs and manage liquidity. However, we began to see an increased impact on our foundations business in the second half, with a significant number of project starts postponed in addition to a material drop off in orders.

The division benefitted from the reorganisation of the foundations business that we announced in 2019 and became effective 1 January 2020. The objective of the reorganisation was to position the North American foundations businesses to return to growth through a combination of offering all products in all our North American markets, thereby increasing the size of the addressable market and at the same time reducing overheads and achieving better utilisation of equipment, yards and people. We are driving material incremental revenue and profit growth following improved operational efficiencies, despite the logistical impact of COVID-19. Following the reorganisation, we have won more than $80m of customer projects ($36m flowing through 2020 revenue) which would not have been won under the old structure. In addition, the cost and efficiency benefits achieved this year are at the top end of our £4.5m to £6.0m target range and were realised in 2020, significantly earlier than our 2022 target. We continue to identify areas of further efficiency. The costs of delivering the reorganisation were approximately £3.0m and were absorbed by the North America business through 2019 and 2020 as part of normal operating costs.

In the foundations business, the significant decrease in second half revenue resulted in flat year-on-year operating profit performance. However, the operating margin increased significantly as a result of the cost savings realised and the more efficient use of resources. The Speciality Services business experienced strong trading and has become the divisional lead for large, complex, multi-product projects. The South-East had a strong year, but the Mid-West continued to struggle in a difficult market. At the end of the year, we received a cash settlement for a further and final claim for the scope adjustment on the large long-term contract completed by Specialty Services, previously trading as Bencor.

Our Canadian business delivered an improved profit performance following a modest restructuring and a strengthening of the management team. The business has good momentum into 2021 and is helped by the establishment of a new base in Montreal in the fourth quarter of 2020.

Suncoast, the Group's post-tension business serving mostly the residential construction market, performed strongly with revenue ahead of the prior year. The business delivered a significant increase in operating profit despite being negatively impacted in the latter part of the year by additional tariffs on imported steel strand, Suncoast's main raw material. The additional tariffs and the recent increase in steel prices will impact margins in the near to medium term.

At Moretrench Industrial, our business which operates in the highly regulated power and mining segments, revenue fell, mainly due to a relatively small restructuring. However, performance remained strong and revenue and operating profit increased whilst achieving an improved order book position.

Case study

Reorganisation success

Keller North America integrated and rebranded its foundations businesses on 1 January 2020, and is now reaping the benefits.

With all the foundations' offices in North America now offering all products to the market, it's estimated that more than $80m of customer projects have been won which would not have been won under the old structure.

One example is Westshore Marina, Florida. This project was specified with 222 drilled shafts, but with access to a wider portfolio of techniques, the team saw an opportunity to support lighter structures through ground improvement. They proposed a value engineered solution of 149 shafts plus ground improvement, saving the owner $1.1m and securing the project.

We have harmonised processes across the whole North American foundations business, which has made the business more efficient and easier to manage. Bringing the previous companies together has also allowed us to merge offices and yards in six cities.

Our Keller Operations North America group, comprising business unit operations managers, has been more effective at sharing resources. This includes using more local and less out-of-town labour, allowing our employees more time at home with their families and, after a large compaction grouting job was won in California, mobilising the 16 grout pumps required from across the country. They have also identified and sold $4m worth of unneeded tooling and equipment.

The successful integration of our North American businesses and the fact we're seeing the benefits sooner than we expected is a testament to the hard work and dedication of all our employees."

James Hind
President, North America

The order book for North America at the end of the period remained strong at £585.1m, in line with the closing position at the end of 2019. However, as previously indicated, we saw a softening in our order intake in the second half of the year as well as deferrals of projects already in the order book which will impact 2021.

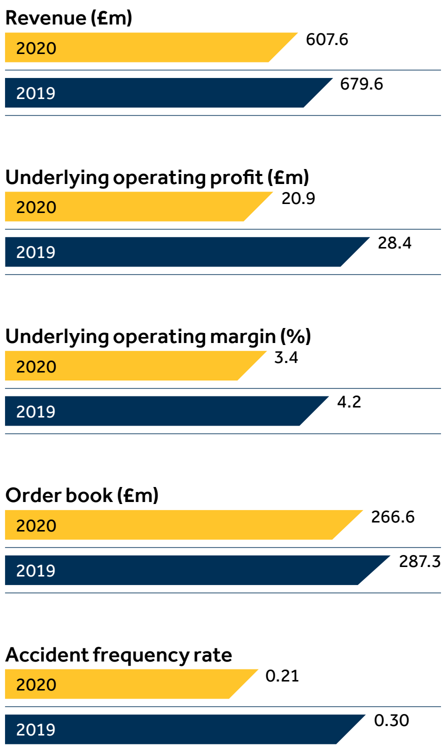
Europe, Middle East and Africa (EMEA)

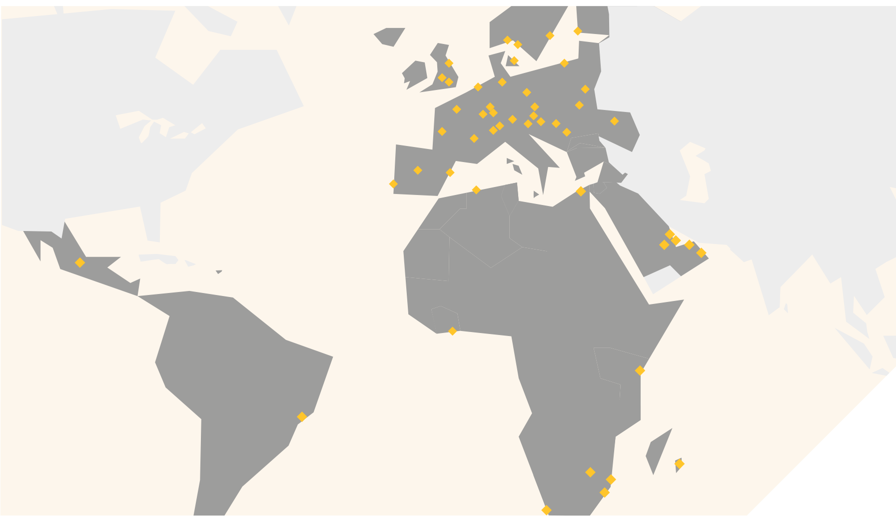
Business units

- Central Europe
- French Speaking Countries
- Iberia and Latin America
- North-East Europe
- UK
- South-East Europe and Nordics
- Brazil
- Franki Africa
- Middle East

Business units reflect 2020 reporting. See page 3 for latest organisational structure that reflects changes made in 2020 and effective from 1 January 2021.

KPIs





	2020 £m	2019 £m	Constant currency
Revenue	**607.6**	679.6	-9.5%
Underlying operating profit	**20.9**	28.4	-28.4%
Underlying operating margin	**3.4%**	4.2%	
Order book[1]	**266.6**	287.3	-7.2%

1 Comparative order book stated at constant currency.

In EMEA, revenue decreased by 9.5% on a constant currency basis, with the majority of markets being impacted by COVID-19 shutdowns and other travel restrictions during the year. Our businesses in European markets were impacted earlier by COVID-19, however they recovered quicker than the businesses in the Middle East, Africa and Latin America. Underlying operating profit was £20.9m, down 28.4% on a constant currency basis, giving an underlying operating margin of 3.4% (2019: 4.2%). Revenue and profit were reduced in most EMEA markets, as a result of COVID-19, aside from Iberia and Latin America and North-East Europe. Through a continued focus on safety the accident frequency rate fell from 0.30 in 2019 to 0.21 for 2020, a 30% improvement. In early 2021, a tragic fatality occurred following an accident on a site in Austria in which we lost a long-serving and valued employee. This brings into sharp focus the risks of the environment in which we operate and the need for perpetual vigilance. A thorough investigation is under way at this time.

Our businesses in Central Europe, South-East Europe and Nordics, and French Speaking Countries were all subject to reduced activity arising from COVID-19 related government lockdowns, as well as in-country and cross-border travel restrictions. As these restrictions eased, activity levels increased back to near normal levels by the year end.

The UK, representing 3% of overall Group revenue, started the year slowly with a continuation of the hesitant investment climate following the December 2019 general election, and ongoing Brexit uncertainty before COVID-19 shutdowns closed a large part of the construction sector from March onwards. The UK market recovered slower from the effects of COVID-19 than Continental Europe markets. During the year, test piling and early contractor works on two sections of HS2 were completed as well as instrumentation and monitoring activities on the London section. The main packages of work on C2/3 are expected to be awarded in the near term following the recent award of the C1 package in February 2021 at a value of c£84m.

Our business in North-East Europe, which was the least impacted by COVID-19 restrictions, benefitted from market momentum and cost-saving initiatives from the end of 2019 with strong revenue and profit growth as well as an improvement in margin. The Scandinavian region within our South-East Europe and Nordics business continues to grow, and benefitted from the Sandbukta-Moss-Sastad (SMS2) rail project in Norway. The Iberia and Latin America business also reported revenue and profit growth from the delivery of an oil refinery project in Mexico. During the period we completed the sale of our Brazil business, as part of the previously announced withdrawal from South America, which generated a non-underlying and largely non-cash loss on disposal of £9.2m.

The Middle East reported lower revenue and reduced profitability compared with last year, following completion of a number of larger oil and gas projects in 2019 and the travel restrictions across key markets in response to COVID-19.

Franki Africa returned to profit in the year, benefitting from a reduced cost base following recent restructuring activities and second half delivery at the previously announced liquefied natural gas (LNG) contract in Mozambique, which will continue through 2021. In June 2020 we announced the rationalisation of the Franki Africa business, retaining a small number of profitable operations which have been integrated into our Middle East-based operations, which share similar markets and dynamics, with effect from 1 January 2021.

As well as the Franki Africa restructuring and the South America exit there were a number of other initiatives during the year that streamlined the portfolio and rationalised the operational cost base. These included the sale of two non-core businesses, Wannenwetsch in Germany and Colcrete Eurodrill in the UK, in addition to restructuring in a number of other business units.

In November it was announced that from 1 January 2021 the MEA business would be transferred to the APAC division, creating the Africa, Middle East and Asia (AMEA) division, and the remaining EMEA division becoming Europe. The new Europe division is headed by Jim De Waele, as President, Europe, and Mark Hooper, as Chief Financial Officer, Europe; both appointments became effective from 1 January 2021.

A restructuring charge of £11.0m was reported relating to the strategic objective to rationalise operations in Europe, Middle East and Africa and the rightsizing of the Europe divisional head office.

The EMEA order book at the end of the period was £266.6m, down 7.2% on the prior year.

Case study

Innovating for growth – Neutrogel®

A greener grout that produces less waste, has a lower carbon footprint and costs less compared to conventional processes that use cement and bentonite, has been successfully used on a Keller project for the first time.

Keller is constantly innovating to find new and more sustainable products and technologies, and the latest comes with the launch of Neutrogel® – the first ever pH neutral sodium silicate-based grout, making it completely harmless when it's in the ground.

Neutrogel® can be used to replace cement-bentonite on jet grouting projects where you need to reduce permeability.

It took a year to develop and after successful trials was used for the first time on a bottom seal project on the site of a new building at the Karlsruhe Institute of Technology in Germany.

To meet the specification, the finished seal had to allow groundwater ingress of no more than 1.5 litres per second, per 1,000m² of exposed surface. The result was approximately 0.15 litres per second per 1,000m², well within the tolerance levels.

"Technically and economically, our first Neutrogel® project was a huge success. As cement-based products come under increasing scrutiny, Neutrogel's effectiveness and cost savings could make it a very popular and much more sustainable alternative in the bottom seal market."

Jim De Waele
President, Europe

Tendering levels were mixed during the second half of 2020 and there remains significant uncertainty regarding the impact on trading in 2021 in most of our markets.

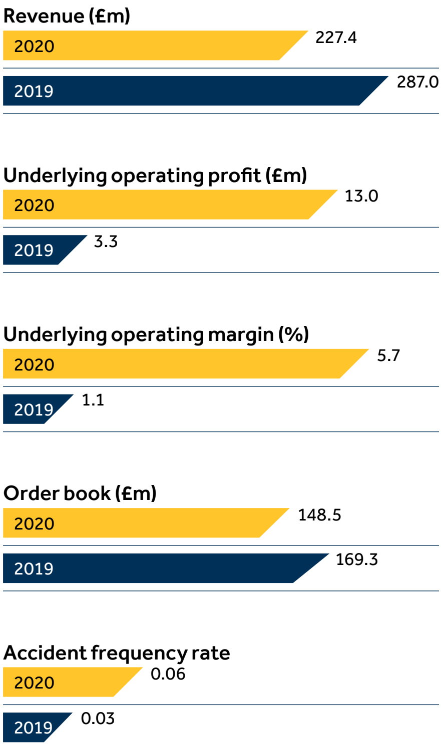
Asia-Pacific (APAC)

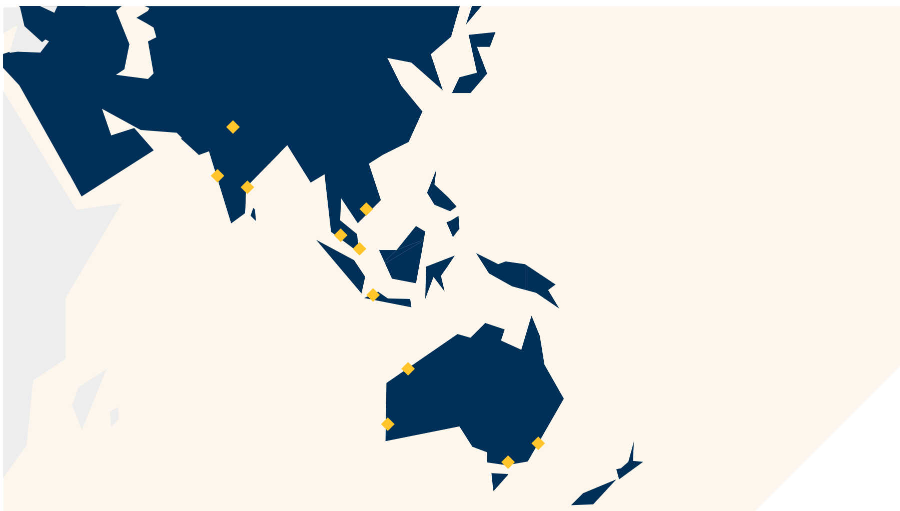
Business units

- ASEAN
- Austral
- India
- Keller Australia

Business units reflect 2020 reporting. See page 3 for latest organisational structure that reflects changes made in 2020 and effective from 1 January 2021.

KPIs





	2020 £m	2019 £m	Constant currency
Revenue	**227.4**	287.0	-19.0%
Underlying operating profit	**13.0**	3.3	320.3%
Underlying operating margin	**5.7%**	1.1%	
Order book[1]	**148.5**	169.3	-12.3%

1 Comparative order book stated at constant currency.

In Asia-Pacific, revenues decreased by 19.0% on a constant currency basis, partly as a consequence of the planned restructuring in 2019 in ASEAN and Waterway. On a like-for-like basis revenue decreased by 9.5%, primarily due to the effects of site closures related to COVID-19. Operating profit increased by 320.3% to £13.0m, as a result of the restructured business delivering profitable results across all business units. The accident frequency rate increased from 0.03 in 2019 to 0.06 for 2020, representing two lost time injuries in 2019 and four in 2020.

The COVID-19 pandemic impacted all geographies in the division, though markets were impacted by variable magnitude. Singapore experienced protracted site closures at the start of the pandemic with a slow return to activity following the national lockdown. In Australia, activity levels were less impacted, however travel restrictions made the movement of employees around the country very difficult or impossible. India was imposed with a shorter, strict country-wide lockdown at very short notice, giving the operational crews significant challenges. India returned to normal site activity earlier than other Asian markets. Management across the division responded very effectively to maintain operational activities where possible and to mitigate the personal and financial performance challenges. Many employees were forced to make personal sacrifices including long periods where they were unable to return home from sites due to the stringent lockdown rules.

ASEAN was the first Keller business to be impacted by local government actions taken in response to COVID-19 during early March. Restrictions were not materially eased in Singapore until August, with a continued impact on trading through the second half. Despite the reduction in revenue, ASEAN delivered a profit in the period, benefitting from the restructuring activity that was undertaken in 2019 that reduced costs and from a sizeable project claim settled during the period.

Austral had a strong performance in the year with prior year activity adversely impacted by two major cyclones and extensive flooding in the Pilbara region in Western Australia which affected a number of mining projects during the first half of 2019. Good progress was made on the major contract to procure and construct the replacement of berthing structures at Rio Tinto's Cape Lambert Port in the Pilbara, worth approximately AUD$125m (c£70m), with over half the project completed, and the balance to be completed in 2021.

Our Keller Australia business reported broadly flat revenues and profits, with a continued softness in some markets. Tendering remained strong over the period though, and new awards in November and December indicate some improvement in the market.

Following the abrupt country-wide lockdown in India in late March that stopped all our operations, activity had restarted by the end of June. Despite the lower revenue, margins held up well from a number of more profitable Ground Improvement contracts and a reduced overhead base.

Orders were materially down in the second and third quarters as customers were reluctant to commence contracts given the uncertainty of the COVID-19 impact. Reassuringly, orders strengthened later in the year and the tender activity gives us a certain degree of optimism for 2021.

The APAC order book at the end of the period was £148.5m, down 12.3% on the prior year. This was largely driven by delayed project awards due to COVID-19 related market caution, and the inclusion of the large Cape Lambert project award in 2019.

In November 2020 it was announced that our newly formed Middle East and Africa Business Unit will combine with APAC, with effect from 1 January 2021, to create an Asia-Pacific, Middle East and Africa (AMEA) division. This will bring together under one management team all of our businesses in developing geographies and which have similar market characteristics and customers, with a greater focus on large contracts, particularly in the resources sector.

Case study

Keller cuts project carbon emissions by more than 90%

As the world's largest geotechnical company, we want to lead the sector in offering solutions that contribute towards a more sustainable future. One example of this is in Singapore, where we've worked with ExxonMobil to construct more environmentally friendly foundations.

Oil giant ExxonMobil is expanding its operations with the construction of a major new refinery on Jurong Island – the Chemical and Refining Integrated Singapore Project (CRISP) – that will increase production of cleaner fuels with lower sulphate content.

Driven piling solutions would have been a traditional choice for refinery structures, including tanks and process plants, spread over 137,000m². But, having built a strong, trusted relationship over many years with ExxonMobil, they asked if we could find a better, more innovative solution.

Keller leveraged the virgin soil conditions and proposed an alternative method of deep vibro compaction to densify the top sandy layers, along with vibro stone columns to reinforce the soft clayey strata underneath.

Piling contains rebar and concrete, so you need a lot of steel and cement – materials that use a lot of energy and produce high levels of CO_2 emissions to manufacture. These methods are around 35-40% faster and more cost-effective than the traditional piling solution, and also more environmentally friendly.

Keller engineers used a universal carbon calculator devised by industry bodies the European Federation of Foundation Contractors and the Deep Foundations Institute to compare the piling proposal with Keller's vibro solutions.

The result covered everything from the diesel used to power machines and material production, right through to worker transportation and waste disposal and revealed a big difference.

The piling option would have generated around 22,000 metric tonnes of carbon dioxide equivalent (tCO_2e), while the vibro methods produced just 1,900 tCO_2e – 92% lower, saving the equivalent of driving the average car around the Earth 2,000 times.

If we can show how our solutions are not only quicker and more cost-effective, but also much more environmentally friendly, that's great for our clients, for us and for the planet."

Deepak Raj
Managing Director, ASEAN

Chief Financial Officer's review

"Our continued focus on cash flow performance generated significant improvements in the year, resulting in net debt reducing by 43%, equating to a net debt/EBITDA leverage ratio of 0.7x[1]."

David Burke
Chief Financial Officer

This report comments on the key financial aspects of the Group's 2020 results.

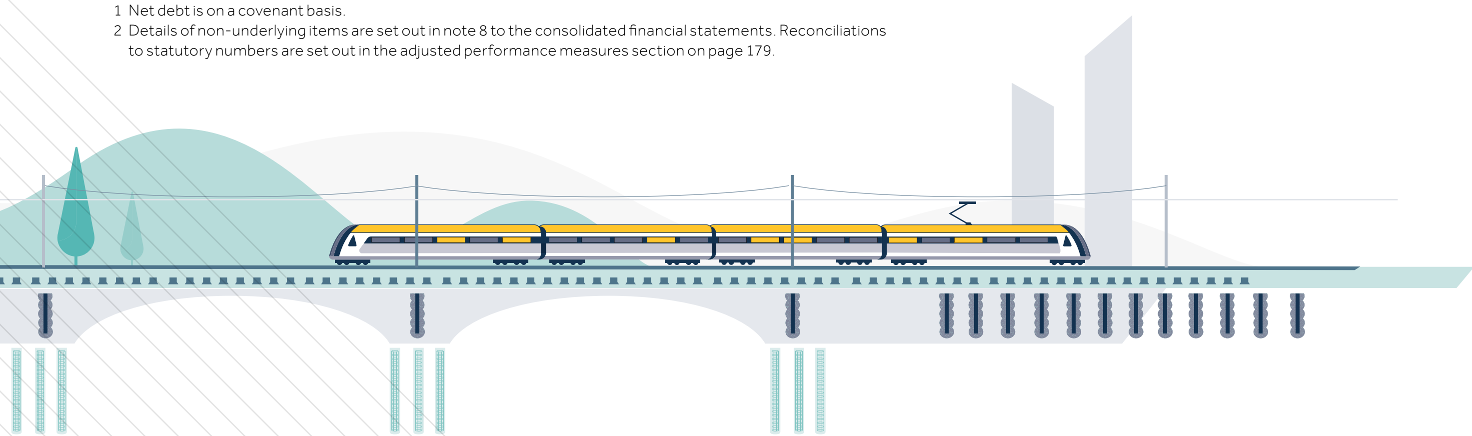
	2020 £m	2019 £m
Revenue	**2,062.5**	2,300.5
Underlying operating profit[2]	**110.1**	103.8
Underlying operating profit %[2]	**5.3%**	4.5%
Non-underlying items	**(33.1)**	(29.7)
Statutory operating profit	**77.0**	74.1

1 Net debt is on a covenant basis.
2 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 179.

Revenue

Revenue of £2,062.5m (2019: £2,300.5m) was 10.3% down on 2019, in large part reflecting the impact of site closures and lower market demand relating to COVID-19. At constant currency, revenue decreased by 9.7% and decreased across all three divisions. North America reported a decrease in revenue of 7.9% (at constant currency), with the majority of operations impacted by COVID-19, partly offset by incremental revenue from the reorganisation of the foundations business and revenue growth over prior year at the Suncoast business serving mostly the residential construction market. EMEA revenue decreased by 9.5% (at constant currency) primarily as a result of COVID-19 related site closures. This was partly offset by positive revenue growth in North-East Europe and Iberia and Latin America. APAC activity was heavily impacted by COVID-19 related shutdowns in the majority of its markets. Revenue declined by 19.0% (at constant currency). Adjusting for the withdrawal from the heavy foundations market in Singapore and Malaysia during 2020 and the Waterway disposal in 2019, revenue in APAC decreased by 9.5% on a like-for-like basis.

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 3% of the Group's revenue. The top 10 customers represent 11% of the Group's revenue (2019: 7%). The Group worked on more than 6,000 projects in the year with 59% of contracts having a value between £25,000 and £250,000, demonstrating a low customer concentration and a wide project portfolio.



Revenue split by geography

£m	North America	EMEA	APAC	Total
2020				
H1	**636.5**	**286.5**	**116.1**	**1,039.1**
H2	**591.0**	**321.1**	**111.3**	**1,023.4**
Total	**1,227.5**	**607.6**	**227.4**	**2,062.5**
2019				
H1	611.0	342.4	138.3	1,091.7
H2	722.9	337.2	148.7	1,208.8
Total	1,333.9	679.6	287.0	2,300.5

	Revenue £m		Underlying operating profit[1] £m		Underlying operating profit margin[1] %	
Year ended	**2020**	2019	**2020**	2019	**2020**	2019
Division						
North America	**1,227.5**	1,333.9	**83.2**	78.6	**6.8%**	5.9%
EMEA	**607.6**	679.6	**20.9**	28.4	**3.4%**	4.2%
APAC	**227.4**	287.0	**13.0**	3.3	**5.7%**	1.1%
Central	**–**	–	**(7.0)**	(6.5)	**–**	–
Group	**2,062.5**	2,300.5	**110.1**	103.8	**5.3%**	4.5%

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

Underlying operating profit

The underlying operating profit of £110.1m was 6.1% up on prior year (2019: £103.8m), which on a constant currency basis was 5.5% up, despite the revenue contraction.

North America underlying constant currency operating profit increased by 5.8% driven by improved margins from efficiencies and cost reductions realised from the reorganisation of the US foundations businesses, a strong performance at Suncoast and a turnaround in Canada. The impact of COVID-19 in terms of operational restrictions was greater in EMEA and APAC than in North America. EMEA constant currency operating profit decreased by 28.4%, reflecting the impact of reduced activity arising from COVID-19 related government lockdowns as well as cross-border travel restrictions. North-East Europe benefitted from market momentum and prior year savings initiatives and Iberia and Latin America benefitted from the delivery of an oil refinery project in Mexico, resulting in strong earnings growth in both businesses during the year. APAC constant currency operating profit increased by 320.3% in 2020, as a result of the restructured business delivering profitable results across all business units.

Share of post-tax results from joint ventures

The Group recognised a post-tax profit of £0.8m in the year (2019: £0.7m) from its share of the post-tax results from joint ventures. Dividends totalling £0.4m (2019: £1.1m) were received from joint ventures in the period.

Statutory operating profit

Statutory operating profit, comprising underlying operating profit of £110.1m (2019: £103.8m) and non-underlying items comprising net costs of £33.1m (2019: £29.7m net costs), increased by 3.9% to £77.0m (2019: £74.1m).

Net finance costs

Net finance costs decreased by 41.3% to £13.2m (2019: £22.5m). The average net borrowings, excluding IFRS 16 lease liabilities, during the year were £183.5m (2019: £392.1m). This reduction was achieved as a result of the cash generative nature of the business and consistent tight working capital management in the uncertain COVID-19 environment. Furthermore, the Group benefitted from the lower LIBOR rates throughout the year.

Taxation

The Group's underlying effective tax rate increased to 29% (2019: 28%), mainly as a result of the change in profit mix across the various tax jurisdictions in which we operate. Cash tax paid in the year of £24.9m was an increase of £12.6m over prior year. The prior year benefitted from a tax refund in the US which reduced net payments. 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

Details of non-underlying items are included in note 8 to the financial statements.

Chief Financial Officer's review
continued

Amortisation of acquired intangibles
The £4.2m (2019: £4.3m) charge for amortisation of acquired intangible assets relates to the Moretrench and Austral acquisitions.

Non-underlying operating costs
Non-underlying operating costs were £29.6m (2019: £28.7m) and mainly consisted of exceptional restructuring costs of £16.6m and the £9.2m largely non-cash loss recorded on the disposal of the Group's Brazil business in April 2020. Within the year the Group also disposed of a non-core business in Germany, Wannenwetsch, for a loss of £0.9m and provisions of £1.5m were made for the Colcrete Eurodrill UK machinery manufacturing business which was disposed of in January 2021.

Total restructuring costs of £16.6m (2019: £7.2m) have been incurred during the year. Restructuring charges of £11.0m were incurred in EMEA relating to the strategic objective to rationalise operations in Europe, the Middle East and Africa and rightsize the divisional head office. In North America £5.5m was incurred during the year in respect of strategic restructuring activity undertaken. In APAC, restructuring costs of £0.5m in India, Malaysia and Indonesia were partly offset by a credit of £0.4m on the reversal of restructuring charges made in the prior year relating to the ASEAN Heavy Foundations restructuring and the cessation of the Waterway business. There was a £0.3m impairment charge made against the carrying value of goodwill in a small cash-generating unit in EMEA.

Non-underlying other operating income
Non-underlying other operating income was £0.7m in respect of proceeds received on settlement of a contributory claim relating to an exceptional contract dispute, first reported in 2014.

Non-underlying taxation
A non-underlying tax credit of £5.6m (2019: £7.5m charge) has been determined by assessing the tax impact of each component of the non-underlying loss. The tax charge on non-underlying losses in 2019 related primarily to a valuation allowance made against deferred tax assets on Australian tax losses as a consequence of the restructuring of the business. The 2020 tax credit 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.

Earnings per share

Underlying diluted earnings per share increased by 18.5% to 96.3p (2019: 81.3p) driven by higher operating profit and a reduced interest charge in the year. Statutory diluted earnings per share was 58.5p (2019: 29.7p).

Dividend

The Board has recommended a final dividend of 23.3p per share (2019: 23.3p per share) which, following the interim dividend for 2020 of 12.6p (2019: 12.6p), brings the total dividend for the year to 35.9p (2019: 35.9p). The 2020 dividend earnings cover, before non-underlying items, was 2.7x (2019: 2.3x).

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. Reflecting the financial strength of the Group, its significant liquidity position and the longer-term confidence in the performance of the business, the Board has decided to maintain the 2020 full-year dividend consistent with that declared in respect of 2019.

Keller Group plc has distributable reserves of £135.7m at 31 December 2020 that are available to support the dividend policy which comfortably covers the proposed full-year dividend for 2020 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

There were no material acquisitions in the period.

Working capital

The £111.1m cash flow from decreased receivables and a £7.1m decrease in inventories during the year was partly offset by an £80.0m decrease in payables. Overall a strong working capital performance resulted in total net working capital decreasing by £38.2m in the year (2019: £3.0m increase).

Prior-year balance sheet reclassification

As a result of a reclassification of contract provisions from other payables to provisions and end of service scheme liabilities from provisions to retirement benefit liabilities within the classification of liabilities, the comparative consolidated balance sheet as at 31 December 2019 has been restated. The Group has increased provisions by £20.3m to reflect contract provisions with a corresponding reduction in other payables and reduced provisions by £3.0m with a corresponding increase in retirement benefit liabilities.

Capital expenditure

The Group manages capital expenditure tightly whilst investing in the upgrade and replacement of equipment where appropriate. Net capital expenditure of £65.6m (2019: £52.0m) was net of proceeds from the sale of equipment of £7.4m (2019: £10.9m). 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 109% (2019: 91%).

Free cash flow

The Group's free cash flow of £134.2m (2019: £94.9m) is more than sufficient to fund, in cash terms, the full value of the payment in relation to the total 2020 dividend of £25.9m (2019: £26.3m). The basis of deriving free cash flow is set out on page 27.

Financing facilities and net debt

The Group's term debt and committed facilities principally comprise US private placements of $125m (£97.3m) which mature between 2021 and 2024 and a £375m multi-currency syndicated revolving credit facility, the maturity of which was extended during 2020 by one year to November 2025. At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £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

Free cash flow

	2020 £m	2019 £m
Underlying operating profit	**110.1**	103.8
Depreciation and amortisation	**94.9**	94.6
Underlying EBITDA	**205.0**	**198.4**
Non-cash items	**1.9**	13.4
Dividends from joint ventures	**0.4**	1.1
Decrease/(increase) in working capital	**38.2**	(3.0)
Increase/(decrease) in provisions and retirement benefit liabilities	**13.9**	(10.9)
Net capital expenditure	**(65.6)**	(52.0)
Additions to right-of-use assets	**(22.7)**	(22.9)
Sale of other non-current assets	**–**	4.6
Free cash flow before interest and tax	**171.1**	**128.7**
Free cash flow before interest and tax to underlying operating profit	**155%**	**124%**
Net interest paid	**(12.0)**	(21.5)
Cash tax paid	**(24.9)**	(12.3)
Free cash flow	**134.2**	**94.9**
Dividends paid to shareholders	**(25.9)**	(26.3)
Acquisitions	**–**	2.1
Business disposals	**2.2**	–
Non-underlying items	**(11.0)**	0.4
Right-of-use assets / lease liability modifications	**(1.1)**	7.1
Foreign exchange movements	**(1.1)**	6.3
Movement in net debt	**97.3**	**84.5**
Opening net debt	**(289.8)**	**(286.2)**
Impact of adopting IFRS 16	**–**	**(88.1)**
Closing net debt	**(192.5)**	**(289.8)**

calculated excluding the impact of IFRS 16 was 0.7x (2019: 1.2x), 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 0.9x at 31 December 2020 (2019: 1.5x). Underlying EBITDA, excluding the impact of IFRS 16, to net finance charges was 21.7x (2019: 9.4x), well above the limit of 4.0x.

On an IFRS 16 basis, year-end gearing was 47% (2019: 73%).

In June 2020 the Group increased borrowing facilities by a £300m Covid Corporate Financing Facility (CCFF) made available by the Bank of England. This facility has not been used to date and will not be drawn down before it is withdrawn on 23 March 2021.

The average month-end net debt during 2020, excluding IFRS 16 lease liabilities, was £183.5m (2019: £327.9m) and the minimum headroom during the year on the Group's main banking facility was £129.4m (2019: £8.2m), in addition to a cash balance at that time of £80.8m (2019: £56.7m). 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 are typically not significant.

At 31 December 2020 the Group had drawn upon uncommitted overdraft facilities of £4.7m (2019: £11.4m) and had drawn £167.5m of bank guarantee facilities (2019: £188.3m).

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 2020 year-end IAS 19 valuation of the UK scheme showed assets of £58.0m, liabilities of £67.2m and a pre-tax deficit of £9.2m.

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 £19.0m at 31 December 2020. 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.

Chief Financial Officer's review
continued

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 £2.9m at 31 December 2020.

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:

	2020		2019	
	Closing	**Average**	Closing	Average
USD	**1.37**	**1.28**	1.33	1.28
CAD	**1.74**	**1.72**	1.72	1.70
EUR	**1.12**	**1.12**	1.18	1.14
SGD	**1.81**	**1.77**	1.78	1.74
AUD	**1.78**	**1.86**	1.89	1.84

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, Singapore dollar and South African rand.

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 2020 was 16.4% (2019: 14.4%).

Impact of Brexit

Following the end of the Brexit transitional period, there has been no material adverse impact on our UK operations, which represents less than 3% of the total revenue of the Group. The Group does not expect any sustained adverse impact on the Group's business performance.

Redefinition of business segments in 2021

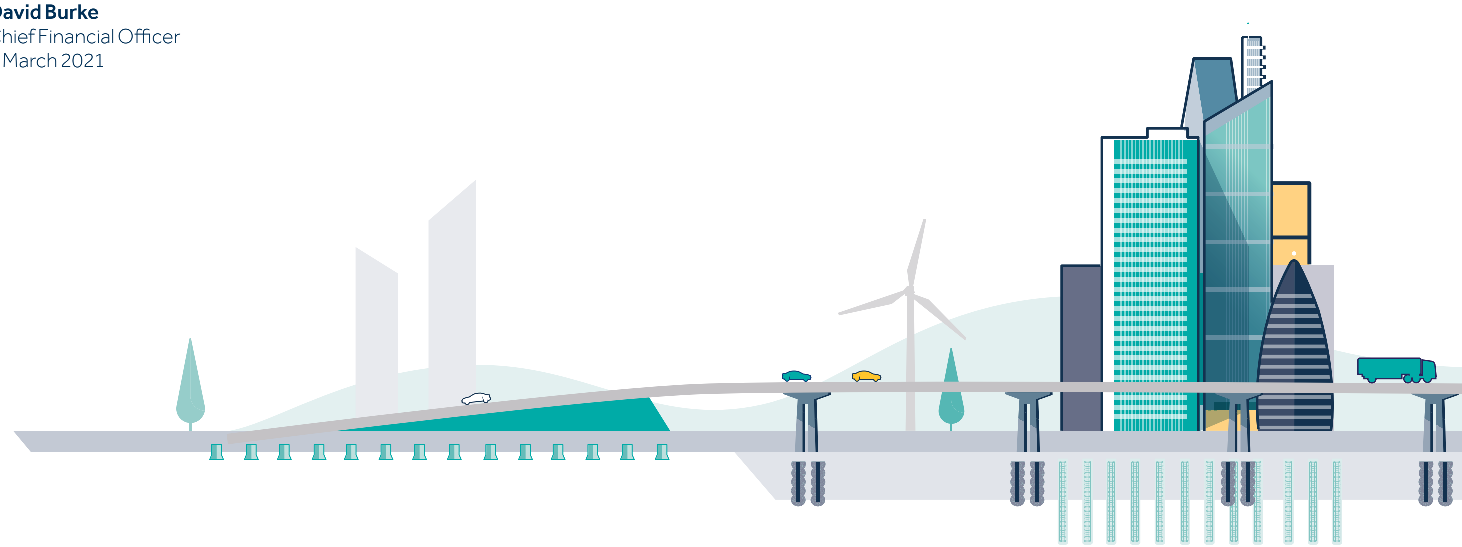
With effect from 1 January 2021, the Middle East and Africa business has combined with APAC to create an Asia-Pacific, Middle East and Africa (AMEA) division and the remainder of the EMEA division will become our Europe division.

Principal risks

The Group operates globally across many geotechnical market sectors and in varied geographic markets. The Group's performance and prospects may be affected by risks and uncertainties in relation to the industry and the environments in which it undertakes its operations around the world. Those risks include: financial risks – the inability to finance our business; market risk – a rapid downturn in our markets; strategic risk – the failure to procure new contracts, losing market share, non-compliance with our code of business conduct; operational risk – product and/or solution failure, the ineffective management of our contracts, causing a serious injury or fatality to an employee or member of the public, and not having the right skills to deliver.

The Group is alert to the challenges of managing risk and has systems and procedures in place across the Group to identify, assess and mitigate major business risks. The important developments in managing our principal risks during 2020 and the key areas of focus for 2021 are set out on page 30.

David Burke
Chief Financial Officer
9 March 2021



Principal risks and uncertainties

Our risk management process has been built to identify, evaluate, analyse and mitigate significant risks to the achievement of our strategy. We have risk identification processes that seek to identify risks from both a top-down strategic perspective and a bottom-up local operating company perspective.

The Board

The Board has overall responsibility for risk management, the setting of risk appetite and the implementation of the risk management policy. The Board reviews and challenges the Group's principal risks and uncertainties and has adopted an integrated approach to risk management by regularly discussing the principal risks as a part of routine board meetings.

The Audit Committee

The Audit Committee ensures that adequate assurance is obtained over the risks that are identified as the Group's principal risks. The Audit Committee is also responsible for the independent review and challenge of the adequacy and effectiveness of the risk management approach.

The Executive Committee

The Executive Committee is responsible for the identification, reporting and ongoing management of risks and for the stewardship of the risk management approach. The Executive Committee reviews and assesses the key strategic risks to the Group and the outputs of the assessment are included in the local risk assessment exercises carried out by the Divisional Presidents, Business Units and Functions.

Important developments in 2020

Strengthening our risk management framework was a key priority for 2020 and during the year we undertook several initiatives to achieve this.

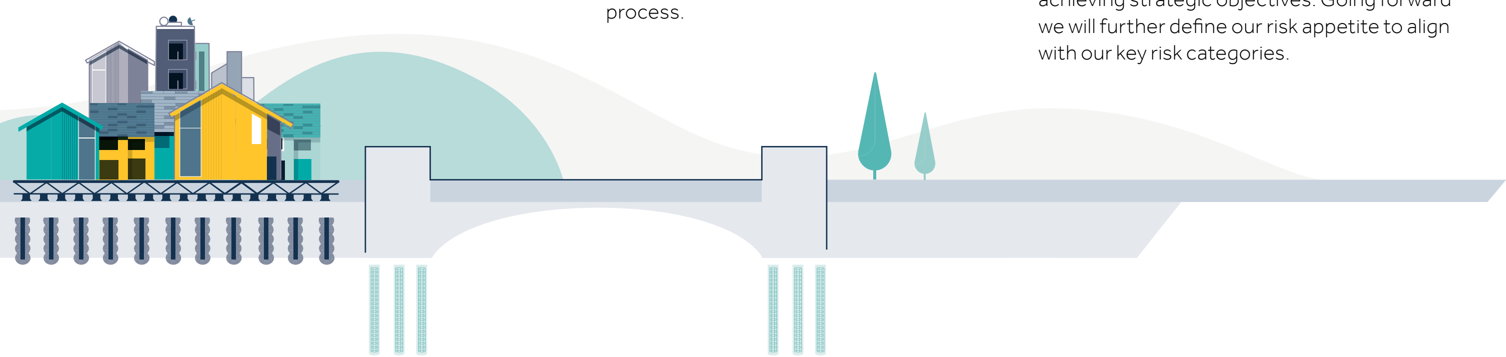
- Successful delivery of training on the new Group Risk Management Standard via risk workshops with key personnel across the Group. This will ensure a consistent approach to the identification, evaluation and mitigation of risks to support effective management of our business.
- We have strengthened our group risk management team with the appointment of a permanent Group Head of Risk to support the organisation with its risk management process.
- We have continued to strengthen our internal control environment by introducing and updating 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.
- We have improved the quality of data on risk reporting across the Group leading to more robust management reviews of risk throughout the organisation.

Key areas of focus for 2021

- In 2021, we will continue to focus on embedding our new Group Risk Management Standard into every level of the organisation.
- 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 appetite, aligned with our key risk categories. In line with the UK Corporate Governance Code 2018 (Code), we will also be improving the process for identifying, managing and mitigating emerging risks being faced by the business.
- We will provide training on the updated Group Risk Management Standard to ensure a consistent methodology is used when assessing risks.
- These changes will lead to continued improvement of risk reporting and in turn support a timely and robust decision-making process.

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. Going forward we will further define our risk appetite to align with our key risk categories.



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 risks, which within Keller are deemed to be risks that are likely to impact beyond a three-year timeframe. As such, horizon scanning and reviewing emerging 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 Committee and the Board reviewed the Group's principal risks and uncertainties at their meetings in December 2020 and February 2021. Following a robust discussion, the Audit Committee concluded that a number of our principal risks and uncertainties have changed since the publication of last year's Annual Report. The Group's principal risks are set out on pages 32 to 39.

Developing the viability statement

In developing the viability statement, it was determined that a three-year period should be used, consistent with the period of the Group's business planning processes and reflecting a reasonable approximation of the maximum time taken from procuring a project to completion. 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, were 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 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. This was in addition to the projected impact of COVID-19 considered as part of the forecasting process. 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 provision 31 of the 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, allowing greater certainty over the forecasting assumptions used for labour and material pricing;
- a reasonable approximation of the maximum time taken from procuring a project to completion and therefore reflects our current revenue earning cycle; and
- there is inherently limited visibility of project opportunities beyond the three-year period.

ii) The assessment of viability is based on forecast cash flows and other key financial ratios over the three-year period which were determined, and include the impact of COVID-19. These metrics were subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast both individually and a combination of multiple risks materialising simultaneously. A 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 2022 and 2023 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 carried out a reverse stress test, but the scenario to produce this 'perfect storm' was considered highly implausible and extreme. Further detail 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, its ability to raise additional liquidity, 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 period through to the end of March 2022, a period of at least 12 months from when the financial statements are authorised for issue. For this reason, the Directors remain of the opinion that it is appropriate 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, which we will continue to manage centrally as well as regionally.

Principal risks and uncertainties
continued

Financial risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2019)
Inability to finance our business Insufficient levels of funding, whether from operating cash flow or external financing facilities, that are necessary to support the business. **Link to strategic lever: 3, 4**	A lack of available funds restricts investment in growth opportunities, whether through acquisition or innovation. In an extreme circumstance, the lack of available funds could lead to a failure of the Group to continue as a going concern.	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 $125m ($50m note maturing in 2021 and $75m note maturing in 2024). 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. Strong free cash flow profile with the ability to turn off capital expenditure and reduce dividends. 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. 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. Monitoring of and response to external factors that may affect funding availability; as a result of the strong cash management, even taking account of the impact of COVID-19, the Board announced in November 2020 reduced leverage guidance from 1.0x-1.5x to 0.5x-1.5x.	

Key: Strategy lever

1 Balanced portfolio
2 Engineered solutions
3 Operational excellence
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 2019)
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. **Link to strategic lever: 1, 2**	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.	The diverse markets in which the Group operates, both in terms of geography and market segment, provide protection to individual geographic or segment slowdowns. Since March 2020, COVID-19 has caused a decrease in economic activity in several of the markets in which we operate. Whilst the Group has shown good resilience to this change, 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. Having strong local businesses with in-depth knowledge of the local markets enables early detection and response to market trends. Leveraging the global scale of the Group, talent and resources can be redeployed to other parts of the company during individual market slowdowns. 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.	→ While we expect a slight shrinking of the construction market in 2021 and an adverse impact on our order book, we will mitigate through our exposure 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 and take appropriate mitigating actions.

Strategic risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2019)
Failure to procure new contracts on satisfactory terms 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. **Link to strategic lever: 1, 2, 3, 4**	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. 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.	A focus on understanding customers' requirements and competitors' capabilities. 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. The Project Lifecycle Management (PLM) Standard has introduced more rigour into how risks are considered during the opportunity, contract approval and project execution phases. Sales training, which includes a focus on contractual and commercial terms.	↑ In addition to a potential adverse impact on our order book as a result of a downturn in our markets due to COVID-19, it is possible that there is increased competition for a reduced number of contracts within those markets. This may increase pressure on bid pricing and potentially erode contract margins. We will continue to monitor any increased pressure on contract margins and take appropriate mitigating actions.

Principal risks and uncertainties
continued

Strategic risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2019)
Losing our market share 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. **Link to strategic lever: 1, 2**	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.	A clear business strategy with defined short, medium and long-term objectives, which is monitored at local, divisional and group level. Continued analysis of existing and target markets to ensure opportunities that they offer are understood. An opportunities pipeline covering all sectors of the construction market. A wide-ranging local branch network which facilitates customer relationships and helps secure repeat work. Continually seeking to differentiate our offering through service quality, value for money and innovation. North American businesses reorganisation delivering on cross-selling opportunities. However, due to COVID-19 there is an economic squeeze globally, increasing pressure on volume/market share. Minimising the risk of acquisitions, including getting to know a target company in advance, often working in 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.	→
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. **Link to strategic lever: 3, 4**	Non-compliance with relevant laws and regulations could lead to substantial damage to Keller's reputation and/or large financial penalties. 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.	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. A clear and confidential externally run 'whistleblowing' facility encouraging employees to report any suspected misconduct. 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. Regular workshops across the Group to ensure compliance risks are identified and addressed.	→ 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.

Key: Strategy lever

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

Key: Risk movement

Increased risk
Reduced risk
Constant risk
Link to viability

Strategic risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2019)
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. **Link to strategic lever: 1, 2**	Without a structured innovation approach, including sufficient investment, Keller may lose its completive advantage.	The Keller Innovation Board works closely with business units, divisions and global product teams to ensure a structured approach to innovation is in place across the Group. Keller's continued investment in both external and internal equipment manufacture. Keller Data AcQuisition (KDAQ), a group-wide innovation project, will bring information together and make it accessible in one simple and concise 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.	→
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. **Link to strategic lever: 3**	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. Product offerings become obsolete because they are no longer compliant with environmental standards. We may be required to remediate at our own cost to attain compliance.	Collaboration with the University of Surrey's Centre for Environment and Sustainability to apply sustainability best practice to all business functions. A Sustainability Steering Group 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 40 to 53.	→ While the focus around environmental legislation is increasing, we believe this will present opportunities to us that we are well placed to exploit. Our increasing activity to improve sustainability over and above our peers will ensure we are ready to take opportunities as they arise.

Principal risks and uncertainties
continued

Operational risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2019)
Service or solutions failure 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. Misinterpretation of client requirements or miscommunication of requirements by the client may lead to a poorly designed solution and consequently failure. **Link to strategic lever: 2, 4**	Failure to meet quality standards could damage our reputation, result in regulatory action and legal liability, and impact financial performance. 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.	Continuing to enhance our technological and operational capabilities through investment in our product teams, project managers and our engineering capabilities. Employing geotechnical engineers that are focused purely on design. Disaster Recovery/Business Continuity Plans in place across the Group. The global product teams set standards, provide guidance and disseminate best practice across the organisation for our eight key products. We seek to agree liability limits in our contracts with customers. Insurance solutions are in place to limit financial exposure of a potential customer claim.	

Key: Strategy lever

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

Key: Risk movement

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

Operational risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2019)
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: 3, 4**	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. 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 drives a consistent approach to project delivery with robust controls at every project phase. A formal, structured approach to LEAN and 5S across the organisation is being embedded, which is improving processes and strengthening Keller's working culture.	→ Link to viability

Principal risks and uncertainties
continued

Operational risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2019)
Causing a serious injury or fatality to an employee or a member of the public 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. **Link to strategic lever: 3**	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. 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.	Board-led commitment to drive health and safety programmes and performance with a vision of zero harm. 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. Ongoing improvement of existing HSEQ systems to identify and control known and emerging HSEQ risks, which conform to internal standards. 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.	
Not having the right skills to deliver Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce. **Link to strategic lever: 2, 3, 4**	Failure to maintain satisfactory performance in respect of our current projects and failure to deliver our strategy and business targets for growth.	Continuing to invest in our people and organisation in line with the four pillars of the Keller People agenda as noted below. 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. As 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. 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. 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.	

Key: Strategy lever

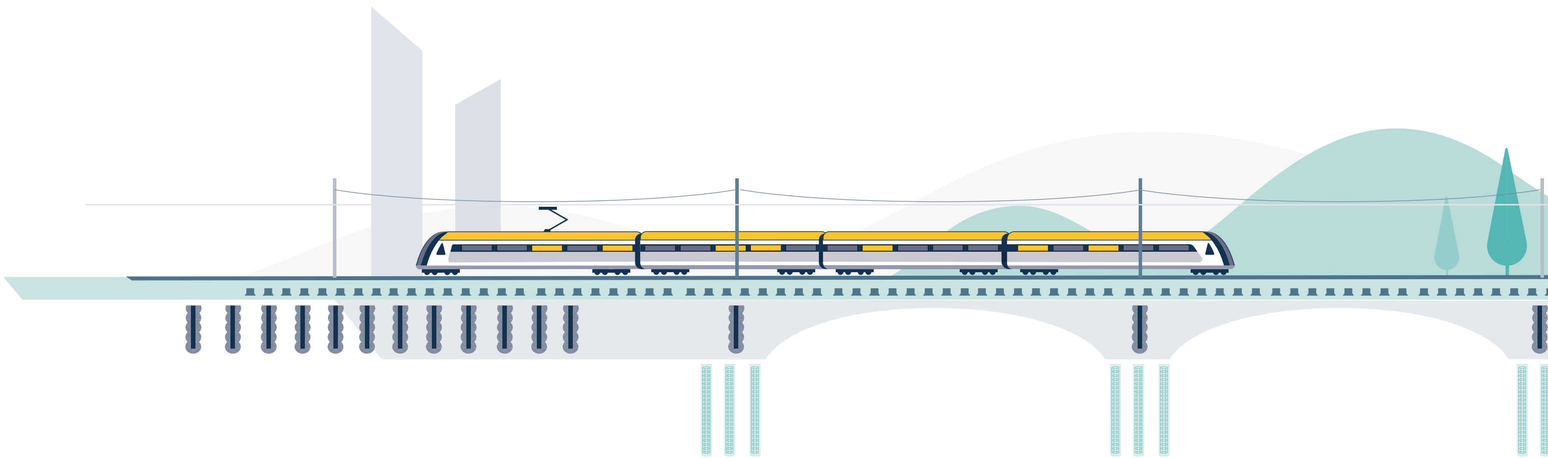
1 Balanced portfolio
2 Engineered solutions
3 Operational excellence
4 Expertise and scale

Key: Risk movement

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

Operational risk

Risk	Potential impact	Demonstrable mitigation	Risk movement (since 2019)
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 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. **Link to strategic lever: 3, 4**	Cyber security breach could result in leakage of proprietary information, operational disruptions, and loss of employee and customer data.	Building a cyber security and information assurance team and services. Building a zero trust layered technology capability. 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. Introduction of technical capabilities and services to further enable prevention, detection, prediction and response services. Multi-factor authentication for all users prevents unauthorised access to Keller's networks and applications. Advanced threat protection on all IT equipment delivers comprehensive, ongoing and real-time protection against viruses, malware and spyware. Data protection framework to ensure compliance with the General Data Protection Regulation (GDPR) and other standards of data protection.	→ 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. We assess cyber risks and determine appropriate actions for our business. Existing capabilities continue to be deployed and enhanced if needed. As an example, having seen in 2020 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 shall implement in 2021 a backup solution for key services that is immutable and cannot be encrypted.



ESG and sustainability

Peter Hill CBE
Chairman
Director responsible for environment, social and governance matters (ESG) and sustainability

As the director responsible for ESG and sustainability, I am committed to better understand and oversee our contribution to sustainable development and working collaboratively with our stakeholders to reduce potential impacts."

Peter Hill CBE
Chairman

Our corporate purpose, 'building the foundations for a sustainable future', is at the heart of everything we do. For us, our ESG and sustainability agenda is not just a matter of meeting legislative requirements or client demand.

As important as these are, making Keller truly sustainable and implementing ESG best practice is bigger than this. It is about the future of our business. It is about attracting the best young talent. It is about the world that we want to operate in. Above all else though, it is about doing the right thing.

Under our ESG umbrella, we define sustainability according to the four Ps – People, Projects, Planet and Profit. People are our most important asset, so we strive for zero harm and to create a diverse, equitable and inclusive environment in which they can thrive. Projects have many different impacts on our local environment; we are therefore committed to continued innovation and development, enabling us to offer lower carbon, lower impact solutions to our clients. Planet focuses on our wider obligations and commitments as a company, both in terms of reducing waste and our need to support the wider communities in which we operate. Finally, Profit recognises that sustainability and meeting the four Ps are essential to all our operations, for risk-mitigation, long-term growth and ultimately the profitability of Keller.

To improve these four Ps, we align our sustainability strategy with the United Nations sustainable development goals (SDGs). 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, 8, 9, 12, 13 and 15, spanning a range of environmental, social and economic priorities.

This year, we also began focusing on two additional SDGs: SDG 9 (Industry, Innovation and Infrastructure), recognising the positive impact we can have through innovative and more sustainable machinery solutions; and SDG 12 (Responsible Consumption and Production), recognising the impact we can have on the large volumes of materials we use and waste spoil we produce. We have been working in collaboration with the University of Surrey's Centre for Environment and Sustainability to apply sustainability best practice to all our business functions using the SDGs.

Good governance is key to ensuring Keller's long-term sustainability and is an integral part of our ESG approach.

We recognise the increased importance of ESG to the investment community and 2020 saw record inflows into sustainable investment funds. Clearly, these funds underscore the relevance of ESG considerations not only to company performance, but also to investment returns. The COVID-19 pandemic has in some ways accelerated this shift as it has provided a catalyst to alter societal values, as well as focusing investors on corporate transparency, social management and stakeholder accountability.

During 2021, we will deliver a targeted framework and approach that reflects Keller's ESG priorities, enabling us to report from 2021 on measures and targets to both reflect Keller's ESG priorities and meet increased reporting and compliance obligations in this area.

Our role in 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 reduce potential impacts. We define what sustainability means to Keller using four Ps.

Sustainable development goals

How we define the sustainability piece of ESG

People

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.

For more information
See pages 42 to 47

Projects

We continually innovate to support low-carbon, low-impact construction, actively transforming our product portfolio to help our customers use fewer resources, reduce their carbon emissions and have less environmental impact.

For more information
See pages 49 to 52

Planet

We are helping to build a sustainable future by using less resources and reducing waste across our operations, whilst playing a positive role in our local communities and wider society.

For more information
See pages 50 to 53

Profit

Making sustainability core to our business helps differentiate us from our competitors and helps us achieve long-term profitability and growth.

For more information
See our website (www.keller.com)

ESG and sustainability
continued

Progress against our ESG and sustainability commitments

3 GOOD HEALTH AND WELL-BEING

Good health and well-being

We started this year with the introduction of our Safety Leadership Committee, consisting of our Chief Executive Officer, divisional presidents, Group Company Secretary and Legal Advisor and Group HSEQ Director. The task ahead is to continuously improve the health and safety culture in the organisation that will drive us to our ultimate goal of zero harm. This group has served as the catalyst for the initial introduction of a Just Culture process that seeks to identify positive reinforcement opportunities and build further trust on reporting of all incidents and identifying lessons learned.

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. Integration of our known controls into our field-based planning application has delivered excellent results in North America. Our sights are set on further implementation around the Group as we move into 2021.

Our new incident management process is also delivering high results, and we have enhanced transparency around incident management, trends and actions required. 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.

Case study

Keeping our people safe

Keller North America held its first divisional Safety Week in 2020.

Tailored to the unique work we do in our industry, the theme was 'People and Equipment'. Our people are constantly interacting with equipment so it's important to remind everyone of the risks involved and how to mitigate them.

Throughout the week, crews working on site and in our shop facilities took part in toolbox talks covering topics such as swing radius protection, spotting equipment and controlled access versus exclusion zones.

Through nominations from their teams and manager, we recognised several safety champions who have gone above and beyond in safety throughout the past year.

Banners, t-shirts and hard-hat stickers were also distributed to our crews.

We are proud of our strong safety ethos that keeps our crews returning home to their families."

John Raine
Group HSEQ Director

COVID-19 has presented many challenges this year, but our operational crews have managed the health and safety requirements of this pandemic exceptionally well. This, combined with our organisational efforts described here, has resulted in a 20% decrease in our accident frequency rate; something we are very proud of.

We have, unfortunately, incurred some serious injuries to our employees throughout 2020. That said, the number of such injuries has decreased by 35% on last year's performance. This will continue to motivate the organisation to improve further.

Lastly, COVID-19 has highlighted challenges for all our personnel in 2020 and we have begun to explore how we can better support their mental health and wellbeing as we move forward. During the year we held focus groups with a cross-section of the organisation to better understand the issues currently facing our workforce and to determine how best to provide additional support.

Case study

Global knowledge sharing

A virtual webcast series led by our global product teams to share product and safety knowledge and innovations has proved a resounding success.

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 they've hosted a series of monthly webcasts, each attended by several hundred people from our global engineering and operations communities.

"We increasingly see the connections made at these events leading to the transfer of technologies from one market to another, greater collaboration on bids, and new safety and product innovations."

Dennis Boehm
Head of Global Product Teams

ESG and sustainability
continued

Quality education

At Keller, we have a long and proud history of success driven by the passion, commitment and enthusiasm of all the thousands of people who work for us around the world. But we aspire to build on this heritage and do even better. The Keller People Agenda supports our strategy to be a leader in specialist geotechnical solutions and aims to ensure we have the right organisation, with great people delivering exceptional performance in the Keller way.

Development programmes

We have a number of Group-wide development programmes which focus on Keller's principal activities of winning and executing work on behalf of clients. Our Project Manager and Field Supervisor Academies are well established and will continue to develop the commercial, leadership and administrative skills of our key project personnel. We also have our Sales Counsellor Programme to increase the company's capabilities in winning higher quality work from our clients. Unfortunately, COVID-19 prevented us from delivering in person. However, despite lockdowns and mobility restrictions, our global teams adapted their approach to ensure we continued to deliver local programmes via digital platforms.

Where possible, in-person procedural training was delivered by local business units to enhance and develop employees' knowledge, skills and ability to provide more diverse products to our customers.

During the year, we launched our Unearthing Potential talent management programme which forms part of our Management Standard for Great People. The programme aims to build capability, retain talent and create a strong and diverse leadership pipeline.

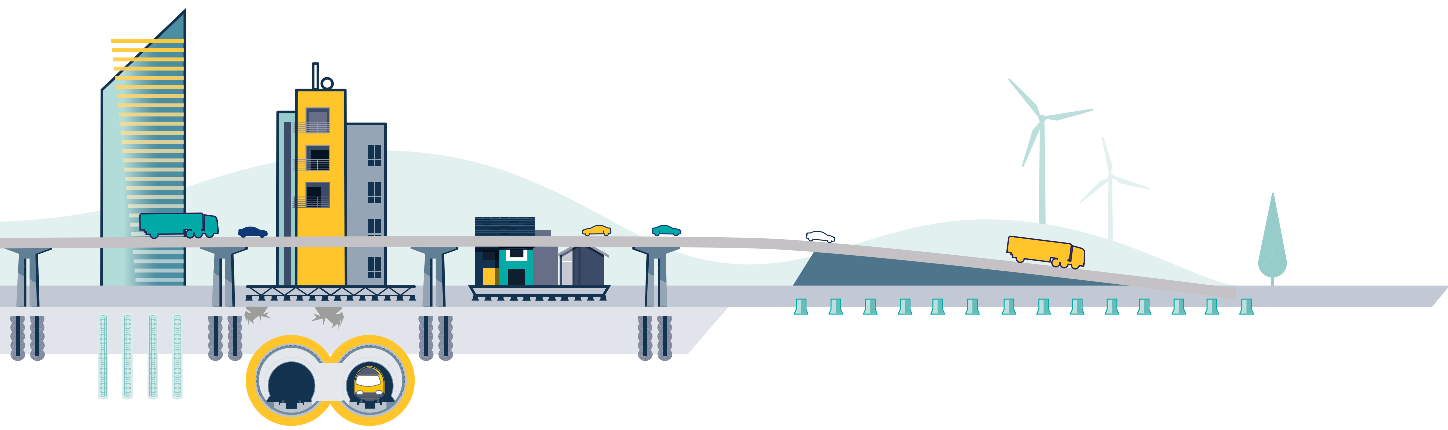
Emerging talent

We are committed to investing in our future talent pipeline. We offer a number of apprenticeship schemes across the Group which provide opportunities to create invaluable work experience whilst studying and is an effective way to secure future talent.

In October 2020, Keller UK recruited their first Civil Engineer Degree Apprentices. The pair work in different departments, gaining valuable work experience specifically in ground improvement and piling and supporting estimators with tenders for work. The programme has an added benefit of incorporating the apprentices with the Institute of Civil Engineers when they graduate. Both are making a valuable contribution to the workplace while they are learning at university.

KGS was named one of Germany's best apprenticeship companies by Capital, a German business magazine. The annual study comprised 666 companies and KGS achieved full marks in the categories 'training marketing', 'learning in the company' and improving 'digitisation and innovation'. KGS excelled in these dimensions compared to other companies.

As part of our emerging talent agenda and focus on diversity, this year we also took on over 60 engineering graduates of which 15% were female. North America's intake of field engineers encouragingly comprised of 15% females (2019: 5%). North America also took on a number of interns and co-ops, again with female uptake increasing to 33% (2019: 14%).



5 GENDER EQUALITY

Gender equality

Our Diversity, Equity and Inclusion Statement

Keller is committed to being a diverse, equitable and inclusive place to work, reflecting the world in which we operate. We encourage all of our people to realise their full potential and deliver exceptional performance.

We will continue to build on our culture where everyone at Keller has equal access to opportunities and our people advance on merit.

Our competitive advantage stems from the collective experiences, perspectives and backgrounds of our workforce. Leveraging this diversity provides innovative solutions for an increasingly challenging environment.

Our Inclusion Commitments

This year we launched ***We Are Keller***. This sets out our six Inclusion Commitments that bring together the key areas we will be focusing on to ensure a diverse, equitable and inclusive workplace.

Conscious Leadership
Improve accountability through inclusive and conscious leadership.
By empowering and equipping our leaders to excel in this space.

Listen
Listen and engage with our workforce.
Through employee-led affinity groups and workforce engagement opportunities.

Empower
Empower and invest in our workforce.
By creating an environment of continuous learning and development to support our people in reaching their full potential.

Evolve
Continue to evolve as the employer of choice in our industry.
To attract, inspire and retain a more diverse group of talent.

Partner
Partner with 'like-minded' organisations through inclusivity.
To drive necessary change in the industry.

Celebrate
Celebrate our differences and all that unite us.
Through earmarking key global events that represent the breadth of our workforce.

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 important for successful delivery of our business strategy and to best serve our customers around the globe.

ESG and sustainability
continued

Conscious leadership

Everyone has a role to play in fostering an environment in which each of us can be our authentic selves while treating everyone with dignity and respect and generating diverse perspectives in our work. Recognising that change often starts at the uppermost levels of an organisation, and as part of our Conscious Leadership commitment, we delivered Inclusive Leadership workshops for our Board and Executive Committee.

To broaden understanding of diversity, equity and inclusion issues affecting our workforce, our Executive Committee will be participating in a six-month Reverse Mentoring Programme during 2021.

Our CEO, Michael Speakman, became a member of the 30% Club, which is a global campaign to increase gender and ethnic diversity.

30% Club
GROWTH THROUGH DIVERSITY

Case study

Encouraging diverse thinking and ideas

We have launched our first women's network in North America – Keller Women in Construction (KWIC).

KWIC offers women opportunities to share thoughts, resources and ideas to promote professional development within the organisation and construction industry.

Promoting inclusiveness, recruitment, retention and career development, KWIC sponsors events including webinars on professional development, networking sessions, community outreach to local schools and mentoring.

The steering committee is made up of female colleagues from a range of roles, from engineering to human resources and communications and marketing. It's supported by executive sponsors from Keller's North American leadership team.

KWIC
KELLER WOMEN IN CONSTRUCTION

"While we're committed to diversity and inclusiveness, women remain under-represented in both Keller and the construction industry as a whole. I firmly believe the formation of KWIC is a significant step in addressing this issue."

James Hind
President, North America

Employee-led networks

During the course of 2020, KWIC delivered on a number of initiatives to support and empower our female colleagues in North America. After an initial launch in March, KWIC facilitated webinars entitled 'Growing My Career at Keller' and 'Developing Allies in the Workplace'. They developed an online Internal Women's Network and continued to raise their profile through workforce engagement opportunities. KWIC will be launching a Mentoring Programme to promote professional development and increase recruitment and retention of women employees. They have been an invaluable support to our community of women at Keller and our intention is to establish KWIC networks in other regions over the course of 2021.

Gender breakdown

Our gender diversity statistics show an increase year-on-year in female representation in leadership roles and a decline in engineering roles. Total workforce remained the same. We recognise the need for improvement to bring about sustainable change over the longer term and will continue to encourage women and other underrepresented minority groups to join Keller and accelerate their careers in engineering and leadership roles through the delivery of our D, E & I strategy.

	Female representation %	
	As at 31 December 2020	As at 31 December 2019
Board of Directors	**57%**	44%
Senior managers / Executive Committee	**15%**	9%
Management	**9%**	9%
Engineers	**7%**	8%
Total workforce	**10%**	10%

Decent work and economic growth

Sustainability is essential for the long-term economic growth of Keller. A core part of this is offering more environmentally friendly, more efficient and more competitive geotechnical solutions to our clients.

For long-term sustainability, we also need to invest in the communities in which we operate.

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.

Many of our senior managers also 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. This year the EFFC has been responsible for creating working platform and cage standards, creating a technical tremie guide and producing a sustainability overview document. Equally, Keller North America employees are active participants in geotechnical engineering and construction trade groups, including the Deep Foundations Institute, ASCE/Geo-Institute and ADSC-International Association of Foundation Drilling. Our North American engineers 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 occupying leading positions in multiple trade associations, including in ASEAN and India.

ESG and sustainability
continued

Case study

Keller helps Neste towards a greener future

After designing and building foundations for the world's largest renewable products plant in Singapore in 2008, Keller has helped energy giant Neste again.

As the world looks to meet growing demand for low-carbon energy sources, Neste – a global leader in renewable products – is investing S$2.2 billion (€1.4 billion) to expand its operations and increase biofuel production in Singapore by up to 1.3 million tonnes a year.

Having impressed Neste with foundation works on the original plant, Keller Singapore was invited to bid for the new project.

Keller proposed stone columns to treat the bottom clays and top mixed soils, and vibro-compaction to densify the sandwiched sand layer. Compared to traditional piles, this innovative solution saved the client money and time and allowed them to start the civil works much earlier. It also produced a low-carbon footprint, resonating with Neste's objectives and helping secure the contract.

Through meticulous design, well-planned execution and close collaboration with the contractor and Neste, Keller finished the project a month ahead of schedule, delighting the client and picking up several safety awards along the way.

Once the facility is completed in 2022, Neste will be able to vastly increase its production of renewable diesel, aviation fuel and raw materials for chemicals and polymers."

Deepak Raj
Business Unit Manager, ASEAN

Wider community

In terms of engagement with the wider community in which we work, we are generally working for a main contractor, who is the party responsible for consulting with any community affected by the project. Our work comes at the outset of a project and we are typically on and off the project very quickly; and our job sites can be in remote locations, where we have no interface with members of the public. They can also be in built-up areas or in proximity to the public, and on these projects we strive to reduce our noise and dust levels and to conduct our work in a considerate manner.

Typically, where we have some community engagement, it is by supporting our employees when they get involved with community groups and local charities. However, a number of our employees have used the global strength of Keller to amplify our positive impact on our communities. For example, this year, Laura Williams from Keller UK was awarded a Top 50 Women in Engineering Sustainability award for her work raising awareness of breast cancer, with a campaign that reached across both our European and North American business units.

In addition, Keller North America is an industry participant in several research consortiums of universities, including the Center for Bio-mediated and Bio-inspired Geotechnics (CBBG) comprised of ASU, NMSU, Georgia Tech, and UC Davis, the Center for Geotechnical Practice and Research (CGPR at Virginia Tech), and a Reinforcement Cage Research Group at University of Nevada-Reno.

Keller also takes a more direct role in teaching university students. For example, Keller ASEAN has hosted five webinars for university students this year, sharing our knowledge and experience in ground improvement. This is intended to encourage future engineers to enter the geotechnical industry.

Industry, innovation and infrastructure

In 2020 we focused on innovation in a multitude of areas ranging from new materials to the equipment we designed and built. In the area of materials we developed, after extensive field trials, Neutrogel®, a bio-grout which helps seal basement excavation from ground water ingress. The avoidance of use of harmful chemicals means that there is no impact on ground water quality. Similarly, we have developed HaloCrete®, an extension of jet grouting. HaloCrete® remediates contaminated land in situ, whilst also increasing the strength of the ground. In the US, we also collaborated with the University of Arizona Center for Bio-mediated and Bio-inspired Geotechnics to develop enzyme-induced ground strengthening and stabilisation methods.

At our equipment manufacturing facility in Renchen, Germany, we continue to drive equipment technology for our key vibro and jet grouting product lines with a focus on improvements in safety, automation and productivity. The next generation of vibrocats has gone into serial production and a prototype jet grouting rig has started trials on site. All rigs use biodegradable hydraulic oil, stage 5 diesel engines and smart engine control.

The machines are equipped with remote diagnostics and so issues can be resolved online, saving time and many miles of travel for service personnel.

Case study

New vibrocat delivers unrivalled productivity, comfort and safety

After successful on-site trials last year, Keller's redesigned and improved vibrocat VC05-2 rig has entered production.

The new machine comes with an innovative 'double-lock' system that allows it to be refilled with gravel without stopping operations – saving a huge amount of time over the course of a project. It also features an optimised compressor providing constant air pressure, allowing it to work faster than previous vibrocats.

The intelligent engine management system runs in an efficient eco-mode, delivering high power only when needed, and meets stringent European low-noise and emission requirements. This reduces rig emissions and allows it to operate in city centres without any issue.

Automated features, a user-friendly joystick, touch-screen display and dozens of sensors make operating the VC05-2 a smart, smooth and intuitive experience.

Safety is always paramount on any Keller project, and the VC05-2 comes with a range of features including external cameras covering blind spots, roller blinds and tinted glass to eliminate glare. Headlamps also automatically switch off a few minutes after the operator has left the cab to help him or her find their way in the dark.

One of the big advantages of the VC05-2 is how easy it is to transport, set up and dismantle. While bigger, heavier vibrocats can take up to a day to assemble, the VC05-2 is relatively compact and requires no auxiliary equipment. With an undercarriage that expands at the touch of a button, set-up time is just 35 minutes.

So far, five rigs have been delivered to Keller's business in Germany, one to Poland and one to Austria.

20%
Keller's new vibrocat rig increases vibro stone column production rates by an impressive 20% compared to the current 20-year-old model.

ESG and sustainability
continued

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible consumption and production

This SDG was introduced this year to reflect the large volumes of materials used and produced on our sites.

Keller already offers a number of ground improvement solutions globally. Ground improvement uses and augments the load carrying capacity of the ground using natural techniques and materials. These ground improvement solutions are a valuable way to reduce or completely remove the need for heavy foundations. In turn, this reduces the volume of cement and steel used on site, saving primary resource use, and offers a potential 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 the waste we send to landfill. Of all the geotechnical solutions we offer, our jet grouting solutions have traditionally created the most waste spoil and water. Therefore, our research and development team in Austria have been trialling ways to reduce this waste production. 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 significantly reducing the cost of waste disposal, this also has the added benefit of reducing the number of trucks required to transport materials off site.

Case study

Enabling low-impact construction

> "In a few years' time, this type of equipment is likely to become mandatory for jet grouting and we want to be a leader in this field."
>
> **Venu Raju**
> Group Engineering and Operations Director

We offer innovative solutions to help our clients reduce and/or reuse spoil created from ground improvement techniques like piling and grouting.

Using specialist equipment, we can reduce the sand content of the slurry, with the potential to save money in two ways: by lowering disposal costs as there's less spoil; and by lowering material costs by re-using the cement or other material in the recycled slurry, and re-using the water. The reduction and re-use of materials also reduces transport emissions to and from sites.

One project that has made extensive use of recycling is Follo Line, a large infrastructure project connecting Norway's capital, Oslo, with the suburban town of Ski.

Keller implemented numerous ground engineering techniques including soil stabilisation by jet grouting and deep soil mixing, ground anchors, micropiles and injection works.

We used two chamber filter presses and a centrifuge to treat the spoil and remove fine particles from the drilling and jet grouting work.

Around 100m³ of processed water was available for reuse each day for drilling and mixing grout. This then saved 100m³ of waste disposal, as well as lowering freshwater consumption, costs and the environmental impact.

Case study

Calculating a more sustainable future

As well as the financial cost of a project, more and more customers are wanting to know the cost in terms of carbon emissions."

Jim De Waele
President, Europe

We are looking to add value for our customers by promoting the use of an internationally recognised tool to calculate the carbon footprint of a geotechnical project.

For most clients, price, speed and safety are the highest priorities, but sustainability is becoming increasingly important across the construction industry.

In the UK, for example, where Keller is working on the High Speed 2 (HS2) rail project, sustainability targets, including carbon emissions, are built into the contract, with bonuses awarded for exceeding goals.

As a result, we're increasing our efforts to promote the use of a carbon calculator on our projects.

We use a calculator created by the European Federation of Foundation Contractors (EFFC) and its US-based counterpart, the Deep Foundations Institute (DFI). This uses standardised industry data to work out the carbon emissions related to all aspects of a geotechnical project, such as materials, energy, freight and waste disposal. All greenhouse gases produced are taken into account, using a conversion to CO_2 equivalent.

Over time, the results will be used to build a database that allows us to demonstrably offer environmentally friendlier techniques, improve our own carbon emissions, add value to our clients and play our part in building a more sustainable construction industry.

13 CLIMATE ACTION

Climate action

Keller is committed to reducing the carbon intensity of our work and increasing the quality and granularity of our carbon reporting. As in previous years, Keller disclosed 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 2020, we achieved a score of C. This is a decrease from our score of B last year, owing to the change in the way CDP cap company performance using leadership points. Nonetheless, our score is still higher than the construction sector average. For further information, our disclosure is freely available through the CDP website.

Keller also has a number of ongoing initiatives to improve the energy efficiency of our permanent and site-based operations. All the rigs we produced in 2020 were fitted with the latest tier 4 or tier 5 engines. This reduces our emissions on site, improves fuel efficiency and reduces our fuel consumption. In our offices and yards, branches, such as the UK, have switched to entirely green energy tariffs. Similarly, offices in both the UK and Austria generate their own renewable energy using solar panels. European business units are also implementing recommendations from Energy Efficiency/ESOS audits, with improvements including installing LED lights, replacing old single-glazed windows and educating employees about saving energy.

Keller also recognises the physical and transitional risks and opportunities that climate change poses to our business. We have therefore set out a number of steps to monitor, mitigate and improve these risks and opportunities. Keller's Sustainability Steering Committee provides a platform for divisions to raise local climate risks and opportunities to the attention of the business. We also mitigate our climate risks by requiring third-party verification of our Scope 1 and 2 emissions. Similarly, in 2020, we started proactively monitoring our Scope 3 emissions on key projects, training over 30 employees on the EFFC – DFI carbon calculator. This has enabled us to offer lower-carbon solutions to our clients, as well as helping identify the most carbon-intensive 'hotspots' to target with future carbon-reduction initiatives.

ESG and sustainability
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 2020 Scope 1 and 2 emissions have both decreased since 2019. Scope 1 fuel emissions are highly dependent on the projects completed annually, creating a lot of variation between division emissions. Nonetheless, a decrease in emissions relative to revenue demonstrates the improving carbon efficiency of our operations. Scope 2 electricity emissions are mostly from office and yard operations. Therefore, the reduction in Scope 2 emissions is likely a reflection of our office employees working from home during COVID-19 restrictions.

This year we improved our carbon reporting process to include and verify Scope 2 electricity emissions based on both location-based and market-based approaches. We also recorded Scope 3 emissions from UK business travel for the first time this year, reflecting our aim to identify and improve carbon emissions across our business.

Keller continues to seek improvements and innovations in its equipment and techniques to further improve upon the progress made in 2020.

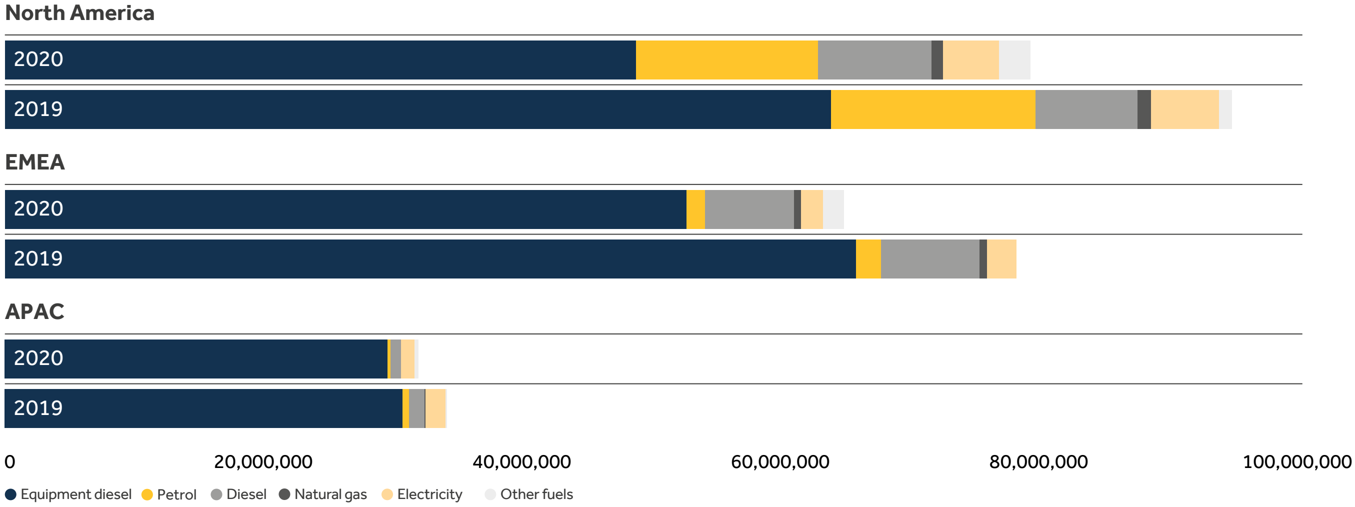
The table below illustrates Keller's global and UK energy use, Scope 1 and Scope 2 greenhouse gas emissions for 2020.

Group	**2020**	2019	2018	2017
Energy use MWh	**691,074**	811,881	817,256	870,244
Scope 1 tonnes CO_2e	**169,216**	198,289	202,238	214,208
Scope 2 (location-based) tonnes CO_2e	**7,094**	9,159	9,349	10,025
Scope 2 (market-based) tonnes CO_2e	**7,091**	–	–	–
Total Scope 1 & 2 (location-based) tonnes CO_2e	**176,310**	207,448	211,587	224,233
Total Scope 1 & 2 (market-based) tonnes CO_2e	**176,307**	–	–	–
Absolute tonnes of CO_2e per £m revenue	**85**	90	95	108

UK	**2020**	2019	2018	2017
Energy use MWh	**12,949**	16,724	16,496	16,062
Scope 1 tonnes CO_2e	**3,033**	3,915	3,850	3,694
Scope 2 (location-based) tonnes CO_2e	**219**	265	295	400
Scope 2 (market-based) tonnes CO_2e	**218**	–	–	–
Total Scope 1 & 2 (location-based) tonnes CO_2e	**3,252**	4,180	4,145	4,094
Total Scope 1 & 2 (market-based) tonnes CO_2e	**3,251**	–	–	–
Absolute tonnes of CO_2e per £m revenue	**53**	64	66	70
Scope 3 tonnes CO_2e	**26.17**	–	–	–

1 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 2020 and 2019 greenhouse gas emissions (tCO_2e)



15 LIFE ON LAND

Life on land

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. The actual number of incidents remained in line with those reported the previous year, with most incidents being minor hydraulic leaks.

The volume of spilled material has reduced since last year, with the vast majority being caused by failed hydraulic hoses. 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.

Case study

Combining jet grouting and decontamination

Using our innovative HaloCrete® technique for the first time in Austria this year, we were able to strengthen the ground while simultaneously degrading contaminants in situ.

For several decades, Rittegasse in Graz was home to the ST25 Putzerei Plachy – a former clothes dyeing and later dry-cleaning and launderette business. Over many years, the cleaning agent tetrachloroethylene had seeped into the ground, leading to heavy subsoil contamination.

Originally the plan was to use bored piling and then dispose of and treat the excavated material off-site. However, the site was too small for a bored piling rig. Also, some contaminated areas were under the street and nearby buildings where no excavation was possible, and other treatment difficult.

Instead, Keller used HaloCrete®, an innovative process that involves adding a chemical reactant to the jet grouting slurry mix, strengthening the ground with cement columns at the same time as decontaminating it.

It's the combination of remediation agents with cement that makes this interesting. If cement has to be used, we can now complete remediation at the same time. Equally, if used purely for remediation, with no structural purpose, we can use fine sand, bentonite or another filler other than cement, with less CO_2 impact.

1,000+

Analysis showed that Keller was successful in lowering contamination concentration by a factor of more than 1,000.

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	• Business model – pages 10 and 11 • Our strategy – pages 16 and 17
2. The main trends and factors likely to affect the future development, performance and position of the Group's business	• Our market – pages 8 and 9 • Divisional reviews – pages 18 to 23
3. Description of the principal risks and any adverse impacts of business activity	• Principal risks and uncertainties – pages 30 to 39
4. Non-financial key performance indicators	• Customer satisfaction – pages 16 and 17 • Safety – pages 42 and 43 • Gender diversity – page 47 • Greenhouse gas emissions and energy – page 52

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	• ESG and sustainability – pages 40 to 53	• Changing environmental factors – page 35 • Ethical misconduct and non-compliance with regulations – page 34 • Losing market share – page 34 • Inability to maintain technological product advantage – page 35 • Disruption in business operations – page 39	• Our market – pages 8 and 9 • Divisional reviews – pages 18 to 23 • Greenhouse gas emissions and energy data, trend analysis and assurance – page 52
6. Employees	• HR policy • Code of business conduct • Whistleblowing policy • Health, safety and well-being policy • ESG and sustainability – pages 40 to 53	• Serious injury or fatality to employees or public – page 38 • Ethical misconduct and non-compliance with regulations – page 34 • Not having the right skills to deliver – page 38 • Changing environmental factors – page 35	• Employee support during COVID-19 pandemic – page 5 • Benefitting from diversity – page 13 • Diversity, equity and inclusion – pages 45 to 47 • Training and development – page 44 • Health and well-being – pages 42 and 43 • Employee engagement – pages 72 and 73

Reporting requirement	Policies, processes and standards which govern our approach[1]	Risk management	Embedding due diligence, outcomes of our approach and additional information
7. Social and community matters	• Code of business conduct • Health, safety and well-being policy • ESG and sustainability – pages 40 to 53 • Procurement policy	• Ethical misconduct and non-compliance with regulations – page 34 • Changing environmental factors – page 35	• Business model – pages 10 and 11 • Divisional reviews – pages 18 to 23 • Project carbon emissions reduction – page 23 • Safety – pages 42 and 43
8. Human rights	• Code of business conduct • Supplier code of conduct • Modern slavery and human trafficking statement • Health, safety and well-being policy • Privacy policy	• Ethical misconduct and non-compliance with regulations – page 34 • Serious injury or fatality to employees or public – page 38	• Safety – pages 42 and 43
9. Anti-corruption and anti-bribery	• Anti-bribery and anti-fraud policy • Competition law compliance policy • Conflicts of interest policy • Whistleblowing policy	• Ethical misconduct and non-compliance with regulations – page 34	• Audit Committee report – pages 78 to 83

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

Keller's ways of working

Our Code of Business Conduct 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 of Business Conduct is supported by our Group policies and our modern slavery and human trafficking statement. Our ethics and compliance programme is now in its fifth 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, together with our 2021 statement on modern slavery and human trafficking, can be found at:
www.keller.com under 'How we work'

The Strategic report has been approved and signed by order of the Board by:

Kerry Porritt
Group Company Secretary and Legal Advisor
9 March 2021

Chairman's introduction

Peter Hill CBE
Chairman

During 2020, despite challenging circumstances, we continued to take a number of significant steps to strengthen our leadership, our effectiveness and our understanding of the needs of our stakeholders."

Peter Hill CBE
Chairman

Dear shareholder

Corporate governance plays an essential role in how we operate the business. During 2020, despite challenging circumstances, we continued to take a number of significant steps to strengthen our leadership, our effectiveness and our understanding of the needs of our stakeholders. I have been very impressed by the way our businesses and our people responded to the unprecedented conditions created by the COVID-19 pandemic.

The Board is responsible for ensuring the long-term success of the company, generating value for shareholders and contributing to the communities in which it operates and wider society. The Board is committed to ensuring that it provides effective leadership and promotes uncompromising ethical standards. One of the ways in which the Board achieves this is by requiring that good governance principles and practices are adhered to throughout the Group. The Board has determined that the following is a helpful summary of its role. 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 management of risk to appropriate levels. It also involves the exercise of judgement as to the definitions of success for the company, the levels of risk we are willing to take to achieve that success, and the levels of delegation to management. The exercise of this judgement is the responsibility of the Board and involves consideration of processes and assumptions as well as outcomes. It also involves the creation of a sensitive interface for the views of shareholders and other stakeholders to be given appropriate consideration when reaching these judgements.

The Board sets the tone for the company. The way in which it conducts itself, its attitude to ethical matters, its definition of success, and the assessment of appropriate risk, all define the atmosphere within which the Executive Team and all colleagues work. The Board has ultimate responsibility for ensuring an appropriate culture in the company to act as a backdrop to the way in which the company behaves towards all stakeholders. One of the challenges facing any Board is the way in which the Non-executive and the Executive Directors interact. A well-functioning Board needs to find the right balance between hearing the collective executive view, being aware of the natural internal tensions in an Executive Team and allowing independent input from the Non-executive Directors.

At the end of 2019, the Board began a series of workshops, facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The workshops were designed to enhance our performance, both as a Board and as individuals, by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high-performing teams. The outcome of the workshops is reported on page 70.

Purpose and culture

The Board firmly endorses the vital role that a supportive corporate culture plays in a successful organisation. By creating and promoting a culture that encourages speaking up and listening, not only in the boardroom but right across Keller, we will all benefit from diversity of thought in the workplace.

In March 2020, life changed in unimaginable ways as the COVID-19 pandemic affected everyone. Information became key and management communicated quickly and clearly with everyone concerned to ensure that the Group was able to maintain focus and adapt to new ways of working quickly. The Board was fully involved and supportive of management in its activities.

During 2020, we received increased information from management and held more frequent, virtual meetings. Our strong corporate culture underpinned our decision-making through the uncertainties created by the pandemic.

Board changes

There were several changes to the Board in 2020 which were all announced previously.

Paul Withers, Senior Independent Director and Chairman of the Remuneration Committee, retired from the Board at the conclusion of the company's Annual General Meeting (AGM) in June 2020, having served on the Board for eight years. James Hind and Venu Raju did not stand for re-election as Executive Directors at the company's AGM on 30 June 2020.

Finally, David Burke was appointed as Chief Financial Officer on 12 October 2020. He is a highly experienced finance executive who brings considerable understanding of the operational and commercial environment in which Keller does business.

Looking ahead

I am pleased with the strides forward we have made in 2020, despite the impact of COVID-19, and the plans we have put in place for 2021. The Board and management team have been evolving the company's strategy during 2020 and over the next three years we will drive value, through focusing on and investing in our key markets and the sustainability of operating profits and enhanced margins, whilst maintaining a robust balance sheet.

At our AGM in May, we will put forward our 2021 Remuneration Policy to shareholders for approval. The policy has been refreshed in recognition of recent changes to the UK Corporate Governance Code (Code), and in the context of the wider business environment since the approval of Keller's 2018 Remuneration Policy. Further information is available in the Directors' remuneration report on pages 84 to 110.

There has been much discussion and increased focus on Environmental, Social and Governance (ESG) themes. The Board has kept abreast of developments and, following the introduction of our Designated Director for Workforce Engagement and Workforce Engagement Committee in 2019, in 2021 we intend to further develop our Board Committee structures to better align to the company's ESG priorities.

We have complied with the provisions of the Code throughout the year (the full text of which can be found at **www.frc.org**). 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. For more information on how we have complied, please refer to the table on the right.

Public health and safety legal requirements permitting, I look forward to meeting shareholders at the AGM on 19 May 2021.

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
9 March 2021

Compliance with the Code

The company was subject to the Code in respect of the year ended 31 December 2020. The Board is pleased to confirm that the Group applied the principles and complied with the provisions of the Code. Further information on compliance can be found throughout this report. For ease of reference, the table below summarises where the relevant information can be found:

Board leadership and company purpose	**Read more:**
Promoting the long-term sustainable success of the company	10-11
Alignment of purpose, values and strategy with our culture	16-17
Effective controls framework	82
Stakeholder engagement	66-67
Workforce policies and practices	42-48
Division of responsibilities	**Read more:**
The role of the Chair	69
Division of responsibilities	69
Non-executive Directors	69
Information and support	71
Composition, succession and evaluation	**Read more:**
Succession planning	76
Skills and experience	77
Board diversity	62
Board evaluation	70
Audit, risk and internal control	**Read more:**
Internal and external audit functions	81
Fair, balanced and understandable	79
Risk management	30-31
Remuneration	**Read more:**
Remuneration policies and practices supporting strategy and promoting long-term sustainable success	84-110
Procedure for developing policy on executive remuneration	89
Shareholder engagement	86
Workforce engagement and policy alignment	106-107

Board of Directors

Peter Hill CBE

Non-executive Chairman
Nationality: British

Appointed:
2016

Keller Committees:
Chairman of the Nomination 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 Imagination Technologies plc from February 2017 until its sale to Canyon Bridge Partners in September 2017; 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:
Member of the Nomination, Remuneration and Health, Safety, Environment and Quality Committees, and Chairman of the Audit Committee.

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 & Operations Officer of Spirent Communications plc, a leading multi-national testing and solutions group.

Eva Lindqvist

Non-executive Director
Nationality: Swedish

Appointed:
2017

Keller Committees:
Member of the Audit, Nomination and Health, Safety, Environment and Quality Committees. She was appointed Chairman of the Remuneration Committee in January 2020.

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
Nationality: British

Appointed:
2018

Keller Committees:
Member of the Audit, Nomination, Remuneration and Health, Safety, Environment and Quality Committees, and Chairman of the Workforce Engagement Committee. Kate is also our designated Non-executive Director with responsibility for workforce engagement.

Skills and experience:
Kate was a Non-executive Director of Real World Technologies Limited until January 2020 and 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. From 2017–2018 she 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 was appointed a Life Peer in 2015 and is currently a member of the world's first Centre for Data Ethics and Innovation, and of the House of Lords Science and Technology Select Committee, and of the Philanthropy Advisory Board of The Prince's Trust. She is also a Senior Adviser at Instinctif Partners and at Newton Europe.

Nancy Tuor Moore
Non-executive Director
Nationality: American

Appointed:
2014

Keller Committees:
Member of the Audit, Nomination, Remuneration and Workforce Engagement Committees and Chairman of the Health, Safety, Environment and Quality Committee.

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 Chairman of the Board of Governors for Colorado State University.

Michael Speakman
Chief Executive Officer
Nationality: British

Appointed:
Michael was appointed Chief Financial Officer and a member of the Board in August 2018. He was appointed Chief Executive Officer in December 2019.

Keller Committees:
Chairman of the Executive Committee and member of the Workforce Engagement Committee.

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.

David Burke
Chief Financial Officer
Nationality: Irish

Appointed:
12 October 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.

Kerry Porritt
Group Company Secretary and Legal Advisor
Nationality: British

Appointed:
2013

Keller Committees:
Member of the Workforce Engagement and Executive Committees. Kerry has been Group Ethics and Compliance Officer since 2015.

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. Kerry is also a member of the European Corporate Governance Council and the Chartered Governance Institute's Company Secretaries' Forum.

Former Directors

Paul Withers
Non-executive Director
Nationality: British

Paul was a Non-executive Director between 2012 and 2020. He was a member of the Audit, Nomination and Health, Safety, Environment and Quality Committees, Chairman of the Remuneration Committee and Senior Independent Director.

Dr Venu Raju
Executive Director
Nationality: Singaporean

Venu was an Executive Director between 2017 and 2020.

James Hind
Executive Director
Nationality: British

James was an Executive Director between 2003 and 2020.

For full biographies
See pages 60 and 61

Executive Committee

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.

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 the Chairman.

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

James Hind
President, North America
Nationality: British

Member since:
2012

Skills and experience:
Prior to his appointment as President, North America, James had been Group Finance Director of Keller Group plc for 15 years. He has 15 years' experience in the engineering sector and extensive financial and strategic management experience. He served as an Executive Director from July 2003 until 30 June 2020. His previous roles included Group Financial Controller at DS Smith plc. James qualified as a Chartered Accountant with Coopers & Lybrand and worked in their New York office advising on mergers and acquisitions.

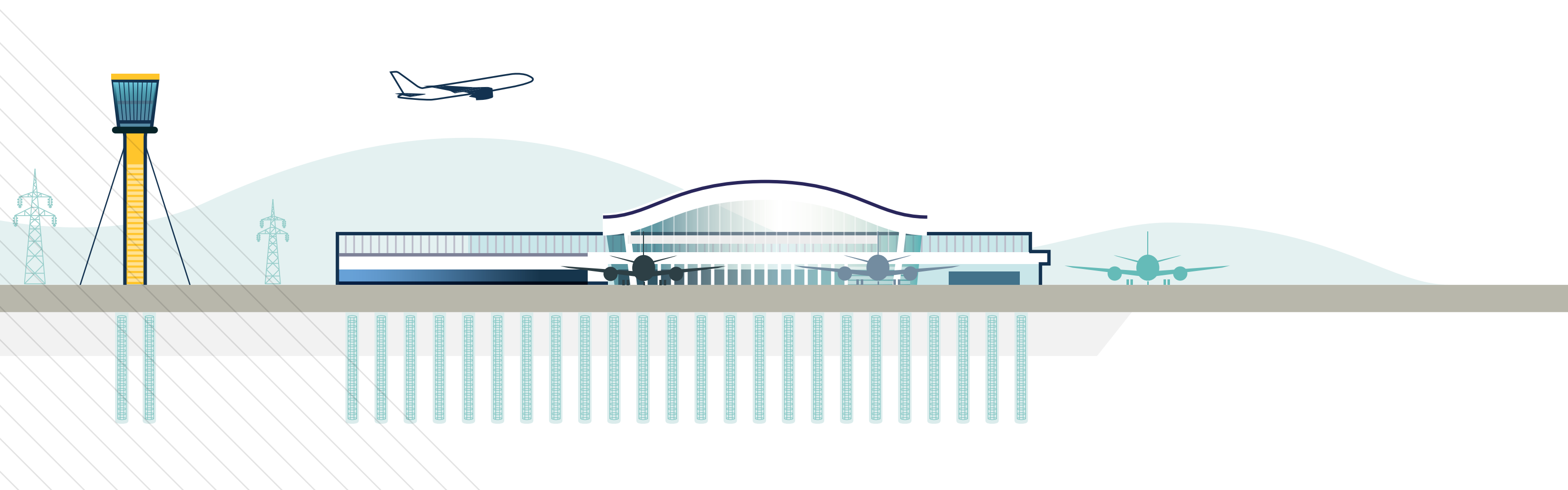
James has an MA (Hons) in History from Cambridge University.

Eric Drooff
Chief Operating Officer, 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 Catoh 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.



Michael Speakman	Chief Executive Officer
David Burke	Chief Financial Officer
Kerry Porritt	Group Company Secretary and Legal Advisor

For full biographies
See page 59

Dr 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 30 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 Karlsruhe University.

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.

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.

Graeme Cook
Group Human Resources 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 25 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.

Former members

Mark Hooper
Interim Chief Financial Officer
Nationality: British

Mark joined Keller in January 2019 as Group Financial Controller and was Chief Financial Officer on an interim basis for 12 months to October 2020. He was appointed Chief Financial Officer, Europe on 1 January 2021.

Thorsten Holl
President, EMEA
Nationality: German

Thorsten was a member of the Executive Committee from 2015 until December 2020. After qualifying as an industrial engineer in Germany, he studied for his Master's degree in Australia before working with ABB and the Alstom Group.

Board leadership and 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, despite travel restrictions and a higher number of non-scheduled meetings, the Directors attended all of the meetings they were eligible to attend.

Directors	Board	Audit Committee	HSEQ Committee	Nomination Committee	Remuneration Committee	Workforce Engagement Committee[5]
Paula Bell	9/9	4/4	3/3	3/3	7/7	–
David Burke[1]	3/3	–	–	–	–	–
Peter Hill	9/9	–	–	3/3	–	–
James Hind[2]	4/4	–	–	–	–	–
Eva Lindqvist	9/9	4/4	3/3	3/3	7/7	–
Nancy Tuor Moore	9/9	4/4	–	3/3	7/7	4/4
Venu Raju[3]	4/4	–	–	–	–	–
Baroness Kate Rock	9/9	4/4	3/3	3/3	7/7	4/4
Michael Speakman	9/9	–	–	–	–	4/4
Paul Withers[4]	4/4	1/1	1/1	2/2	3/3	–

1 David Burke was appointed to the Board on 12 October 2020.
2 James Hind stepped down from the Board on 30 June 2020.
3 Venu Raju stepped down from the Board on 30 June 2020.
4 Paul Withers stepped down from the Board on 30 June 2020.
5 Graeme Cook and Kerry Porritt attended all meetings as members.

Board diversity

In January 2021, building on the work of our group-wide Inclusion Commitments, we formally adopted our Board Diversity Policy. At the date of this Annual Report and Accounts, our Board comprises seven Directors, with our four Non-executive Directors all being female (57%). Our Board membership includes representation from North America (US) and Europe (Britain, Ireland and Sweden).

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.

The Board aims to meet industry targets and recommendations wherever possible. This includes our objective of meeting the diversity targets recommended by the Hampton-Alexander and Parker Reviews:

- 33% female share of Board Directors by 2020; and
- minimum of one Board Director from a BAME background by 2022.

The Board, supported by the Nomination 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' will be inclusive according to the widest definition of diversity;
- 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 47.

Effectiveness

Directors and Directors' independence

The Board currently comprises the Chairman, four independent Non-executive Directors 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 58 and 59.

The Non-executive Directors 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 Non-executive Directors without the Executive Directors present. Apart from formal contact at Board meetings, there is regular informal contact between the Directors.

Paula Bell, Eva Lindqvist, Nancy Tuor Moore and Baroness Kate Rock are all considered to be independent Non-executive Directors. 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 58.

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.

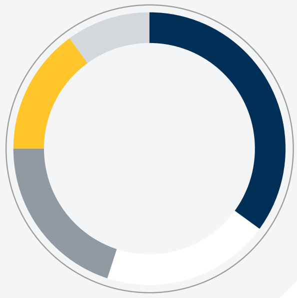
Directors' conflicts of interests

Under the Companies Act 2006 (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 contain a provision to this effect. The Articles of Association 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.

2020 Board meetings – time spent (%)

Strategy	35%
Finance	20%
People	20%
Projects	15%
Governance and Risk	10%



Board leadership and purpose
continued

Board activities and principal decisions

Business development and strategy

- Refocused the Group's strategy.
- Successful exit from Brazil, Chile and Peru.
- Integration of Franki Africa into the Middle East operations.
- Commenced the restructuring of the EMEA and APAC divisions; creation of Europe and AMEA from 1 January 2021.

Finance

- Evaluated and approved: the 2021 business plan and budget; 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 in light of the COVID-19 pandemic.
- Considered and agreed the recommendation of the 2019 and 2020 final dividend and the payment of the 2020 interim dividend.

Operational performance

- Reviewed and considered the monthly operational performance of the divisions, including their response to the COVID-19 pandemic and its impact.
- Reviewed the company's contracts performance over the year and considered the impact of the COVID-19 pandemic.

People

- Appointed a new Chief Financial Officer.
- Considered the Executive Committee succession plan.
- Established alternative communication streams with the workforce, enabling consistent communication and feedback in a year where travel and face-to-face meetings were severely restricted by the pandemic.
- Reviewed feedback from employee wellness focus groups as part of increased engagement around the COVID-19 pandemic.
- Participated in unconscious bias training and supported the roll out of the Group's Diversity, Equity and Inclusion Commitments.
- Introduced remote working arrangements wherever possible for all office-based colleagues.

Governance and risk

- Implemented actions following the 2019 external Board and Committees performance evaluation.
- Finalised a series of Board workshops to strengthen culture.
- Adapted its ways of working in light of the pandemic restrictions, including more virtual meetings.
- 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.
- Continued to oversee the implementation of the new Project Lifecycle Management process.

Accountability

Internal control

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.

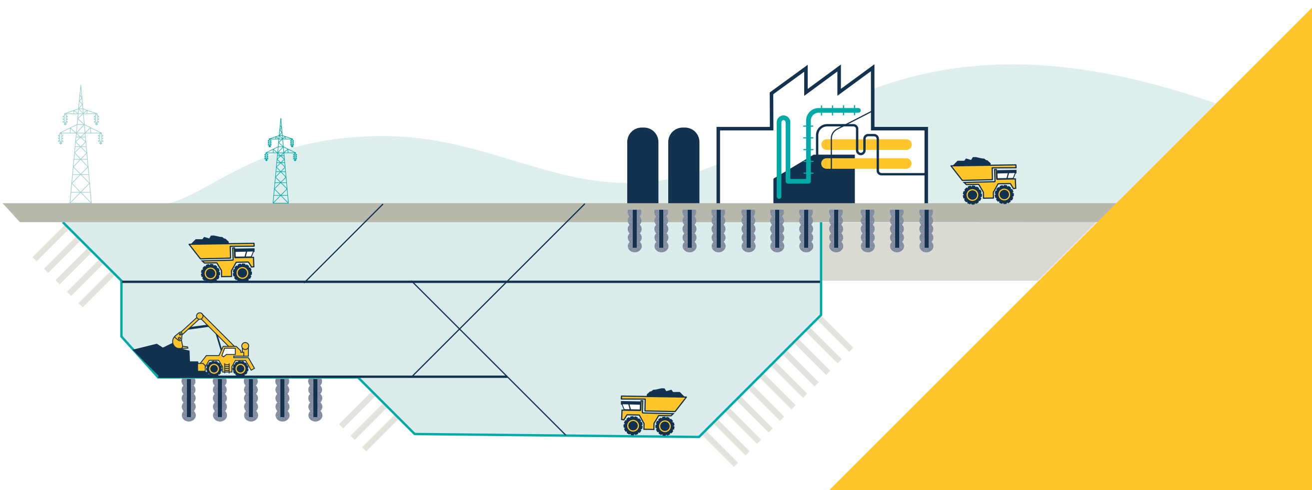
Details on the identification and evaluation of risk, as well as on the management of project risk, can be found in the section headed Principal risks and uncertainties on pages 30 to 39.

The key elements of the Group's system of internal control are explained in the Audit Committee report on page 78.

The management of financial risks is described in the Chief Financial Officer's review on pages 24 to 29.

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.



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 page 68. Details about the principal decisions the Board made during the year can be found on page 64.

Our stakeholders and why they are important to us

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.

Overview of how the Board performed its duties

Strategy – the Chief Executive Officer and the Interim Chief Financial Officer met major shareholders following the preliminary announcement of the Group's 2019 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 2020 interim results. Following these announcements, analysts' notes were circulated to the Board.

Performance – the Chief Executive Officer and the Chief Financial Officer had calls with major shareholders following the Group's trading update announcement in November 2020. The Chairman and the Senior Independent Director had calls with shareholders to discuss group performance and risk management throughout the year.

Remuneration – the Chairman of the Remuneration Committee and the Group Company Secretary and Legal Advisor had calls with major shareholders to consult on proposed changes to the Remuneration Policy, ahead of renewal in 2021.

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 chairmen of the Board Committees are present at the AGM to answer questions on the work of their Committees.

The AGM in 2020 was held in closed form due to the COVID-19 pandemic restrictions but shareholders were given the opportunity to ask questions in advance.

The results of the voting at the 2020 AGM can be found on our website.

Dividend – we have consistently either grown or maintained our dividend in the 26 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 2020, the Board continued to embed its approach to engagement with the workforce with the work of Baroness Kate Rock, Keller's designated Non-executive Director for employee engagement matters, and the Workforce Engagement Committee. The launch of We Are Keller, setting out our inclusion commitments, was a highlight of the year.

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

**Employee events – **in a normal year we would organise and hold family days and events such as Keller Cup and Keller Ski, enabling our employees to engage with each other and with senior management on a more social level. This year, due to the unprecedented conditions created by COVID-19, we had to adapt our engagement activities and emphasised to our workforce that we were aware of and appreciated their efforts to keep the business operating effectively.

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.

**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.

Outcomes for our customers:

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

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.

**Procurement – **established in 2016, our procurement function has worked 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 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.

Outcomes for our suppliers:

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

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.

**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.

**Our environmental impact – **as a geotechnical engineering specialist, we understand that environmental and climate risks could impact us directly. We are committed to reducing the environmental impact of our operations and products, and to minimise our environmental impact.

Outcomes for our communities:

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

Governance framework and division of responsibilities

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 Companies Act 2006 and taking into account the interests of all stakeholders. Ultimate responsibility for the management and long-term success of the Group rests with the Board.

Board

The Board is responsible for:

- Developing strategy, growing shareholder value, and providing oversight and corporate governance.
- Providing entrepreneurial leadership of the Group, driving it forward for the benefit, and having regard to, the views of its shareholders and other stakeholders.
- Governing the Group within a framework of prudent and effective controls, which enable risk to be assessed and managed to an appropriate level.
- Approving the Group's strategic objectives.
- Ensuring that sufficient resources are available to enable it to meet those objectives.

The Board delegates authority to manage the business to the Chief Executive Officer and also delegates other matters to Board Committees and management as appropriate. The Board has formally adopted a schedule of matters reserved to it for its decision.

Committees

Audit Committee	Health, Safety, Environment and Quality Committee	Nomination Committee	Remuneration Committee	Workforce Engagement Committee
Oversees the Group's financial reporting, risk management and internal control procedures and the work of its internal and external auditor. Read more from page 78.	Oversees the Board's responsibilities in relation to health and safety, sustainability, and quality and continuous improvement matters. Read more from page 74.	Reviews the composition of the Board and plans for its progressive refreshing with regard to balance and structure as well as succession planning. Read more from page 76.	Determines the framework, policy and levels of remuneration of the Executive Directors and senior executives. Read more from page 84.	Understands the key concerns of the workforce and how we are addressing them. Read more from page 72.

The terms of reference for each of the Board's Committees, which are reviewed on an annual basis, can be found on our website.

Division of responsibilities

Key roles	Responsibilities
Chairman	Responsible for leading the Board, its effectiveness and governance. The Chairman is also responsible for the following matters pertaining to the leadership of the Board: • Being the ultimate custodian of shareholders' interests. • Ensuring appropriate Board composition and succession. • Ensuring effective Board processes. • Setting the Board's agenda. • Ensuring that Directors are properly briefed in order to take a full and constructive part in Board and Board Committee discussions. • Ensuring effective communication with shareholders. • Ensuring constructive relations between Executive and Non-executive Directors.
Chief Executive Officer	Responsible for the formulation of strategy, and the operational and financial business of the company. The Chief Executive Officer is also responsible for the following matters: • 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 succession planning; and ensuring appropriate business processes. The roles of the Chairman and Chief Executive Officer are quite distinct from each other and are clearly defined in written terms of reference for each role.
Senior Independent Director	• 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 non-executives 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 non-executives 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.
Group Company Secretary and Legal Advisor	• Ensures good information flows to the Board and its Committees and between senior management and Non-executive Directors. • All Directors have access to the advice and services of the Group Company Secretary and Legal Advisor. The Group Company Secretary and Legal Advisor is 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 Non-executive Directors. • The appointment and resignation of the Group Company Secretary and Legal Advisor is a matter for consideration by the Board as a whole.

Board composition, succession and evaluation

Board composition

Nationality (%)

British	57
Other	43

Gender (%)

Female	57
Male	43

Length of tenure (%)

<1 year	14
1-3 years	57
4-6 years	29

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

Board evaluation

During late 2019 and 2020, the Board conducted an external evaluation of its own performance and that of its Committees and individual Directors in accordance with the requirements of the Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness.

The company appointed Donata Denny, who is a highly experienced Leadership Coach and Professional Development Advisor. Donata has not previously provided any services to the Board. The form of evaluation undertaken by Donata was agreed with the Chairman and involved individual meetings and calls with all members of the Board and the Group Company Secretary and Legal Advisor, together with a series of workshops held with all of the Board and the Group Company Secretary and Legal Advisor.

In connection with the presentation of the evaluation report Donata made, a number of recommendations were considered by the Board and it was agreed that they continue to receive focus in 2021:

- Ongoing induction of the CEO (appointed at the end of 2019).
- Onboarding and embedding the new CFO.
- Building on the Board's cohesiveness.
- Managing through the pandemic to restore and grow shareholder value.
- Developing and evolving the right strategy for Keller.

The company expects to update shareholders on the progress made in relation to the matters identified above in its 2021 Annual Report.

The areas identified in the 2019 evaluation for improvement were set out in our 2019 Annual Report and Accounts.

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

Review of the Chairman's performance

Donata's evaluation report was robust and informative and provided a valuable independent external perspective on the Board's performance. The workshops also provided the basis for an evaluation of the Chairman and his performance in 2020, led by Baroness Kate Rock, the Senior Independent Director.

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 advisors, 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.

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 continue to 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. 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.

As a result of the pandemic, the Board met primarily through virtual meetings during 2020. A guidance note setting out good etiquette for virtual meetings was created and sent to all Board members, and the agenda and timings of the Board and Committee meetings were amended to better accommodate virtual discussion and decision-making.

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, will be realigned and reconstituted from May 2021 to allow more focus on Keller's ESG priorities.

Workforce Engagement Committee report

Baroness Kate Rock
Chairman of the Workforce Engagement Committee

Composition of the Committee

Baroness Kate Rock – Designated Non-executive Director for Workforce Engagement
Graeme Cook
Nancy Tuor Moore
Kerry Porritt
Michael Speakman

For full biographies
See pages 58 to 61

Role of the Committee

The role of the Committee is to define the term 'workforce' in the context of Keller, and to review the relevant workforce policies and practices. We are also responsible 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 and the Health, Safety, Environment and Quality (HSEQ) Committees, 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 2020

– Completed an employee survey to understand how well we were managing the COVID-19 pandemic and how we could best support our people.
– Reviewed the 'We are Keller' Diversity, Equity and Inclusion Strategy, which sets out our Inclusion Commitments and action planning.
– Agreed the 2021 programme of work, focusing on further engagement, and taking into account the need to meet virtually while the COVID-19 pandemic continues to disrupt face-to-face interaction.

Dear shareholder

It is my pleasure as Chairman, to present this, our second report of the Workforce Engagement Committee, for the year ended 31 December 2020 on behalf of the Board.

Committee

The Board recognises the value and importance of workforce engagement 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.

As your Senior Independent Director and Designated Non-executive Director for Workforce Engagement, I'm responsible for ensuring that the Board engages effectively with our workforce.

Our obligations are delivered by:

- ensuring that the 'voice of the employee' is considered within the boardroom, with Committee members regularly visiting company locations (where possible) to engage directly with employees and by 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; and
- identifying consistent themes received via feedback from employees and 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.

Our Committee met four times this year, with one meeting held jointly with the HSEQ Committee. I reported on the Committee's activities at the Board meeting following each meeting.

The Non-executive Directors have an open invitation to attend Committee meetings and they did attend all meetings during the year.

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

Activities

The Committee had planned to regularly visit sites and offices this year to engage directly with employees, but the COVID-19 pandemic sadly made this impossible. It also delayed the introduction of our culture and engagement programme.

> **In 2020 we launched our Diversity, Equity and Inclusion Strategy which sets out our Inclusion Commitments."**
>
> **Baroness Kate Rock**
> Chairman of the Workforce Engagement Committee

During these challenging times, it was, however, more important than ever to understand from employees how they thought we were managing during the COVID-19 pandemic and what additional support they might need.

Some 300 employees from site and office locations took part in a survey, with the vast majority agreeing that we were managing the COVID-19 pandemic well, and that they were able to continue with their jobs. In more detail:

- 90% agreed Keller was supporting employees during the COVID-19 pandemic.
- 92% agreed that we were taking sufficient actions to deal with the pandemic.
- 89% agreed that they were being kept informed about what is happening with COVID-19.

Both this Committee and the Executive Committee discussed the results and agreed a number of actions in response to the key themes.

This included the launch of a new news app to reach more employees, especially on the frontline, and share a wider variety of timely news, particularly achievements, success stories and lessons learned. Our global intranet news portal and Keller Connections newsletter also share company news and invite feedback.

We have communicated regularly throughout the height of the pandemic, with key material translated into our core languages. Throughout, we have emphasised to our workforce that we are aware of and appreciate their efforts to keep the business operating effectively.

Other methods of engagement have also continued. These included webcasts and videoconference meetings involving leaders and employees from across the Group, with two-way questions and answers.

One of those opportunities was sitting down with Kerry Porritt, Group Company Secretary and Legal Advisor, by video link to talk about encouraging inclusivity in the workforce. This followed the launch of our Diversity, Equity and Inclusion Strategy, and I was delighted to receive so many questions and positive comments.

Lastly, COVID-19 has highlighted challenges for all our personnel in 2020 and we have begun to explore how we can better support their mental health and wellbeing as we move forward. During the year we held focus groups with a cross-section of the organisation to better understand the issues currently facing our workforce and to determine how best to provide additional support.

Despite the difficulties this year, the actions of our people have reaffirmed my belief that we have a diverse, creative and engaged workforce focused on making Keller the very best it can be – operationally, financially and as a place to work.

Looking forward

While we will complete more visits by the Board to sites and offices when normal travel resumes, disruption is likely to continue for some time yet. We are therefore planning a series of virtual focus groups in 2021 as an alternative method for Board engagement with employees.

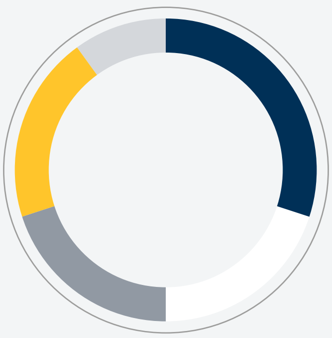
We also plan to restart our culture and engagement programme pilots. These comprise a 'Leading excellence' workshop to help team leaders understand how to drive employee engagement and better business results, a survey tool with reporting company-wide down to team level, backed by an 'Inspiration database' of possible actions, and a team discussion to share results and action plan with employees.

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

Baroness Kate Rock
Chairman of the Workforce Engagement Committee
9 March 2021

2020 Workforce Engagement Committee meetings – time spent (%)

People	30%
Community	20%
Culture	20%
Engagement	20%
Governance	10%



Health, Safety, Environment and Quality Committee report

Nancy Tuor Moore
Chairman of the HSEQ Committee

Composition of the Committee

Nancy Tuor Moore
Paula Bell
Eva Lindqvist
Baroness Kate Rock
Paul Withers (until 30 June 2020)

For full biographies
See pages 58 and 59

Role of the Committee

The role of the Committee is to help the Board of Directors fulfil its oversight responsibilities in relation to health, safety, environment and other sustainability matters, arising out of the activities of the Group.

We are also responsible for monitoring and reviewing the Group's health and safety framework in line with applicable laws and regulations. In addition, we evaluate and oversee the quality and integrity of the company's reporting to external stakeholders concerning sustainability matters.

Highlights of the Committee's activities in 2020

- Monitored progress against the year's health, safety and environment objectives.
- Monitored progress against the Group's sustainability initiatives.
- Monitored and reviewed the Group's Health, Safety and Wellbeing Policy and compliance thereof.
- Monitored and reviewed the Group's Quality and Continuous Improvement policy and compliance thereof.
- Oversaw progress on sustainability initiatives.
- Reviewed the terms of reference of the Committee.
- Reviewed the effectiveness of the Committee.
- Received regular updates on continuous improvement initiatives.
- Reviewed the Committee's priorities for 2021.

Dear stakeholder

On behalf of the Board, I am pleased to present the report for the Health, Safety, Environment and Quality (HSEQ) Committee for the year ended 31 December 2020.

Keller seeks to help create infrastructure that improves the world's communities, putting safety first and being recognised as a company on which all stakeholders can rely. We are committed to a zero harm culture and will continue to develop our safety leadership across the Group to increase visibility in the field and strengthen our messaging.

Members of the Committee and the Board were unable to visit operational sites during the year, in order to meet colleagues on the ground and to gain an understanding of the health and safety practices and culture across the Group, but these visits will resume in 2021 as circumstances permit. The insights gained from these visits are invaluable in informing the work and considerations of the Committee.

Our safety performance continues to improve and the Group's overall accident frequency rate for 2020 reduced by 20% to 0.12 per 100,000 hours worked.

The 'Work Safe 6' improvement plan, which places a strong emphasis on our key risks and is central to the company's safety programme, continued to evolve in the year and the formation of group safety leadership committees have provided a visible and demonstrable commitment to the Group's safety culture. During the year, a number of technological solutions were introduced on site which have streamlined processes, reduced administration and therefore enhanced our capability to deliver better results. The implementation of the AVA incident reporting and analysis system, on 1 January 2020, has further improved reporting capabilities and enhanced incidents' root cause analysis so that lessons learned can further enable the mitigation of risks. The Committee also welcomed the more widespread implementation of the InSite safety passport and the insight that this would bring to supervisors into training that individuals had undertaken.

Sustainability continues to be a priority for the Group, and in 2020 a cross-functional Sustainability Steering Committee (SSC) was established to steer, measure and monitor Keller's sustainable development. The SSC currently highlights and supports a number of ongoing sustainability commitments across business units across the Group and ensures that these align with Keller's sustainability

We are committed to a zero harm culture and will continue to develop our safety leadership to strengthen our messaging."

Nancy Tuor Moore
Chairman of the HSEQ Committee

objectives, setting targets to assess their success, and reports on these to the Committee. The ESG and sustainability section of this report, which sets out our priorities for 2021, together with progress to date on our commitments, can be found on pages 40 to 53.

The Committee will continue to work with management to oversee ways of improving the health, safety and environmental performance of the Group, and to agree priorities that consider the needs of our stakeholders and drive the right behaviour. A Safety Leadership Committee, comprising a number of Executive Committee members, was formed and met quarterly for the purposes of:

- ensuring the safety leadership message is jointly owned at the highest level and sets the tone for the company;
- ensuring that the correct levels of safety leadership training and development are in place and delivering on our cultural expectations;
- providing a meaningful, positive recognition programme to reward desired behaviours; and
- introducing metrics on key leadership site visits and engagement in incident review boards.

In addition, during the coming 12 months we look forward to management focusing on providing further education on the controls required to protect our employees from our key risks, with specific emphasis placed on material handling and people/equipment interface.

We also expect to see management building and expanding on the technological solutions introduced in 2020.

Corporate governance

The remit of the Committee is set out in its terms of reference which were reviewed during the year and are available on the Group's website (www.keller.com) and on request, from the Committee Secretary.

The Committee is required to meet at least three times a year. During this financial year we met three times, with attendance at these meetings shown on page 62.

The Committee is comprised of the Non-executive Directors of the company. The Committee may invite members of the senior management team to attend meetings where it is felt appropriate and the Board Chairman, Chief Executive Officer and the Group's HSEQ Director regularly attend meetings of the Committee. Divisional Presidents are required to report to the Committee in the event of an incident that had, or has the potential to have life-altering/life-ending consequence, or near-miss occurrence and other members of the Executive Committee may be invited to attend on occasion.

The Committee conducted an effectiveness review of the business covered during the year against its terms of reference. During the year, we further progressed a number of key themes, including evolving our understanding of the safety processes being built within the organisation and overseeing the continued implementation of a safety-focused culture.

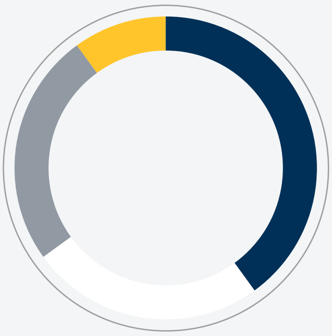
In addition, the Committee's performance was evaluated during the exercise facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor, which had started in December 2019. The workshops were designed to enhance the performance of the Board, each of its members and its Committees, by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The outcome of this exercise can be found on page 70.

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. Alternatively, if we are unable to meet in person again this year, shareholders are encouraged to email their questions to the Committee Secretary at secretariat@keller.com

Nancy Tuor Moore
Chairman of the HSEQ Committee
9 March 2021

2020 Health, Safety, Environment and Quality Committee meetings – time spent (%)

- Health and safety 40%
- Strategic priorities and progress 25%
- Environment and sustainability 25%
- Governance 10%



Nomination Committee report

Peter Hill CBE
Chairman of the Nomination Committee

Role of the Committee	**The role of the Nomination 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, and for promoting the overall effectiveness of the Board and its Committees.**
Highlights of the Committee's activities in 2020	– Appointed a new Chief Financial Officer. – Considered the outcome of the Board culture workshops and put in place a plan to make improvements in 2021. – Continued to develop and monitor succession plans for the Board and senior management. – Managed the appointment and reappointment of Board members. – Monitored the length of tenure of the Non-executive Directors. – Reviewed the terms of reference of the Committee.

Composition of the Committee

Peter Hill CBE
Paula Bell
Eva Lindqvist
Nancy Tuor Moore
Baroness Kate Rock
Paul Withers (until 30 June 2020)

For full biographies
See pages 58 and 59

Particular areas of focus this year included the appointment of a new Chief Financial Officer and considering the outcome of our Board culture workshops."

Peter Hill
Chairman of the Nomination Committee

Dear shareholder

Welcome to the report of the Nomination Committee for the year ended 31 December 2020.

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 three scheduled and two ad hoc meetings, with attendance at the scheduled meetings shown on page 62.

Particular areas of focus this year included the appointment of a new Chief Financial Officer and considering the outcome of our Board culture workshops.

Succession planning

We have continued to develop and monitor succession plans at Board level. The length of tenure for Non-executive Directors is two terms of three years each, to be followed by annual renewal of up to three years, which gives us greater flexibility in our succession planning and timing.

The Chief Executive Officer (CEO) and the Chairman of the Audit Committee agreed the profile and criteria for selection of a Chief Financial Officer (CFO), and also sought input from members of the Board and the Group HR Director to ensure alignment.

We were committed to a rigorous and global search, and we approached a number of search firms before selecting The Lygon Group (Lygon). Based on the profile and criteria selection, together with individual interviews with the Board, Lygon identified a long list of diverse candidates for review.

Following discussion in the Committee, the long list was narrowed down to a shortlist of candidates, both internal and external, for whom Lygon then sought detailed references. We also took soundings from our advisors.

These candidates were invited to meet with the CEO and the Group HR Director, the Chairman of the Audit Committee and other members of the Board.

Following this detailed process, the Committee recommended the appointment of our preferred candidate, David Burke, as our CFO. We announced David's appointment on 3 September 2020, effective 12 October 2020. David is a highly experienced finance executive who brings considerable understanding of the operational and commercial environment in which Keller does business.

Board evaluation

In December 2019, the Board began a number of workshops, facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The workshops were designed to enhance the performance of the Board and each of its members by increasing awareness of and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The workshops continued through 2020. The objectives of the workshops were to build better Board relationships; improve the dynamics of the Board, in and out of the boardroom; recognise and use the strengths around the Board table; and refocus on our corporate strategy.

The workshops have facilitated further cohesiveness amongst the Board members and, during 2020, allowed for more effective decision-making despite the difficulties of virtual meetings and the uncertainties presented by the pandemic.

The priorities we are working to in 2021 are:

- Continued support for and engagement with the CEO (appointed in December 2019).
- Onboarding and embedding the new CFO.
- Continuing to build cohesiveness.
- Continuing to effectively steer the company through the pandemic, restoring and growing shareholder value.
- Developing, evolving and finalising the right strategy for Keller.

Board effectiveness and skills

As part of our work regarding Board effectiveness, Committee activities included:

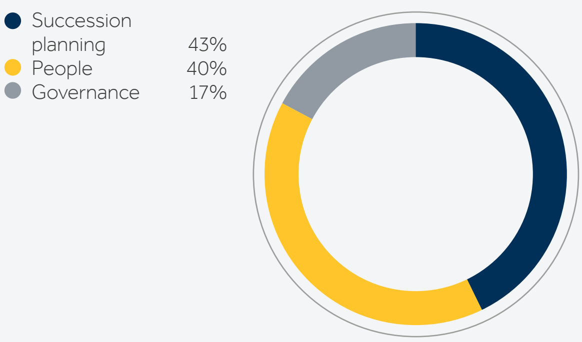
- Considering the number of Executive and Non-executive Directors on the Board, and whether the balance is appropriate to ensure optimum effectiveness.
- Reviewing the balance of industry knowledge, relevant experience, skills and diversity on the Board.
- Assessing and confirming that all the Non-executive 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.

2020 Nomination Committee meetings – time spent (%)



Board diversity

In January 2021, we published our Board Diversity Policy (policy), building on the work undertaken by the organisation during 2020. The policy sets out our commitment to promoting equality, diversity, equity 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.

The Committee will support the Board in its adherence to the policy by committing 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' will be inclusive according to the widest definition of diversity;
- 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.

For further information on diversity at Board level as well as more generally at Keller, please see page 62 and 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.

Independence and re-election to the Board

Every year, we review the composition of the Board to ensure that it continues to provide an effective balance of skills, experience and knowledge.

Paul Withers retired from the Board at the conclusion of the company's AGM on 30 June 2020.

As reported previously, we continued to review the Board's composition to ensure that we have the correct balance of experience, diversity and skills to drive our effectiveness. Concurrent with the retirement of Paul Withers, collectively, we agreed at the start of 2020 that it was the right time to move to a more conventional plc board structure, by reducing the number of Executive Directors. Accordingly, James Hind and Venu Raju did not stand for re-election as Executive Directors at the company's AGM on 30 June 2020.

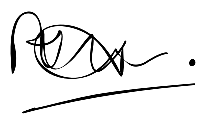
Corporate governance

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.

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 Chief Executive Officer and Group HR Director both attended certain meetings during the year.

Our 2020 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 re-election at the AGM in May 2021, when David Burke's election will also be put forward to shareholders.



Peter Hill CBE
Chairman of the Nomination Committee
9 March 2021

Audit Committee report

Paula Bell
Chairman of the Audit Committee

Composition of the Committee

Paula Bell
Eva Lindqvist
Nancy Tuor Moore
Baroness Kate Rock
Paul Withers (until 30 June 2020)

For full biographies
See pages 58 and 59

Role of the Committee	**The Committee is responsible for overseeing the internal risk management framework, ensuring effective internal controls are in place, financial reporting and appropriate external audit arrangements.**
Highlights of the Committee's activities in 2020	– Monitored management's actions in response to the business impact caused by the COVID-19 pandemic. – Reviewed and challenged the implementation of the internal audit programme to ensure appropriate coverage of matters of business risk. – Oversaw the continued development of the Group's financial control framework. – Reviewed and challenged the output of management's assurance map to assess controls maturity. – Monitored the implementation of key business change initiatives. – Reviewed the detailed output of the evaluation of the external auditor, EY, following their first year audit. – Reviewed and approved the results of the Group's annual Electronic Internal Control Questionnaire. – Monitored the implementation of the Group's risk management framework including approval of the appointment of a Group Head of Risk and the review of an assessment of the Group's risk maturity. – Reviewed its terms of reference. – Reviewed the effectiveness of the Committee through an externally led evaluation process.

The Committee adapted its focus proactively to our changing environment with an effective internal control and risk management framework."

Paula Bell
Chairman of the Audit Committee

Dear shareholder

On behalf of the Audit Committee, I am pleased to present our report for the financial year ended 31 December 2020.

The Group operates within a large, global and fast-changing environment, which requires an adaptive approach to assurance.

Faced with the challenges of the COVID-19 pandemic, it was important to ensure that the Group's risk management and internal control systems operated effectively through highly changeable business and market conditions. The Committee reviewed carefully the actions and plans put in place by management to mitigate the potential impact to the health and safety of our staff, our site operations and supply chain, as well as to our access to sufficient liquidity. We were pleased with the actions delivered by management, in particular the focus on working capital and cash management.

The Committee focused 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 have continued to follow a detailed programme of work to ensure that the Group continued to develop in all areas of risk management and internal control. This included ensuring that 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.

A new Group Head of Risk was appointed during the year to accelerate the adoption of best practice risk management and harmonise how this is implemented across the Group globally. The continued focus on risk management activity has resulted in a more integrated and consistent approach to risk identification, assessment and management across the organisation. Good progress has been made with further development planned for 2021.

Throughout the year the Committee received regular updates from management on the development of the financial control environment and systems of internal control. This included a review of the progress made in the project to implement minimum finance standards across the Group and the review of management's assurance map that was created to assess the controls maturity of the Group.

The internal and external assurance programmes operated effectively during 2020. 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 was pleased to observe that the internal auditor could make use of the increasingly developed financial control framework and the minimum control standards it sets, in reviewing the system of internal controls across group businesses.

The 2019 year-end audit was the first performed by EY. The Committee assessed that EY brought a fresh perspective to the external audit. 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 2020 year-end accounts.

In summary, this has been a busy year for the Committee in monitoring and overseeing the change initiatives that have been ongoing in the areas of risk, internal control, financial reporting and external audit, and the Group's response to the unprecedented challenges caused by the COVID-19 pandemic. Management has worked hard to drive improvements in all areas during 2020 despite the challenges and we are confident in the progress that has been made and that the momentum gained will carry this progress forward into 2021.

The Committee remains fully committed to championing good financial and risk reporting and to ensuring we have in place an effective internal control framework. 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. Alternatively, if we are unable to meet in person again this year, shareholders are encouraged to email their questions to the Committee Secretary at secretariat@keller.com

Paula Bell
Chairman of the Audit Committee
9 March 2021

Activities of the Committee

During the year, we continued to review and report to the Board on the Group's financial and narrative reporting, including the preparation of the viability statement, internal control and risk management processes, the performance, independence and effectiveness of EY, and the effectiveness of the internal audit function. This report describes the Committee's main activities since the last report in 2019.

The points below summarise the key agenda items covered at the Committee's meetings during this period:

- Received regular updates on management plans to effectively manage risk pertaining to the impact of COVID-19.
- Received regular updates on the Group's system of internal control and its effectiveness.
- Reviewed progress of the work undertaken to strengthen the financial and business control landscape across the Group.
- Reviewed and challenged the output of management's assurance map to assess controls maturity.
- Reviewed management reports showing the status of remediation actions identified from completed internal audit reviews.
- Reviewed the responses and key themes arising from the Group's annual Electronic Internal Control Questionnaire.
- Received updates on the continuing embedding of the Project Lifecycle Management (PLM) Standard.
- Reviewed the Board delegated authorities and recommended changes to the Board.
- Reviewed the Group's principal risks and defined the Group's risk appetite.
- Received updates on the risk management framework.
- Reviewed the effectiveness and scope of the internal audit function.
- Received regular updates on key findings from the reviews performed as part of the 2020 internal audit programme.
- Reviewed and approved a programme of internal audit reviews of the Group's operations and financial controls for 2021 and 2022, building on the learnings from the 2020 programme and findings.
- Reviewed and approved areas of significant accounting judgement.
- Reviewed a report from management on the process for assessing the Group's going concern and viability over a three-year period and reported the outcomes of the assessment to the Board.
- Reviewed the basis of provisioning within the Group's captive insurance vehicle.
- Reviewed major claims and litigations.
- Reviewed and approved the EY engagement letter, audit fee and their audit plan, including detailed scoping.
- Reviewed the EY audit report and the Group's draft financial statements and recommended them to the Board for approval.
- Reviewed the scope and results of the external audit, its cost-effectiveness, and the independence and objectivity of EY.
- Reviewed and approved the Group's tax strategy statement for recommendation to the Board.
- Received briefings on global tax developments which impact the Group.
- Received updates on any matters relating to ethics, fraud and compliance.
- Reviewed and approved the whistleblowing policy.
- Reviewed the Executive Directors' expenses.
- Reviewed the Committee's effectiveness and terms of reference.

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 2020 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 advisors to ensure consistency and overall balance.

Audit 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 page 115. They related to the financial statements and focused on the Group's approach to key estimates and judgement in connection with:

Significant issues and judgements	How the Committee addressed these issues
Accounting for construction contracts 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 2020 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.	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. The Committee considered these issues at all of its meetings during the year and, in particular, in December 2020 and February 2021 when it agreed with management's recommendations.
Carrying value of goodwill 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.	The Committee considered the results of impairment tests of goodwill prepared by management at its meetings in December 2020 and February 2021. Following discussion and challenge, the Committee agreed with the recommendations made by management. The Committee agreed that the goodwill impairment of £0.3m in respect of the Group's Egyptian company and the other goodwill amounts were supportable.
Provisioning 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. Recognition of such liabilities for these claims requires judgement and coordination between different Group functions. 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.	The Committee received regular updates on claims received. Assurance was provided by the divisional legal teams who reviewed legal claims, with provisioning being assessed with input from divisional and Group finance. The Committee received reports regarding major claims at all of its meetings during the year. Details of provisions are set out in note 23 to the financial statements.
Non-underlying items 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. Management exercised judgement in relation to the disclosure of the non-cash loss on disposal of the Group's Brazil business, the amortisation of acquired intangibles, other acquisition costs and net charges associated with restructuring in APAC, Franki Africa/Middle East combination, and restructuring and asset impairment costs related to the Canadian Prairies, North America Central and South-East business units.	The Committee considered management's presentation of non-underlying items at its meetings in July and December 2020, and February 2021. The reasonableness of the assumptions made by management was discussed with EY. The Committee agreed with the recommendations made by management.
Captive insurance company The recognition of liabilities retained within the Group's captive insurance company requires judgement. The accounting policy is unchanged from the prior year, representing management's assessment that it allows liabilities to be measured reliably. The results of the actuarial review of incidence and quantum of liabilities were reflected in the 2020 accounts showing that the level of provision required was not materially different from the December 2019 level.	The Committee noted that the accounting for the Group's captive insurance company was unchanged from the treatment agreed at the 2019 year end. The Committee agreed with management's recommendation.

Significant issues and judgements	How the Committee addressed these issues
Going concern 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 2020, has operated within a global economy that has faced significant uncertainty caused by the COVID-19 pandemic. Through this period, going concern has 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.	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 2022, a period of at least 12 months from when the financial statements are authorised for issue, at its meetings in July and December 2020, and February 2021.

Internal audit

The enhanced internal audit programme introduced in 2019 consists of a tiered approach to the level of review work performed dependent upon the size of the entity and the perceived risks associated with that operation.

The programme carried out by PwC during the year consisted of 22 operational entity audits in 18 countries, which together represented approximately 30% of the Group's revenue for the year. We received and considered reports from PwC which detailed the progress against the agreed work programme and the findings. In the majority of reviews, findings were limited to the need for formalising certain controls to ensure they operate more effectively. 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 2020 Annual Report and Accounts.

Group management has continued to introduce control standards throughout 2020, with the majority now being in place and beginning to be embedded across the Group. These proactive initiatives will, over time, help to support an improvement to the control environment and enable early identification of potential control breakdowns. Audits performed during 2020 have been performed against updated standards wherever they have been issued and any improvement actions aligned to them.

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. Our conclusion was that we remain satisfied with the work of the internal audit function.

External audit

The Committee places great importance on ensuring there are high standards of quality and effectiveness.

As reported previously, following a competitive tender process in 2018, EY was appointed by shareholders at the AGM held in May 2019. The lead EY partner during the financial year ended 31 December 2020 was San Gunapala, who deputised for Kevin Harkin on a temporary basis. Neither Kevin nor San had any previous involvement with the Group in any capacity prior to appointment.

The Committee considered the effectiveness 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.

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. Any work awarded to EY, other than audit, with a value in excess of £25,000 requires the specific pre-approval of the Committee Chairman. In 2020, which is the second year that EY performed the external audit, non-audit related fees paid to them were 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 2021.

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.

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.

Audit Committee report
continued

We hold regular private meetings with the external auditor to assist with their assessment, including discussion of:

- 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; and
- the content of the auditor's management letter.

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.

Following the request we made of management at the end of 2018, resource has been augmented to enhance the risk identification and management framework, drive compliance with the Group's minimum standards and improve the formality of the control environment. In particular:

- A Group Head of Risk has been in post since August 2020.
- Risk workshops were held with all business units and group functions to identify and quantify business risks as well as to communicate and educate management on the updated risk management framework. The workshops were well received without exception and the risk registers created from them have been used to refine the Group's principal risks and to create consolidated divisional and Group risk registers.
- The Group's principal risks have been reviewed and refreshed; the outcome of our review is available on pages 30 to 39.
- A high level plan to further improve the risk management process and activity has been approved by the Committee. This plan builds on the initiatives from 2020, focusing on further embedding risk awareness and culture into the organisation throughout 2021.

Additionally, the following initiatives were delivered during the year to enhance the Group's risk management framework:

- The Committee monitored the implementation of the risk management standard approved in 2019 to enable the identification and mitigation of risks faced by the business in achieving its objectives.
- We also reviewed and refreshed the Board's approach to risk appetite and further refined the risk appetite statement to better align with the Group's strategy.

During 2020, the risk appetite statement was embedded into the Group's risk management processes along with the new Group Enterprise Risk Management Standard.

Further information on the Group's risks is detailed on pages 30 to 39.

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 Directors and the Board.
- Detailed business unit budget reviews with updates provided to the Board.
- Regular reports to the HSEQ Committee on health and safety issues.
- Regular visits to operating businesses by head office and divisional directors, and also by Committee members, and their attendance at operating company, Board and management meetings.
- 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 2020, we worked with management to continue to enhance the system of internal controls, defining the following priorities and receiving updates on their progress:

- 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.

In order to assess the financial impact of the COVID-19 pandemic, management implemented additional levels of reporting. This reporting was done weekly and tracked revenue, profit and cash flow at business unit level. The effects of cash and profit containment initiatives were reported regularly. This reporting ensured that management had near real-time understanding of the impact of the COVID-19 pandemic.

Similarly, management and the Committee reviewed additional scenarios modelled to reflect downside risks throughout the year. These scenarios, added to our routine planning, were built to model both earnings risks and to stress test the liquidity position. Robust working capital management throughout the year resulted in a stronger liquidity position than originally expected.

Significant progress has been made during 2020 to enhance the Group's enterprise risk management framework, despite the restrictions placed on us due to COVID-19. Assuming these restrictions are lifted at some point in 2021 we will build on this momentum, with the Group Head of Risk spending more time out in the field supporting the business to better understand and respond to risk.

Corporate governance

The Committee's terms of reference, which were reviewed during the year, are available on our website (www.keller.com) and on request from the Committee Secretary.

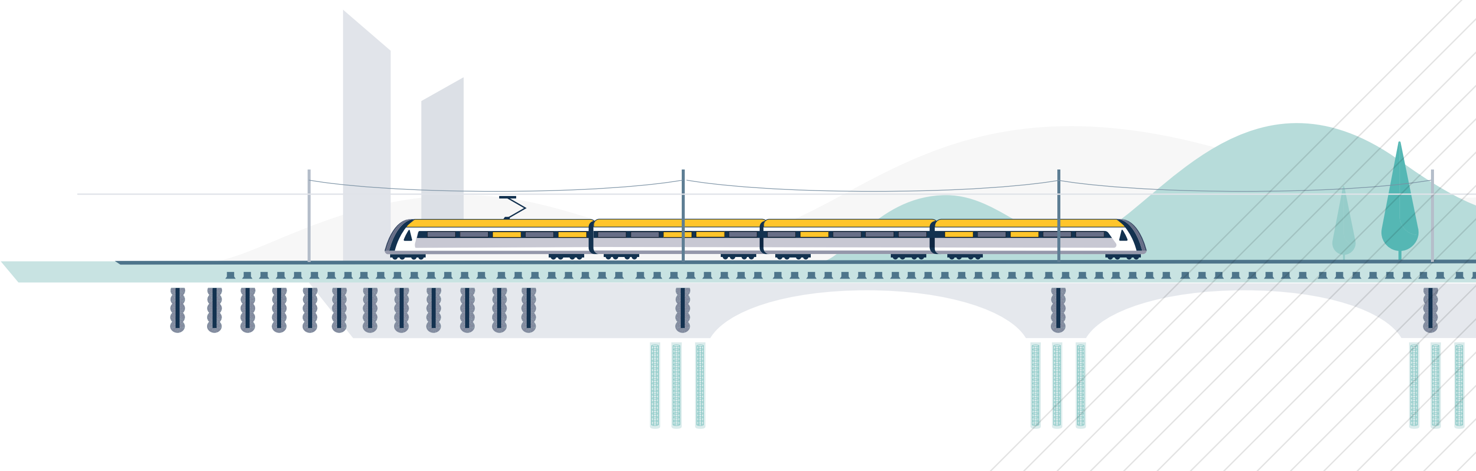
The Committee met four times during the year. Attendance at these meetings is shown in the table on page 62.

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 Chairman fulfils this requirement.

We invite the Chairman, Chief Executive Officer, Chief Financial Officer, Group Financial Controller, the Group Head of Risk and the company's external auditor, EY, to all meetings. PwC, in their role as internal auditor, attend at least two meetings each year. On four occasions, the Committee met privately with EY without management being present and we also met with PwC and the Group Head of Risk without management present.

The Committee's performance was evaluated during the exercise facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor, which had started in December 2019. The workshops were designed to enhance the performance of the Board, each of its members and its Committees, by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The outcome of this exercise can be found on page 70.

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.



Annual statement from the Chairman of the Remuneration Committee

Eva Lindqvist
Chairman of the Remuneration Committee

Composition of the Committee

Eva Lindqvist
Paula Bell
Baroness Kate Rock
Nancy Tuor Moore
Paul Withers (until 30 June 2020)

For full biographies
See pages 58 and 59

Role of the Committee

The role of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the company's Chairman, Executive Directors, their direct reports and such other members of the executive management as it is designated to consider. In addition, we are responsible for determining the total individual remuneration packages of the Chairman, Executive Directors, the Group Company Secretary and other senior executives.

We also: determine the measures and targets for Annual Bonus Plan objectives and outcomes for the Executive Directors and senior executives; exercise the powers of the Board in relation to the company's share plans; set and oversee the selection and appointment process of remuneration advisors to the Committee; monitor developments in corporate governance and, particularly, any impacts on remuneration practices; and report our activities to shareholders on an annual basis.

The Chairman of the Committee reports our activities at the Board meeting immediately following each meeting.

Highlights of the Committee's activities in 2020

- Monitored developments in corporate governance and market trends, particularly with regard to the alignment of the impact of the COVID-19 pandemic on the company's stakeholders and 2020 executive remuneration.
- Consulted with major shareholders and shareholder bodies on proposed changes to the Remuneration Policy and changes to the measures we use for our Long-Term Incentive Plan (LTIP).
- Agreed the remuneration package for David Burke as Chief Financial Officer.
- Benchmarked and assessed the remuneration packages of the Executive Directors and Executive Committee.
- Agreed the departure terms for Alain Michaelis.
- 2020 outcomes: determined bonus outcomes for 2020; determined the vesting outcome of the 2018-20 Performance Share Plan (PSP) awards.
- 2021 implementation: set base salaries and established Executive Director bonus arrangements for 2021; reviewed base salaries and bonus arrangements for the Executive Committee for 2021; approved 2021-23 LTIP awards to Executive Directors and senior executives.
- Monitored developments in corporate governance and market trends.
- Reviewed the terms of reference of the Committee.
- Reviewed the effectiveness of the Committee.

Over the course of 2020 the Committee carefully considered the impact of the pandemic in its approach to executive pay."

Eva Lindqvist
Chairman of the Remuneration Committee

Dear shareholder

It is my pleasure to present the Directors' remuneration report for the year ended 31 December 2020, on behalf of the Board.

Response to the COVID-19 pandemic

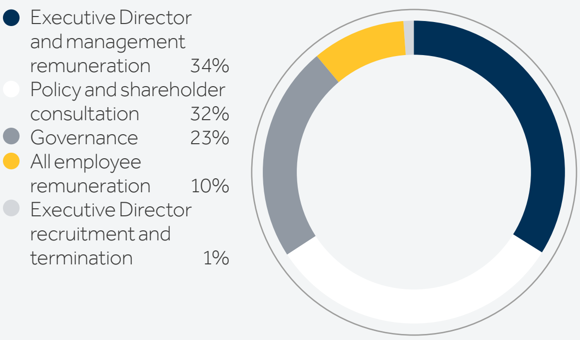
As you are aware, society has experienced unprecedented events following the worldwide outbreak of the COVID-19 virus. This time last year we announced a good set of 2019 financial results and had set our course for success in 2020. However, in a few short weeks, the global situation completely changed and by the end of March 2020, we, along with many other companies, were facing very difficult and uncertain times ahead.

For the first few months of the pandemic, a major focus of management's actions was to seek to maximise the Group's resilience and to minimise the potential health, financial and other risks arising from the crisis.

In March and April, management set up a global COVID-19 response group to secure the health and safety of our employees and the company availed itself of relevant governmental financial support schemes across all of our markets, such as furlough and tax deferrals, where appropriate, which allowed us to safeguard pay and benefits for employees. In addition, we applied for the Covid Corporate Financing Facility (CCFF) and had confirmation of funding of up to £300m from the Bank of England in June 2020. The CCFF was secured to provide additional protection in the event of a very material deterioration in cash flow performance. As announced in conjunction with the 2019 full-year results on 3 March 2020, the Board decided to defer the 2019 final dividend and keep this under review as the events of the first half of 2020 unfolded.

Over the course of the year, management's actions to protect the business and our people resulted in better than expected financial results in 2020. In June 2020, the Group announced that overall trading for the first quarter had been better than our expectations and materially better than the prior year, with trading during the second quarter resilient and the group order book steady at c£1bn. As a result, the Board announced its decision to recommend to shareholders that the 2019 full-year dividend be maintained at the prior year's level, so continuing the Group's track record of maintaining or increasing the dividend every year since its flotation in 1994. In November 2020, following a good set of first half results and continued momentum, the Board declared a 2020 interim dividend at the same level of 2019. The continuation of dividend payments during 2020 reflected the financial strength of the Group, its significant liquidity position, the positive trading during the second half of the year and the longer-term confidence in the performance of the business.

2020 Remuneration Committee meetings – time spent (%)



After reviewing the Group's stronger than expected performance during the second half of the year, the Board felt it entirely appropriate to repay the UK government support taken in 2020 in the form of furlough and the company will not take further monies in this regard. The company did not draw on the CCFF, which is set to expire, unused, on 22 March 2021.

We are particularly proud of, and grateful to, those employees who continued to execute and deliver customer projects all across the world in 2020, many in difficult circumstances.

We enter 2021 in good shape as an organisation but are cognisant of the late-cycle effects of the construction market on our business model and we expect 2021 to remain challenging.

Executive remuneration in 2020

Over the course of 2020, the Board and its Committees have carefully considered the impact of the pandemic on our stakeholders, including employees, shareholders and customers, in their approach to executive pay.

Salary reductions

As announced on 23 April 2020, the Board and senior management took a voluntary 20% reduction in fees and salary during the second quarter.

Due to the company's stronger than expected performance, this was reinstated in June 2020.

2020 business performance and incentive outcomes

Whilst revenue reduced by 10% from 2019, driven by the portfolio rationalisation and the impact of COVID-19, underlying operating profit increased by 6% to £110.1m whilst diluted underlying earnings per share were up 18% to 96.3p. Net debt decreased to £120.9m or £125.9 at budget rates (2019: £213.1m), representing 0.7x underlying EBITDA.

The targets for the 2020 annual bonus for executive management were set by the Committee in February of last year and remained unchanged throughout the year. The better than expected financial performance in 2020 is reflected in the 2020 annual bonus outcomes; the financial measures, group profit before tax and net debt, have paid out at maximum. Additionally, the Executive Directors made continued good progress against their corporate objectives, achieving 20% out of a possible 30% maximum. Overall, the annual bonus outturn was 93% of maximum.

When determining the bonus outcome, the Committee considered overall company performance over the period and particularly the impact of COVID-19 on our business and the broader market. Whilst the pandemic has posed unprecedented challenges for our business and our people like for so many other companies, our profit and net debt performance demonstrate the exceptional leadership of our management to react dynamically and manage the business rigorously in a difficult year. As mentioned above, this has allowed us to repay the furlough monies taken in the UK, not draw on the CCFF funding and maintain our progressive dividend levels in 2019 and 2020 to the benefit of shareholders. Over 2020, the returns to our shareholders (based on our TSR) were (1.3)% compared to the FTSE 250 returning (4.6)% and the FTSE All-Share returning (9.8)%. Overall, after considering all the relevant factors, the Committee's view was that the bonus outcome was fair and no discretion was exercised.

The performance of the LTIP granted to executives in 2018 and vesting in March 2021 was more muted. The continued impact of the very poor 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 and TSR targets were not met during the performance period, with ROCE only partially performing. Therefore, the 2018 LTIP vested at 10.6% of maximum.

Annual statement from the Chairman of the Remuneration Committee continued

The Committee considers that the LTIP vesting level fairly reflects performance delivered over the three-year period, and therefore no discretion was exercised.

2021 salary review

Salary increases for UK-based employees across the Group were generally around 2%, effective 1 January 2021.

Michael Speakman, CEO, received a salary increase at this level for 2021. No increase was proposed for David Burke, who was appointed CFO in October 2020.

2021 policy and shareholder consultation

The Committee is not proposing any changes to the structure and quantum of executive pay set out in the existing Remuneration policy, which was approved in 2018 by 98.71% of shareholders. We believe the existing approach continues to incentivise management over the long term and provides the appropriate level of competitive remuneration in order to attract and retain the talent required to implement Keller's strategy.

In recognition of recent changes to the UK Corporate Governance Code, and in the context of the wider business environment since the approval of Keller's 2018 Remuneration policy, the Committee is proposing the following changes to Keller's 2021 Policy:

- Introduction of a two-year post-employment shareholding requirement for Executive Directors: the requirement will include shares awarded through the LTIP from 2021 onwards and the holding period will be for two years following cessation of employment, with 100% of the in-employment shareholding guideline of 2x salary (or actual shareholding if lower) to be held in year 1 and at least 50% in year 2.
- Discretion for the Committee to override formulaic outcomes in the LTIP.

Additionally, the Committee is proposing to formalise the below measures, which are already in operation, in the 2021 Policy:

- Malus and clawback policy.
- Mitigation measures for Executive Director leavers written into current service contracts.
- Settlement of deferred bonus and dividend equivalents in shares and not cash.
- Alignment of Executive Director pensions to the general workforce.

Engagement with shareholders

In November 2020, we contacted our top 20 shareholders as well as the Investment Association, ISS and Glass Lewis to explain our proposed changes to the Policy.

All of our major shareholders (with the exception of one shareholder) were supportive of the proposals put forward. On that basis, the Committee has decided to proceed with the proposed changes in our 2021 Remuneration policy which will be put to a binding shareholder vote at our AGM in May 2021 and wrote to our major shareholders and the main proxy voting bodies in February 2021 to follow-up with our final proposals.

The Committee is grateful to shareholders for the time they have given to the consultation process and the feedback provided, which have helped facilitate a more robust decision-making process.

Year ahead: 2021 LTIP metrics

The Board and management team have been evolving the company's strategy. Over the next three years, 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.

During 2020, the Committee reviewed the performance measures and weightings for future awards under the LTIP to reflect the prevailing strategic objectives of the Company, in line with our authority under the 2018 Remuneration policy. As part of our consultation on the 2021 Remuneration policy, the Committee also asked shareholders for their feedback on the performance measures and weightings for future awards under the LTIP.

Taking into account the feedback received from shareholders, the Committee has agreed a refreshed set of four measures for the 2021 LTIP that we believe will support the delivery of the strategy. The new measures and the targets for the LTIP for the year ahead are disclosed in the 2021 Policy and Directors' remuneration report. See page 108 for further details.

Board changes

David Burke was appointed CFO on 12 October 2020 and will stand for election at the company's AGM. Details of David's remuneration arrangements can be found in the Directors' remuneration report, page 104.

As announced in March 2020, James Hind and Venu Raju did not stand for re-election as Executive Directors at the company's AGM on 30 June 2020. James and Venu remain members of Keller's Executive Committee, retaining their executive responsibilities as President of North America and Engineering and Operations Director respectively and continue to be available to the Board.

Paul Withers retired from the Board at the conclusion of the company's 2020 AGM.

Alain Michaelis departed as CEO and as a Director of the Board on 30 September 2019, and as an employee on 31 December 2019. His final termination arrangements were published on our website on 1 May 2020 following the decision of the Committee that he did not constitute a good leaver and to exercise downwards discretion. The section 430(2B) statement published on the website on 1 May 2020 updated the disclosures set out in the Directors' remuneration report for the year ended 31 December 2019 and the section 430(2B) of the Companies Act 2006 statement made by the company in January 2020.

2021 Annual General Meeting

We very much hope that you will support our proposed 2021 Remuneration policy and 2020 Annual report on remuneration at the company's AGM in May.

If we are able to meet in person this year, I will be available at the AGM to answer any questions you may have about our work. In the event that government regulations prevent this, please email your questions to the Committee Secretary at secretariat@keller.com and we will respond to them directly.

Eva Lindqvist
Chairman of the Remuneration Committee
9 March 2021

Remuneration at a glance

Overview of Remuneration Policy – How Executive Directors will be paid in future years

We are seeking shareholder approval for a revised Policy at the 2021 AGM. The key elements of the Policy will remain unchanged. An overview of our Policy and how it is proposed to apply in 2021 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 2021

Salary	CEO: £571,200 – 2% increase from 2020 in line with salary increases awarded to UK-based employees CFO: £375,000 – no increase from base salary at appointment in October 2020
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

Maximum opportunity – up to 150% of salary
Awards subject to **malus and clawback**

2021 bonus metrics:
- 40% PBT
- 40% Net debt
- 20% Corporate objectives

Performance share plan

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

Maximum opportunity – up to 150% of salary. For 2021, CEO will receive 150% of salary and CFO will receive 125% of salary.
Awards subject to **malus and clawback**

2021 PSP metrics:
Refreshed to align with our evolving strategy
- 25% Cumulative EPS
- 25% ROCE
- 25% Relative TSR
- 25% Operating margin

✓ Aligned with shareholders
✓ Aligned with strategic KPIs
✓ Drives quality and sustainable performance

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

Updates to the Policy

The new Policy introduces or formalises a number of good governance features in line with evolving best practice.

- Post-employment shareholding requirement
- Discretion for the Committee to override formulaic outcomes

Already in operation, formalised in new Policy

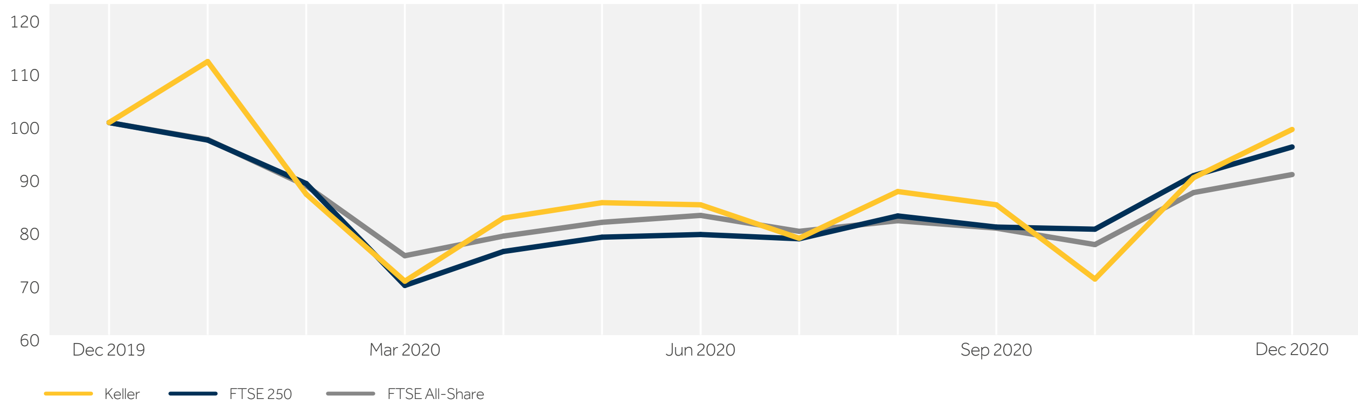
- Malus and clawback policy
- Alignment of Executive Directors' pensions to the general workforce rate
- Mitigation measures in service contracts
- Settlement of deferred bonus and dividend equivalents in shares

Remuneration at a glance
continued

Remuneration for 2020 – What Executive Directors earned during 2020

In response to COVID-19, the Board and Executive Committee agreed to a 20% reduction in fees and base salary during the second quarter of FY20.

Management's actions to maximise the Group's resilience and to minimise the health, financial and people risks has resulted in better than expected results in 2020. We were able to repay the UK furlough in full, reinstate fees and base salaries, not draw on CCFF funding, and maintain our progressive dividend policy in 2019 and 2020. Overall, our TSR in 2020 was (1.3)% compared to the FTSE 250 returning (4.6)% and the FTSE All-Share returning (9.8)%.



Annual bonus	Weighting	Threshold	Target	Max	Outcome (% of max)
PBT	40%	81.7	88.5	95.3	100%
		Performance outcome: 95.6[1]			
Net debt	40%	247.0	224.5	202.0	100%
		Performance outcome: 125.9[1]			
Corporate objectives	20%	Summary of objectives on page 102			67%
		Actual: 67% of max			
Overall					**93%**

PSP	Weighting	Threshold	Max	Outcome (% of max)
EPS	50%	310p	355p	0%
		Actual: 260.5p		
TSR	25%	Median	Upper quartile	0%
		Actual: 32nd percentile		
ROCE	25%	14%	20%	42.5%
		Actual: 15.4%[2]		
Overall				**10.6%**

1 At 2020 budget exchange rates before non-underlying items.
2 Average of the three-year ROCE for 2018-2020.

Remuneration policy report

The Remuneration policy (Policy) is set out in this section.

This Policy will be put to shareholders for approval at the AGM to be held on 19 May 2021. The Policy is intended to apply, subject to shareholder approval, for three years from 1 January 2021. Where a material change to this Policy is considered, the company will consult with major shareholders prior to submitting to all shareholders for approval. The Policy will be displayed on the company's website (www.keller.com) following the 2021 AGM.

Summary of decision-making process

As described in the Chairman's statement, the Committee engaged with its major shareholders in 2020 as part of its review of the executive remuneration policy. We wrote to 20 of our largest shareholders and the major shareholder representative bodies in November 2020 to consult on the development of our executive remuneration approach and, having considered the feedback, we wrote to them again in February 2021 to explain the outcome of the review, the changes proposed and associated rationale.

Shareholders were offered the opportunity to discuss the proposals with the Committee Chairman and the Group Company Secretary and Legal Advisor on both occasions and overall we were encouraged by the number of shareholders who took the time to respond and engage and are satisfied that, having taken into account both supporting views and key concerns, we have developed an appropriate way forward.

In addition to the specific feedback received from our consultation with major shareholders, we also considered input from the management team and our independent advisors, as well as latest market practice and corporate governance developments. To manage any potential conflicts of interest arising, the Committee ensured that no individual was involved in discussions on their own remuneration arrangements and all changes proposed aligned to the business' core strategy and values.

In reaching its decisions, the Committee also considered the following principles as recommended in the revised 2018 UK Corporate Governance Code.

Clarity – The policy is designed to allow our remuneration arrangements to be structured such that they clearly support, in a sustainable way, the financial and strategic objectives of the company. The Committee remains committed to reporting on its remuneration practices in a transparent, balanced and understandable way.

Simplicity – The policy consists of three main elements: fixed pay (salary, benefits and pension), an annual bonus and a long-term incentive award. The metrics used in our incentive plans directly link back to our key corporate objectives and provide a clear link to the shareholder experience. The Committee may change measures for future years to ensure they continue to be aligned with our strategy.

Risk – Remuneration policies are in line with our risk appetite. A robust malus and clawback policy is in place, and the Committee has the discretion to reduce pay outcomes where these are not considered to represent overall company performance or the shareholder experience. Furthermore, our bonus deferral, post-cessation shareholding requirement, and PSP holding period ensure that Executive Directors are motivated to deliver sustainable performance.

Predictability – The Committee considers the impact of various performance outcomes on incentive levels when determining quantum. These can be seen in the scenario charts on page 95.

Proportionality – A substantial portion of the package comprises of performance-based reward, which is linked to our strategic priorities and underpinned by a robust target-setting process. This year, we have also been particularly mindful of the alignment with our workforce when considering the right and proportional approach to pay.

Alignment to culture – When developing the Policy, the Committee reviewed our approach to remuneration throughout the organisation to ensure that arrangements are appropriate in the context of the wider workforce. The themes considered include workforce demographics, engagement levels and diversity to ensure that executive remuneration is appropriate from a cultural perspective.

Remuneration policy main changes

As set out in the Chairman's letter, the Committee is not proposing any changes to the structure and quantum of executive pay set out in the existing Policy. The 2021 Policy proposes a number of good governance features, some of which are already in operation, as summarised below:

- Introduction of a two-year post-employment shareholding requirement for Executive Directors.
- Discretion for the Committee to override formulaic outcomes in the LTIP.
- Malus and clawback policy.
- Mitigation measures for Executive Director leavers written into current service contracts.
- Settlement of deferred bonus and dividend equivalents in shares and not cash.
- Alignment of Executive Director pensions to the general workforce.

We have also taken the opportunity to refresh the performance metrics in our PSP.

Remuneration policy report
continued

Summary of our Remuneration policy	
Base salary and benefits	Competitive fixed remuneration.
Annual bonus	Maximum: 150% of base salary. Reward for achievements against profit and working capital targets which are key financial metrics and individual objectives linked to strategic objectives.
Performance share plan	Maximum: 150% of base salary. Refreshed metrics this year, which reward for achievements against EPS, ROCE and Operating margin targets which are key financial metrics and relative TSR which rewards outperformance of alternative investment.
Shareholder aligned	Shareholding guideline: 200% of base salary. Post-employment shareholding requirement: for two years following cessation of employment, with 100% of the in-employment shareholding guideline of 2 x salary (or actual shareholding if lower) to be held in year 1 and at least 50% in year 2. 25% of annual bonus deferred in shares for 2 years. PSP vested shares to be retained for a further 2 years. Malus and clawback policy applies to bonus, deferred bonus and PSP.
Internally consistent	The Remuneration Committee oversees pay structure for senior managers who are eligible to bonus and PSP. The Committee also receives information on broader employee pay and incentives across the Group.

Remuneration principles

Our remuneration principles underpinning Directors' remuneration and our policy are:

- Support the delivery of Keller's strategy.
- Align Executive Directors' interests with those of our shareholders.
- Attract, retain and motivate high-calibre executives to lead and manage the business and ensure the long-term sustainable success of the company.
- Consider fairness and equity across the entirety of our workforce.

Directors' Remuneration policy table

There are five main elements of the remuneration package for Executive Directors: base salary, benefits, pension, performance-related annual bonus, and performance share plan. The table below summarises these elements, how they link to strategy and discourage excessive risk-taking and their operation and performance measures. The Group aims to balance the need to attract, retain and motivate Executive Directors and other senior executives of an appropriate calibre with the need to be cost effective, whilst at the same time rewarding exceptional performance. The Policy is designed to balance these factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay made generally to employees of the Group.

Fixed remuneration – base salary, benefits and pension	
Base salary	
Purpose and link to strategy	Reflects the individual's role, experience and contribution to the company. Set at sufficiently competitive levels to attract and retain high-calibre individuals needed to execute and deliver on the Group's strategic objectives.
Operation	Salaries are normally set in the home currency of the Executive Director and reviewed annually. Any salary increases are normally effective from 1 January. In making salary decisions the Committee takes account of: • changes in the scope or responsibility of the role; • company and individual performance; • periodically, salary levels for comparable roles at relevant international comparators; and • general increases across the Group.
Performance	None

Fixed remuneration – base salary, benefits and pension	
Opportunity	Determined having considered market practice for relevant roles in companies of a similar size and complexity. Whilst there is no prescribed maximum level of salary, increases are typically not expected to exceed average increases for the wider workforce taking into account relevant geography. Larger increases could be awarded in circumstances where there is a significant increase in the complexity, scope or responsibility of the role, an increase in the size and complexity of the company, or in the case of appointment at a level lower than a predecessor and/or typical market level with a view to increase over time as the Executive Director gains experience.
Benefits	
Purpose and link to strategy	To be market competitive for the purpose of attracting and retaining high-calibre individuals needed to execute and deliver the strategic objectives.
Operation	Benefits typically include: • a company car or a car allowance; • private health care; and • life assurance, and long-term disability insurance. Other benefits may be provided from time to time if considered reasonable and appropriate by the Committee. Where applicable, relocation costs may be provided, which may include, but which are not limited to: removal costs, housing allowance, immigration assistance, relocation and cost of living allowance, school fees and tax equalisation. Executive Directors would also be eligible to participate in any all-employee share plans on the same basis as other eligible employees, should such plans be implemented by the company.
Performance	None
Opportunity	There is no formal maximum as the cost of benefit provision can fluctuate depending on changes in provider cost, location and individual circumstances.
Pension	
Purpose and link to strategy	To provide a market-competitive level of retirement benefit.
Operation	Executive Directors participate in the company pension schemes that apply in their home country. Current UK Directors can elect to receive either a contribution to a UK defined contribution (DC) scheme or a salary cash supplement in lieu of pension benefits.
Performance	None
Opportunity	The maximum annual pension contribution/cash supplement is 7% of base salary unless the contribution rates are determined by the rules of a specific country pension plan. This level of contribution is already in line with the level of pension contribution received by the general workforce. For any new executive director appointments, maximum pension contributions will align with the wider workforce rate.

Remuneration policy report
continued

Short-term variable remuneration	
Annual Bonus Plan	
Purpose and link to strategy	Rewards achievement of the short-term financial and strategic targets of the company.
Operation	At the start of each financial year, performance measures and weightings are determined and annual financial targets and personal strategic objectives are set by the Committee. Bonus outcomes are determined based on performance against those targets. 25% of any bonus earned is normally deferred into company shares for two years. Deferred bonus shares are eligible for dividend equivalents over the period from the date the deferred award is granted, to the date of its vesting. Dividend equivalents are settled in shares. The company's malus and clawback policy may operate in respect of the Annual Bonus Plan (including deferred bonuses). The policy could take effect in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases. The Committee may apply judgement and shall have discretion to make appropriate adjustments to an individual's annual bonus payout (including, if appropriate, reduction to nil) or to recover the relevant value. Clawback will apply to the cash bonus and deferred bonus for a period of two years following the end of the performance period.
Performance	The annual bonus is predominantly based on delivering financial performance (majority weighting). This may include for example financial measures such as profit before tax (PBT) and working capital management. The remainder of the bonus is based on personal strategic objectives (minority weighting) which are linked to Keller's strategy and assessed by the Committee. The Committee agrees targets annually for threshold and maximum payouts, ensuring targets are achievable but stretching. Typically, the award opportunity at threshold performance is 0%, with no more than 50% of maximum bonus payable for target performance. Payouts between threshold and target, and target and maximum, are normally determined on a straight-line basis. The measures are reviewed by the Committee each year and will be explained in the Annual report on remuneration. The Committee retains full discretion to adjust the performance measures/targets/weightings on an annual basis for future years to reflect the prevailing strategic objectives of the business. The Committee also has discretion to adjust the bonus outcomes (cash bonus and deferred bonus) if it determines this is needed to achieve an appropriate outcome having considered the broader performance of the company and/or the individual. This could, for example, take into account factors such as a material deterioration in safety performance, events impacting the reputation of the Company, or failure to achieve a minimum level of financial performance impacting the scope for payout under personal strategic objectives.
Opportunity	The maximum annual bonus potential for Executive Directors is up to 150% of base salary.

Long-term variable remuneration	
Performance Share Plan (PSP)	
Purpose and link to strategy	Focuses on delivering value creation for shareholders and sustainable financial performance for the company over the long term.
Operation	Typically subject to a performance period of at least three years with a subsequent two-year holding period, making it a five-year plan. Awards are normally granted every year. Award levels are determined annually by the Committee and set within the policy maximum. Subject to stretching performance conditions. The performance measures and targets are determined at the start of each performance period in line with the company's financial and strategic objectives. Dividend equivalents may accrue over the five-year period. The company's malus and clawback policy may operate in respect of the PSP (including deferred bonuses). The policy could take effect in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases. The Committee may apply judgement and shall have discretion to make appropriate adjustments to an individual's annual bonus payout (including, if appropriate, reduction to nil) or to recover the relevant value. Clawback will apply to the PSP for a period of two years following the end of the performance period.
Performance	The performance measures and targets are determined at the start of each performance period in line with the Company's financial and strategic objectives. Vesting of PSP awards is subject to performance against relevant financial and/or non-financial performance measures as determined by the Committee. For 2021, the PSP awards are based on: Earnings per Share (EPS) with a weighting of 25% Total Shareholder Return (TSR) with a weighting of 25% Return on Capital Employed (ROCE) with a weighting of 25%; and Operating margin with a weighting of 25%. The Committee may amend performance measures and weightings to reflect the prevailing strategic objectives of the company. The Committee will engage with investors, to the extent it considers necessary, if any significant changes are made to the performance measures.
Opportunity	The maximum award limit in each financial year is 150% of base salary. Individual award levels may vary and will be set out in the relevant Annual remuneration report. For 2021, the CEO will receive an award of 150% of base salary and the CFO will receive an award of 125% of base salary. In exceptional circumstances (for example recruitment or retention) the Committee may make awards of up to 200% of base salary. For threshold performance, typically 25% of the award will vest. For maximum performance, 100% will vest. Vesting will normally operate on a straight-line basis.

Shareholding guidelines

Purpose: aligns interests of Executive Directors with those of shareholders.

Executive Directors are expected to retain 50% net of tax of shares following the vesting of share awards until the guideline is attained. The Committee encourages the Directors to buy shares on the market.

Minimum shareholding guideline for Executive Directors is 200% of (pre-tax) base salary.

Remuneration policy report
continued

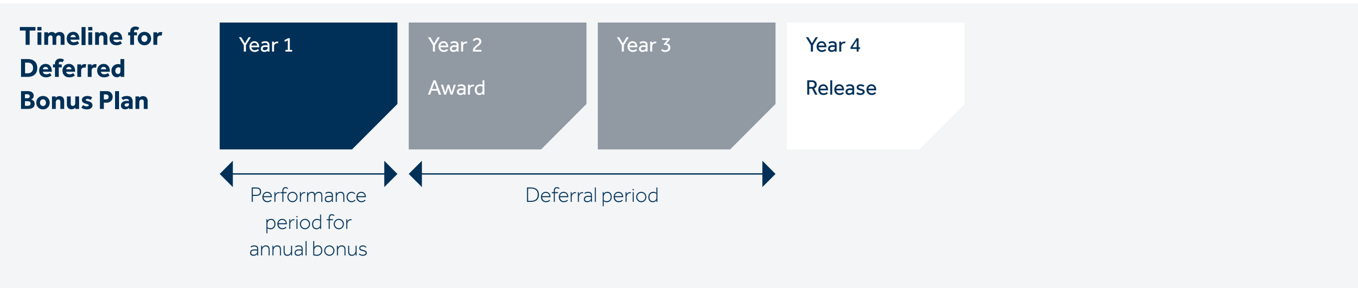
Post-employment shareholding requirement

Executive Directors are required to hold their shares in the company for a period of two years after they have ceased to be employed by the company. The requirement will include shares awarded through the LTIP from 2021 onwards and the holding period will be for two years following cessation of employment, with 100% of the in-employment shareholding guideline of 2 x salary (or actual shareholding if lower) to be held in year 1 and at least 50% in year 2.

Notes to the Policy table:

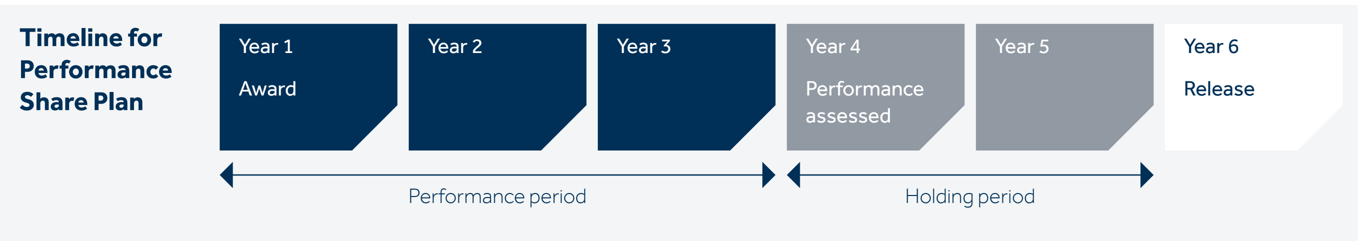
Annual Bonus and Deferred Bonus Plans

- Profit-related measures are chosen by the Committee as they support the strategic objectives of 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; personal strategic objectives allow Executive Directors to focus on strategic initiatives which support delivery of the annual business plan in any relevant year as well as laying foundations for delivery of the longer-term group strategy.
- To reinforce alignment with shareholder interests, 25% of any bonus will be deferred into the Deferred Bonus Plan (DBP). There are no further performance conditions applicable to the deferred bonus and it is released in the form of shares after a deferral period of two years along with any dividend shares accrued over the deferral period.



Performance Share Plan

- The Committee believes that the measures for 2021 (TSR, EPS, ROCE and Operating margin) provide a balance of performance measures aligned with strategic delivery. The Committee also has flexibility to adopt different measures if there are good reasons to do so and amend the weightings to support the strategic focus in any award year.
- Relative TSR performance is measured by ranking against FTSE 250 companies (excluding investment trusts and financial services). Under a ranked approach, threshold vesting will be for median performance against the comparator group; maximum vesting for upper quartile performance (or above) against the comparator group. Vesting will be determined on a straight-line basis between these points. For relative TSR, we measure and rank growth based on the data points at the end of the performance period compared with those at the beginning of the period.
- Underlying EPS is considered as an important indicator of revenue growth and profitability and is a simple and well-understood measure. Strong EPS provides the foundation for maintaining our progressive dividend policy. Targets are set by the Committee taking into account internal forecasts of performance, any guidance provided to the market and market expectations, as well as historical performance.
- ROCE is one of our key performance indicators. It is well-understood by participants and used internally to drive profitability. Targets are set taking into account our aspirations of ROCE improvement, as well as historical performance. ROCE remains an excellent measure of the efficiency of key resources and directly drives responsible working capital and capital expenditure decisions.
- Operating margin, a new metric this year, reinforces management's focus on the quality of earnings to ensure that value generated is sustainable and is aligned to the long-term success of the business.



Awards under previous remuneration policies

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including the exercise of any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payment were (i) agreed before the 2014 AGM (when the company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; (iii) at a time when the individual to whom the payment is made was not a Director of the company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the company.

For these purposes, 'payments' include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Any awards or remuneration-related commitments made to Directors under previous remuneration policies will continue to be honoured.

Committee's discretion

- If an event occurs which causes the Committee to consider that an outstanding PSP Award or bonus would not achieve its original purpose without alteration, the Committee has discretion to amend the targets, provided the new conditions are not materially less challenging than the original conditions. The Committee also has discretion, both upwards and downwards, to override formulaic outcomes in the LTIP.
- Such discretion could be used to adjust appropriately for the impact of material acquisitions or disposals, or for exceptional and unforeseen events outside the control of the management team. The application of any such discretion would have regard to the Committee's practice of ensuring the stability of measures and targets throughout the business cycle.
- Awards may also be adjusted in the event of any variation of the company's share capital or any demerger, capital distribution or other event that may materially impact the company's share price.

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Pay for performance scenarios

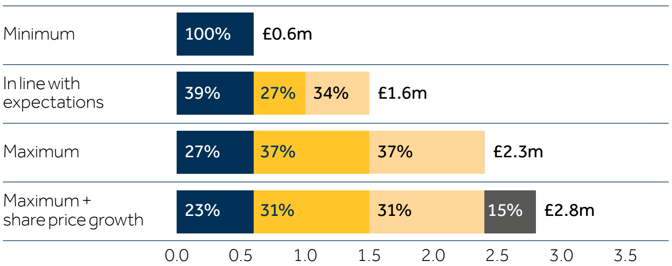
The charts below provide an illustration of the potential future reward opportunities for the Executive Directors and the potential split between the different elements of remuneration under four performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum + share price growth'. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship.

Potential reward opportunities are based on Keller's Remuneration policy, applied from 1 January 2021 excluding the impact of any share price movement and dividend accrual during the performance period.

The 'Minimum' scenario reflects base salary, pension and benefits (ie fixed remuneration). Benefit levels are assumed to be the same as the last financial year. No annual bonus payable and threshold performance under PSP is not achieved. The 'On-target' scenario reflects fixed remuneration as above, plus bonus payout of 50% of maximum and PSP vesting at 50% of normal maximum award. The 'Maximum' scenario reflects fixed remuneration, plus full payout of all incentives. The 'Maximum + share price growth' scenario reflects fixed remuneration plus full payout of all incentives, with a 50% increase in share price applied to the PSP award.

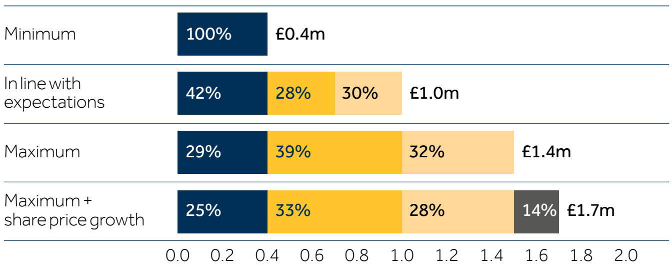
Chief Executive Officer

Remuneration (£m)



Chief Financial Officer

Remuneration (£m)



● Fixed remuneration ● Long-term variable remuneration ● Annual variable remuneration ● Share price growth

Remuneration policy report
continued

Approach to recruitment remuneration

The Committee's approach to remuneration for newly appointed Directors (both internal and external) is consistent with that for existing Directors. However, where the company is considering an internal promotion to the Board, the Committee may, at its discretion, decide that any remuneration commitment agreed or entered into prior to the promotion will continue to be honoured even though that commitment may not be consistent with the prevailing policy.

In determining appropriate remuneration, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both Keller and its shareholders and will seek not to pay more than is necessary for this purpose.

The table below summarises Committee's approach on recruitment/promotion:

Component	Approach	Maximum
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current base salary. Where new appointees have initial basic salaries set below market, phased increases may be awarded over a period of two to three years subject to the individual's development in the role.	
Benefits	New appointees may be eligible to receive benefits in line with the policy.	
Pension	New appointees may be eligible to receive pension contributions or an equivalent cash supplement in lieu of pension in line with the policy.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each Executive.	150% of salary
Performance Share Plan	New appointees may be granted awards under the PSP on the same terms as other Executives, as described in the policy table.	200% of salary (exceptional maximum)

In addition, the Committee may offer a 'buyout' payment where the Committee considers it reasonable to do so in order to recruit a particular individual. The Committee may offer compensation on a like-for-like basis, for any amounts of variable remuneration being forfeited on leaving a previous employer. In doing so, the Committee will consider relevant factors such as expected values, any performance conditions attached to these awards and the likelihood of those conditions being met, time horizons, delivery mechanism and the terms of the forfeited remuneration.

To facilitate such compensation, the Committee may also rely on exemptions, procedures or provisions contained in the Listing Rules that permit awards to be granted in exceptional circumstances. To ensure alignment from the outset with shareholders, malus and clawback provisions may also apply where appropriate and the Committee may require new Directors to acquire company shares up to a pre-agreed level. Shareholders will be informed of any buyout arrangements at the time of appointment.

In making any decision on the remuneration of a new Director, the Committee would balance shareholder expectations, current best practice and the circumstances of any new Director. It would strive not to pay more than is necessary to recruit the right candidate and would give details in the next remuneration report.

The Committee may offer to pay reasonable relocation expenses for the new Executive Director in line with the policies described in this report.

Service contracts

Executive Directors' contracts are for an indefinite term with one year's notice. Service contracts between the company (or other companies in the Group) and current Executive Directors are summarised below. Executive Directors' service contracts are available to view at the company's registered office.

Director	Date of service contract	Notice period	Termination payment
Michael Speakman[1]	6 August 2018	12 months' notice by either the Company or the Director	Maximum of basic annual salary plus pension and benefits for the unexpired portion of the notice period, subject to mitigation.
David Burke	12 October 2020		

1 Michael Speakman was appointed Chief Financial Officer in August 2018, Interim Chief Executive Officer in October 2019 and Permanent Chief Executive Officer in December 2019.

Mitigation measures are written into current Executive Director service contracts and will be written into future Executive Director service contracts.

Payment for loss of office

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

In a departure event, the Committee will typically consider:

- Whether any element of annual bonus should be paid for the financial year. Any bonus paid will be limited to the period served during the financial year in which the departure occurs.

The default position is that a deferred bonus awarded in prior years will be preserved in full, unless the Committee, in its discretion, chooses to apply malus or clawback.

- Whether any awards under the PSP should be preserved either in full or in part.

The rules of the share plans set out the treatment of specific categories of leavers as set out below. In other cases where an executive leaves employment, the Committee will consider the specific details of each case before determining whether to award good leaver status.

Good leaver status (including ill-health, injury or disability): deferred bonus share awards will vest in full. To the extent that performance conditions are met, PSP awards are pro-rated for service during the performance period and released at the normal vesting date.

Death, or sale of employing entity out of the Group: deferred bonus share awards vest in full on death or on sale. Performance conditions with regard to PSPs may be waived, awards may be pro-rated for service during the performance period and awards may be released early.

The default position is that an unvested PSP award or entitlement lapses on cessation of employment, unless the Committee applies discretion to preserve some or all of the awards. This provides the Committee with the maximum flexibility to review the facts and circumstances of each case, allowing differentiation between good and bad leavers and avoiding 'payment for failure'.

For good leavers, deferred bonus awards will normally vest in full at the normal vesting date and PSP awards will normally continue until the normal vesting date or the end of the holding period although the Committee may allow awards to vest (and be released from any holding period) as soon as practicable after leaving where appropriate. The award will vest taking into account the extent to which performance conditions have been satisfied and, unless the Committee determines otherwise, the period of service during the performance period.

The Committee maintains a discretionary approach to the treatment of leavers, on the basis that the facts and circumstances of each case are unique. In an exit situation, the Committee will consider: the individual circumstances; any mitigating factors that might be relevant; the appropriate statutory and contractual position; the position under the relevant plan documentation; and the requirements of the business for speed of change.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement or consultancy arrangements. These will be used sparingly and are only entered into where the Committee believes that it is in the best interests of the company and its shareholders to do so.

Change of control

In the event of a change of control, the Committee will determine the extent to which unvested awards will vest after taking into account all relevant factors at the time including the extent to which any performance conditions have been achieved and the period of time that has elapsed from the award date to the date of the relevant event.

External appointments

The Board may allow Executive Directors to accept external appointments and retain the fees; however, in accordance with the Code, the Board will not agree to a full-time executive taking on more than one Non-executive Directorship, or the chairmanship of any company. None of the Executive Directors held external appointments during 2020.

Remuneration policy report
continued

Remuneration policy for other employees

Keller's approach to remuneration is broadly consistent across the Group. Consideration is given to the experience, performance and responsibilities of individuals. Senior managers are eligible to participate in the annual bonus scheme with similar performance measures to those used for the Executive Directors. Maximum opportunities vary by seniority, with business-specific measures applied where appropriate.

Members of the Executive Committee are also eligible to participate in the PSP with the same performance conditions as Executive Directors. Senior managers (approximately 50) are eligible to participate in the LTIP and receive shares conditional on continued employment with the company for two years. The award sizes vary according to seniority. Pensions and benefits provision follows local country practice.

Considerations of conditions elsewhere in the Group

When reviewing and setting executive remuneration, the Committee takes into account the relevant pay and employment conditions elsewhere in the Group. Specifically, the level of salary increases across the Group are reviewed annually.

All senior managers are set annual objectives at the beginning of each year which support the execution of our strategic levers through delivering specific objectives relevant to their business unit. Annual bonuses payable to senior managers across the Group depend on the satisfactory completion of these objectives as well as performance against local business unit financial targets.

It should be noted that the workforce employed across the Group's geographically diverse businesses is not a homogenous group and pay and conditions are designed to be competitive in, and appropriate to, the local employment market. The Committee has consulted with the Workforce Engagement Committee in considering the 2021 Policy.

Non-executive Director remuneration

The remuneration of the Non-executive Directors is determined by the Board annually within the limits set out in the Articles of Association. When setting the fee levels consideration is given to market practice for companies of similar size and complexity. The Chairman receives an all-inclusive fee. Non-executive Directors receive a basic fee and additional fees may be payable for chairing a committee or performing the role of Senior Independent Director. The Non-executive Directors' fees are non-pensionable and Non-executive Directors are not eligible to participate in any incentive plans.

The Chairman and Non-executive Directors will be reimbursed by the company for all reasonable expenses incurred in performing their duties. This may include costs associated with travel where required and any tax liabilities payable.

All Non-executive Directors have specific terms of engagement, the dates of which are set out below. All appointments are for an initial three-year period, and thereafter are subject to review by the Nomination Committee, unless terminated by either party on three months' notice.

There are no provisions for compensation payable in the event of early termination.

Fees for a new Non-executive Director will be set according the principles set out above.

Fees paid to Non-executive Directors with effect from 1 January 2021 are set out in the table below.

Non-executive Director	Appointment date, renewal date, renewal due	Fees
Peter Hill	24 May 2016 (and 26 July 2016 as Chairman) (renewed on 24 May 2019) Renewal due: 24 May 2022	£200,000 pa
Nancy Tuor Moore	26 June 2014 (renewed on 26 June 2017 and 2020) Renewal due: 26 June 2023	£53,000 pa Plus £10,000 pa (Chairman of HSEQ Committee) Plus £10,000 pa (additional travel)[1]
Eva Lindqvist	1 June 2017 (renewed 1 June 2020) Renewal due: 1 June 2023	£53,000 pa Plus £10,000 pa (Chairman of Remuneration Committee)
Paula Bell	1 September 2018 Renewal due: 1 September 2021	£53,000 pa Plus £10,000 pa (Chairman of Audit Committee)
Baroness Kate Rock	1 September 2018 Renewal due: 1 September 2021	£53,000 pa Plus £10,000 pa (Senior Independent Director) Plus £10,000 pa (Chairman of Workforce Engagement Committee)

1 Suspended with effect from November 2020 in light of global travel restrictions due to COVID-19

In recruiting a new Non-executive Director, the Committee will utilise this Policy.

Annual remuneration report

The following section provides details of how Keller's Remuneration policy was implemented during the financial year ended 31 December 2020.

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 2019 and 2020:

	CURRENT DIRECTORS				PAST DIRECTORS			
	Michael Speakman[1]		David Burke[2]		James Hind[3]		Venu Raju[4]	
	2020 £000	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Salary	**560**	402	**84**	–	**400**	400	**293**	287
Taxable benefits[5]	**14**	14	**5**	–	**174**	160	**14**	33
Pension benefits[6]	**37**	72	**6**	–	**71**	72	**53**	52
Total fixed pay	**611**	488	**95**	–	**645**	632	**360**	372
Annual bonus[7]	**784**	153	**117**	–	**560**	149	**410**	109
PSP[8]	**38**	–	**–**	–	**32**	93[9]	**15**	55[9]
Total variable pay	**822**	153	**117**	–	**592**	242	**425**	164
Total pay	**1,433**	641	**212**	–	**1,237**	874	**785**	536

1 Michael Speakman assumed the post of interim CEO effective 1 October 2019. He was appointed permanent CEO on 12 December 2019. His 2019 salary reflects previous time in service as CFO and interim CEO.
2 David Burke was appointed Chief Financial Officer on 12 October 2020.
3 James Hind is based in the US. His remuneration details are all calculated in sterling using a conversion rate of 1.35. His taxable benefits paid in 2020 include relocation costs including housing, shipping and storage as well as life assurance. Payroll in North America is on a weekly basis. James stepped down from the Board on 30 June 2020.
4 Venu Raju stepped down from the Board on 30 June 2020.
5 Taxable benefits consist primarily of a car allowance of £12,000 for Michael Speakman, David Burke (prorated), James Hind (prorated) and Venu Raju (prorated).
6 Pension benefits represent cash in lieu of pension for Michael Speakman, James Hind (prorated) and Venu Raju (prorated). David Burke's pension contribution is paid into a private SIPP.
7 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.
8 For the PSP, the value shown for 2020 reflects the final vesting outcome of the 2018 PSP award with performance measured over the three-year performance period 1 January 2018 to 31 December 2020. The final vesting outcome of the 2018 PSP award was 10.6% of maximum. The value of the award was calculated using a three-month average closing share price to 31 December 2020 of 615.3p. See page 102 for further details. The 2018 award will vest on 10 March 2021. Using the average closing share price to 31 December 2020, the price did not appreciate from the date of the award.
9 The LTIP for 2019 has been restated to reflect the share price on the vesting date compared with the estimate published in the 2019 Annual Report. The share price on the date of vesting was 775p compared to the three-month average share price to 31 December 2019 of 602p, which was used to estimate the value in the 2019 Annual Report. The 2019 LTIP vested on 3 March 2020 and the final vesting outcome was 26.5% of maximum.

Total pension entitlements (audited)

James Hind and Venu Raju received a cash supplement of 18% of salary, which has been included in the single figure table. They stepped down from the Board on 30 June 2020.

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 will keep the pension entitlement of the Executive Directors under review in the context of any changes in pension provision across the Group.

2020 annual bonus

The 2020 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 2020 was 93% of the maximum payout, for each Executive Director, based on performance as set out below.

Measures	2020 measurement ranges and outcome				Bonus as % of salary							
					CURRENT DIRECTORS				PAST DIRECTORS			
					Michael Speakman		David Burke[3]		James Hind[2]		Venu Raju	
	Threshold 0%	Target 50%	Maximum 100%	Performance outcome[1]	Max	Outcome	Max	Outcome	Max	Outcome	Max	Outcome
Group PBT, £m	81.7	88.5	95.3	95.6	100%	100%	100%	100%	100%	100%	100%	100%
Group net debt £m	247.0	224.5	202.0	125.9	20%	20%	20%	20%	20%	20%	20%	20%
Total Group measures					**120%**	**120%**	**120%**	**120%**	**120%**	**120%**	**120%**	**120%**
Corporate objectives assessment					30%	20%	30%	20%	30%	20%	30%	20%
Total bonus					**150%**	**140%**	**150%**	**140%**	**150%**	**140%**	**150%**	**140%**
Base salary						£560,000		£84,135		£400,303		£292,700
Bonus based on performance outcomes					140%	£784,000	140%	£117,789	140%	£560,424	140%	£409,780

1 At 2020 budget exchange rates before non-underlying items.
2 James Hind's remuneration details are shown in sterling using an exchange rate of 1.35.
3 David Burke's bonus outcome reflects the portion of the year he worked as Chief Financial Officer since his appointment on 12 October 2020. The salary used to calculate his bonus has been pro-rated accordingly.

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 6% 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.

2020 annual bonus outcomes

The financial targets for Keller were met in full in 2020. Ensuring the safety of Keller's employees and wider workforce was the first priority at the onset of the COVID-19 pandemic followed by our ability to continue operations in conjunction safely with our clients. Introducing cost and cash containment actions swiftly and effectively was a key enabler in Keller meeting its financial targets.

The objective scoring by the Committee for performance in 2020 against corporate objectives resulted in an outcome of 20% of salary. As described in the Chairman's letter, the Committee considered all relevant factors when determining the level of bonus payout. Due to the strong financial performance of the business, which is a direct reflection of management's leadership during a difficult year, the repayment of furlough in the UK, not drawing on government loans, and maintaining our dividend levels in 2019 and 2020, the Committee deemed that the bonus outcome of 93% of maximum was fair and decided not to exercise any discretion with regard to the formulaic outcome.

Annual remuneration report
continued

Corporate objective	Opportunity (maximum)	Actual performance	Outcome (maximum 30%)
Portfolio Exit Latin America in 2020 and conclude strategic review of Franki Africa	6% of base salary	Brazilian business sold in April. Operations in Chile have ceased with the exception of one final project that ceased during Q1 of 2021. The Franki Africa organisation was downsized significantly and completed its merger with the Middle East business unit during Q4 of 2020. In 2020, Franki Africa generated a positive operating profit margin, on an underlying basis, compared to an equivalent operating loss during 2019.	Above target (5% achieved)
Margin enhancement Improvement in operating profit margin in North America foundation businesses on increased sales	6% of base salary	The North American businesses reorganisation was successfully executed during 2020 and resulted in an increase in operating profit margin despite lower volumes. Further margin improvements are expected; however, current bidding and execution are impacted by the pandemic.	On target (4% achieved)
Loss making projects (LMP) Further reduction in LMP	6% of base salary	LMP improved slightly to 1.5% of revenue from 1.6% in 2019. *Although this is the lowest level since 2016, the Committee believes that further progress is required in this area.*	Below target (0% achieved)
Safety Reduction in injuries classified as critical	6% of base salary	Critical injuries reduced from 17 in 2019 to 11 during 2020. *The Committee believes that continuous improvement in this area remains a priority for management.*	Above target (5% achieved)
Balance sheet strengthening Further reduction in net debt/ EBITDA ratio	6% of base salary	Net debt reduced from £290m to £120.9m during 2020. This resulted in a net debt/EBITDA ratio of 0.7x.	Above target (6% achieved)
Attainment as assessed by the Committee			20% achieved
Discretion applied			0% reduction
Final outcome			**20% achieved**

2018-20 Performance Share Plan (PSP) outcomes (audited)

Based on EPS and TSR performance over the three years ended 31 December 2020, the PSP awards made in 2018 will vest as follows:

Measures	Vesting schedule and outcome[3]				
	% of award that will vest				
50% weight	**0%**	**25%**	**100%**	**Outcome**	**Vesting %**
Cumulative earnings per share (EPS) over three years[1]	Below 310p	310p	355p	260.5p	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	32nd percentile	0%
25% weight					
ROCE over three years[4]	Below 14%	14%	20%	15.4%	42.5%
Total vesting					**10.6%**

1 EPS is before non-underlying items.
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 2019 results have been prepared on the basis of IAS 17, the previous leasing standard.
4 Average of the three-year ROCE for 2018-2020.

The Committee acknowledges the extraordinary effort of management during this challenging time. In light of the financial performance of the Group and the broader experience of shareholders, our employees and other key stakeholders, the Committee considered the pay outcomes above to be appropriate. The Committee did not exercise any discretion in relation to the PSP outcomes for Executive Directors. 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 2020.

Scheme interests awarded in 2020 (audited)
2020-22 PSP

The three-year performance period over which performance will be measured began on 1 January 2020 and will end on 31 December 2022. Awards will vest in March 2023, subject to meeting performance conditions. The Committee decided to make a PSP award of 6.25% 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 appropriately supplements his 2019 PSP award. 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	9 Mar 20	4,381	7.99[1]	6.25% of salary	8,751	35,004	1 Jan 19-31 Dec 21
Michael Speakman	9 Mar 20	105,132	7.99[1]	150% of salary	210,000	840,000	1 Jan 20-31 Dec 22
James Hind[2]	9 Mar 20	65,058	7.99[1]	125% of salary	129,953	519,813	1 Jan 20-31 Dec 22
Venu Raju[2]	9 Mar 20	36,634	7.99[1]	100% of salary	73,175	292,700	1 Jan 20-31 Dec 22

1 The average of the daily closing price on 21, 24 and 25 February 2020 of the company's shares on the main market of the London Stock Exchange.
2 James Hind and Venu Raju stepped down from the Board on 30 June 2020 but remain on the Executive Committee.

Vesting of the 2020-22 Performance Share Awards is subject to achieving the following performance conditions:

Measures	Vesting schedule		
	% of award that will vest		
50% weight	**0%**	**25%**	**100%**
Cumulative EPS over three years[1]	Below 270p	310p	310p
25% weight			
Keller's TSR ranking relative to the constituents of the FTSE 250 comparator index[2]	Below median	Median	Upper quartile
25% weight			
ROCE	Below 14%	14%	20%

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.

1 EPS is before non-underlying items.
2 Excluding investment trusts and financial services.

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 2020. 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 2020 and the date of this report.

Director	**Ordinary shares at 31 December 2020**	Ordinary shares at 31 December 2019
James Hind[1]	**179,173**	171,754
Venu Raju[1]	**137,845**	129,690
Michael Speakman	**40,000**	40,000
David Burke[2]	**–**	–
Peter Hill	**53,000**	43,000
Paul Withers[1]	**45,000**	45,000
Nancy Tuor Moore	**3,000**	3,000
Eva Lindqvist	**–**	–
Kate Rock	**2,500**	2,500
Paula Bell	**1,581**	–

1 James Hind, Venu Raju and Paul Withers stepped down from the Board on 30 June 2020 and their holdings are at that date.
2 David Burke joined the Board effective 12 October 2020.

Annual remuneration report
continued

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 2020.

	Shares held	Awards held			
	Owned outright or vested	Unvested and subject to performance conditions	Unvested without performance conditions[1]	Shareholding guideline % salary/fee	Current shareholding %[2] salary/fee
Michael Speakman	**40,000**	**252,896**	**6,636**	200%	50%
David Burke[3]	**–**	**–**	**–**	200%	–
James Hind[4]	**179,173**	**203,112**	**5,111**	200%	313%
Venu Raju[4]	**136,845**	**112,084**	**3,598**	200%	326%

1 Deferred awards.
2 Reflects closing price on 31 December 2020 of 698p.
3 David Burke joined the Board on 12 October 2020.
4 James Hind and Venu Raju stepped down from the Board on 30 June 2020.

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 2020[1,2]	Granted during the year	Vested in year[2]	Lapsed during the year[2]	Dividend equivalents accrued during the year	At 31 December 2020[2]	Date from which exercisable/ vesting date	Expiry date
Michael Speakman								
20 August 2018	55,249	–	–	–	3,009	58,258	20/08/21	n/a
8 March 2019	75,075	–	–	–	4,088	79,163	08/03/22	n/a
8 March 2019 (deferred award)	1,513	–	–	–	83	1,596	08/03/21	n/a
9 March 2020	–	105,132	–	–	5,724	110,856	09/03/23	n/a
9 March 2020[3]	–	4,381	–	–	238	4,619	09/03/23	n/a
9 March 2020 (deferred award)	–	4,780	–	–	260	5,040	09/03/22	n/a
James Hind[4]								
3 March 2017	45,053	–	11,939	33,114	–	–	03/03/20	02/09/20
30 May 2018	46,816	–	–	–	2,549	49,365	02/03/21	n/a
8 March 2019	80,751	–	–	–	4,396	85,147	08/03/22	n/a
9 March 2020	–	65,058	–	–	3,542	68,600	09/03/23	n/a
9 March 2020 (deferred award)	–	4,848	–	–	263	5,111	09/03/22	n/a
Venu Raju[4]								
3 March 2017	27,000	–	7,155	19,845	–	–	03/03/20	02/09/20
30 May 2018	22,438	–	–	–	1,222	23,660	02/03/21	n/a
8 March 2019	47,225	–	–	–	2,571	49,796	08/03/22	n/a
9 March 2020	–	36,634	–	–	1,994	38,628	09/03/23	n/a
9 March 2020 (deferred award)	–	3,413	–	–	185	3,598	09/03/22	n/a

1 For awards under the 2018 to 2021 plans, performance conditions are measured 25% on TSR outperformance of the FTSE 250 excluding investment trusts and financial services and 50% on EPS over three years of the performance period and 25% on ROCE. 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.
4 James Hind and Venu Raju stepped down from the Board on 30 June 2020.

Changes to Executive Directors

David Burke was appointed CFO on 12 October 2020. No buyout of existing incentive arrangements was required. His salary package meets the criteria set out in the company's approved Remuneration policy and is as follows:

- Base pay: salary £375,000; pension 7% salary; car allowance £18,000.
- Performance-related pay: annual bonus up to 150% salary (max); LTIP normal awards of 125% of base salary per annum, commencing 2021.

Update regarding exit payments made in the year ended 31 December 2019

Alain Michaelis ceased to be CEO and a Director of the Board with effect from 30 September 2019 and ceased to be employed by the company with effect from 31 December 2019. Alain's final termination arrangement was disclosed on 1 May 2020 following the Committee's decision that he did not constitute a good leaver and to exercise discretion on his termination payments.

The below updates the disclosures set out in the Directors' remuneration report for the year ended 31 December 2019 and the section 430(2B) of the Companies Act 2006 statement made by the company on 1 May 2020.

Payments and benefits

Alain continued to be paid his contractual salary, benefits in kind, salary contributions in lieu of pension and car allowance to 31 December 2019. He received a payment of £132,000 as payment in lieu of his base salary for three of the remaining nine months of his 12-month contractual notice period, paid in three equal monthly instalments. Benefits in kind comprising life assurance cover, private medical insurance and critical illness cover continued to be paid for the remaining nine months of his 12-month contractual notice period. The continuation of these benefits was subject to mitigation. Alain also received from the company a contribution of £10,000 plus VAT towards legal fees incurred in connection with his departure.

Incentives

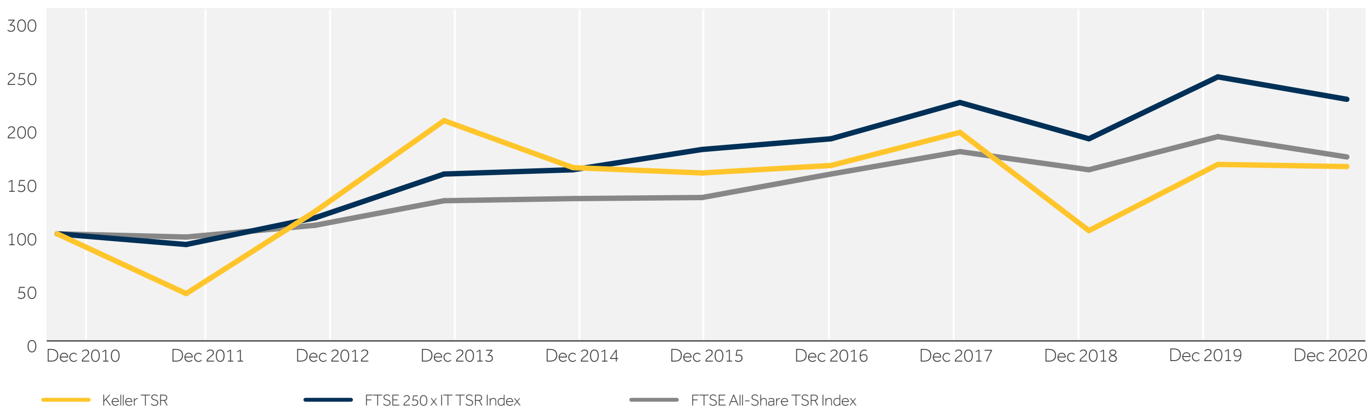
Alain did not receive an annual bonus for 2019 and his awards under the 2014 Keller Performance Plan and the 2018 Keller LTIP lapsed. No annual bonus was due in 2020 and no performance share award was made for 2020 or any subsequent year.

No further payments will be made to Alain in connection with his loss of office.

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.



Annual remuneration report
continued

The table below details the CEO single figure of remuneration over the same period.

	2011	2012	2013	2014	2015[1]	2016	2017	2018[2]	2019[3]	**2020**
CEO single figure of remuneration (£000)	562	951	1,870	1,630	1,420	715	1,427	639	921	**1,433**
Annual bonus as a % of maximum opportunity	0%	57%	84%	22%	85%	12%	59%	0%	38%	**93%**
PSP vesting as a % of maximum opportunity	0%	0%	100%	100%	67.3%	0%	33.9%	0%	26.5%	**10.6%**

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 2020 to 2019	Salary	Benefits	Bonus
% change in CEO remuneration	6.6%	(14)%	295%
% change in comparator group remuneration[1]	1.1%	1.6%	93%

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.

CEO pay ratio

The table below shows the comparison of the CEO's single total figure 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
2019	Option A	27:1	19:1	15:1
2019 (restated with actual bonuses)	Option A	26:1	19:1	15:1
2020	Option A	38:1	25:1	19:1

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 2020.

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 2020 performance year we have used the bonus payout for 2020 for the CEO and the bonus payouts for the comparison population that was paid in 2020, in respect of the 2019 performance year. We will update these figures with the actual amounts paid in 2021, in respect of the 2020 performance year, in next year's Annual report on remuneration.

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
2019 reported	Salary	£31,037	£40,000	£40,750
	Total remuneration	£33,701	£48,753	£61,182
2019 restated with actual bonus figures	Salary	£30,395	£22,755	£36,985
	Total remuneration	£34,894	£48,962	£62,146
2020	Salary	£32,789	£37,724	£63,762
	Total remuneration	£37,736	£57,970	£74,469

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 2019 and 2020 compares 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 in salary or fees	% change in benefits	% change in annual bonus
Executive Directors			
Michael Speakman[3,5]	39.3%	0.0%	412.4%
David Burke[4]	N/A	N/A	N/A
Chairman and Non-executive Directors[6]			
Peter Hill	8.3%	0.0%	0.0%
Kate Rock	26.3%	0.0%	0.0%
Paula Bell	8.8%	0.0%	0.0%
Eva Lindqvist	26.5%	0.0%	0.0%
Nancy Tuor Moore	6.0%	0.0%	0.0%
Paul Withers	(60.0)%	0.0%	0.0%
Keller Group plc employees[1,2]	15.5%	16.7%	146.4%

1 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.
2 The change in components of the comparator group remuneration is on a per capita basis and the year-on-year increases reflects the strengthening of the group head office team during 2020 in key areas of strategic capability such as IT and Risk Management.
3 The figures for Michael Speakman reflect his blended Single Figure of Total Remuneration in 2019 when he held the positions of Chief Financial Officer and Interim Chief Executive Officer before being appointed Chief Executive Officer in December 2019.
4 David Burke was appointed as Chief Financial Officer on 12 October 2020 and does not have a comparative increase to report. Details of his remuneration were disclosed at the time of his appointment and are detailed on page 104 of this report.
5 The increase in annual bonus for Michael Speakman and the comparator Keller group employees between 2019 and 2020 reflects the relative financial performance of the Group in those periods. In 2019 the Group missed its profitability target but met its cash-based metric. In 2020 both profitability and cash-based targets were achieved in full. The Executive Directors and the comparator group of employees are incentivised on the same financial metrics.
6 The increases for Non-executive Directors reflect the changes made during 2020. Baroness Kate Rock became Senior Independent Director in May 2020 and Eva Lindqvist became Chairman of the Remuneration Committee following Paul Withers' retirement from the Board. Both of these appointments attracted additional Committee Chair fees as disclosed on page 99.

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 2019 and 31 December 2020, along with the percentage changes.

	2020 £m	2019 £m	% change
Distribution to shareholders[1]	**25.9**	25.9	(1.5)%
Remuneration paid to all employees[2]	**572.4**	598.2	(4.3)%

1 The Directors are proposing a final dividend in respect of the financial year ended 31 December 2020 of 23.3p per ordinary share.
2 Total remuneration reflects overall employee costs. See note 7 to the consolidated financial statements for further information.

Summary of implementation of the Remuneration policy during 2020

Overall, the Committee considers that the Remuneration policy has operated as it intended during 2020, with no deviations. A summary can be found in the remaining pages of this report.

2021 base salary and benefits

The Committee noted that salary increases for UK-based employees across the Group were generally around 2%, effective 1 January 2021. The Executive Directors received salary increases at or below this amount for 2021.

Benefits for 2021 will remain broadly unchanged from prior years.

Annual remuneration report
continued

2021 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.

2021 annual bonus

For 2021, 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 and current environment. Targets will be disclosed retrospectively in the 2021 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.

2021-23 Performance Share Plan Award (PSP)

The 2021-23 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 310p over the three-year period will enable full vesting of this performance condition, with a threshold vesting of 25% if 245p is achieved, calculated off the 2020 underlying EPS (at IFRS 16 basis) of 96.3p.

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 5.2% leading to 25% of that portion of the award vesting) and maximum of 6.2% 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.

2021-23 Performance Share Award

Measures	Vesting schedule		
	% of award that will vest		
25% weight	**0%**	**25%**	**100%**
Cumulative EPS over three years[1]	Below 245p	245p	310 p
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%

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 2021. Management proposed, and the Board considered and agreed, that the basic annual fee for Non-executive Directors should be increased from £52,000 to £53,000 with effect from 1 January 2021. It was decided that the additional fees payable to the Chairmen of the Board Committees and the Senior Independent Director, as well as the additional fee to Non-executive Directors travelling from North America or Asia-Pacific, would remain at £10,000.

Similarly, under the terms of reference of the Committee, it considered and agreed that the annual fee for the Chairman should be increased from £195,000 to £200,000 with effect from 1 January 2021.

In making their proposal on the increase to the Non-executive Directors' fees, management took account of the wider salary increase recommendations for management and the workforce.

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 2020 and the prior year:

Non-executive Director	**2020 £**	2019 £
Peter Hill	**195,000**	180,000
Eva Lindqvist[1]	**62,000**	49,000
Nancy Tuor Moore[2]	**71,063**	67,000
Paula Bell[3]	**62,000**	57,000
Kate Rock[4]	**72,000**	57,000
Paul Withers[5]	**26,000**	65,000
Total fees	**488,063**	475,000

1 Eva Lindqvist receives additional fees of £10,000 per annum as Chairman of the Remuneration Committee.
2 Nancy Tuor Moore receives additional fees of £10,000 as Chairman of the HSEQ Committee and £10,000 for international travel. The fee for international travel was suspended in November 2020 until further notice in light of the pandemic.
3 Paula Bell receives additional fees of £10,000 as Chairman of the Audit Committee.
4 Kate Rock receives additional fees of £20,000 as Senior Independent Director and Chairman of the Workforce Engagement 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 at the 2020 AGM and the Remuneration policy at the 2018 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%	Number	Number
Remuneration report	54,148,800	92.15	4,609,683	7.85	58,758,483	479,072
Remuneration policy	55,910,955	98.71	732,307	1.29	56,643,262	4,967

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 2020 were being considered:

- Eva Lindqvist
- Nancy Tuor Moore
- Paula Bell
- Baroness Kate Rock

During the year, the Committee received assistance from Kerry Porritt (Group Company Secretary and Legal Advisor) and Graeme Cook (Group HR Director) on salary increases, bonus awards, share plan awards and vesting, and policy and governance matters. In determining the Executive Directors' remuneration for 2020 and 2021, the Committee has consulted the Chairman and the CEO about its proposals, except (in the case of each) 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.

Annual remuneration report
continued

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 was evaluated during the exercise facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor, which had started in December 2019. The workshops were designed to enhance the performance of the Board, each of its members and its Committees, by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The outcome of this exercise can be found on page 70.

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External advisors

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 2020 were £44,650.

The Committee is satisfied that the advice they have received has been objective and independent.

Eva Lindqvist
Chairman of the Remuneration Committee
9 March 2021

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 2020.

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 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 55 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 £96.9m (2019: £81.3m), are set out on pages 126 to 178. Statutory profit before tax was £63.8m (2019: £51.6m). The Directors recommend a final dividend of 23.3p per share to be paid on 25 June 2021, to members on the register at the close of business on 4 June 2021. An interim dividend of 12.6p per share was paid on 18 December 2020. The total dividend for the year of 35.9p (2019: 35.9p) will amount to £25.9m (2019: £26.3m).

Going concern and viability statement

Information relating to the going concern and viability statements is set out on page 31 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

There were no material post balance sheet events between the balance sheet date and the date of this report.

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 58 and 59. 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 103 and 104.

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.

Directors' report
continued

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 below.

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 9,000 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 report on pages 40 to 53.

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 66 and 67.

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 52 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 (30 June 2020) to buy back up to 7,207,028 ordinary shares. The authority remains outstanding until the conclusion of the 2021 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 £2,402,342, equivalent to approximately one-third of the company's issued share capital (excluding treasury shares) as at 3 March 2020 and to disapply pre-emption rights up to an aggregate nominal amount of £360,351, representing approximately 5% of the company's issued share capital as at 3 March 2020.

The Directors have not used, and have no current plans to use, these authorities.

Auditors

The Board has decided that Ernst & Young LLP (EY) will be proposed as the Group's auditors for the year ending 31 December 2021 and a resolution to appoint EY will be put to shareholders at the 2021 AGM.

AGM

The full details of the 2021 AGM, which will take place on 19 May 2021, 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.

Substantial shareholdings

At 9 March 2021, 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:

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 advisors 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
9 March 2021

Registered office:
5th floor, 1 Sheldon Square
London W2 6TT

Registered in England No. 2442580

Substantial shareholdings

Ordinary shares	Number of ordinary shares	Percentage of the total voting rights
FIL Limited	4,728,982	6.56%
Schroders plc	4,310,543	5.98%
Old Mutual Plc	4,242,670	5.96%
Aberforth Partners LLP	3,589,696	5.00%
Franklin Templeton Institutional, LLC	3,557,757	4.96%
Norges Bank	3,569,067	4.95%
Artemis Investment Management LLP	3,561,152	4.94%
Standard Life Aberdeen plc	3,443,366	4.78%

Source: TR1 notifications made by shareholders to the company.

Statement of Directors' responsibilities

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 International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union);
- 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 55) and the Directors' report (pages 111 to 113) have been approved and are signed by order of the Board by:

Kerry Porritt
Group Company Secretary and Legal Advisor
9 March 2021

Registered office:
5th floor, 1 Sheldon Square
London W2 6TT

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- 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 for the year ended 31 December 2020 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2020	Balance sheet as at 31 December 2020
Consolidated income statement for the year ended 31 December 2020	Statement of changes in equity for the year ended 31 December 2020
Consolidated statement of comprehensive income for the year ended 31 December 2020	Related notes 1 to 9 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year ended 31 December 2020	
Consolidated cash flow statement for the year ended 31 December 2020	
Related notes 1 to 35 to the consolidated financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 are independent of the Group 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 2022. 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 by analysing management's historical forecasting accuracy and understanding how the anticipated impact of COVID-19 has been modelled. 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 tested the clerical accuracy and logical integrity of the model, used to prepare the Group's going concern assessment, as well as challenging the overall appropriateness of management's forecast in the context of future cash flows.

Independent auditor's report to the members of Keller Group plc
continued

- We considered whether the Group's forecasts 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 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 also 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 impacts of COVID-19 on the going concern assessment and through consideration of relevant disclosure standards.

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, with a particular focus on the local impact of COVID-19 and continued disruption. We determined going concern to be a key audit matter.

Our key observations

The operational activity of the Group was disrupted by the COVID-19 pandemic, albeit to varying degrees across geographical markets, with common results being site closures, travel restrictions and cost/pricing pressures. The measures taken by the Group collaboratively with its key clients in response to the pandemic have partially mitigated the impact on the financial performance of the Group, especially establishing social distancing practices and procurement of personal protective equipment which has over time reduced the number of sites which were unable to operate compared with the early phase of the pandemic. The Group also took mitigating actions to reduce costs and manage cash flow to preserve the liquidity of the Group and the headroom against banking covenants.

Despite the resilience of the Group, it is likely that COVID-19 will continue to disrupt the majority of markets and regions that the Group operates in during the going concern period. However, the results from both management's evaluation and our independent reverse stress testing suggest that the Group would need to be exposed to downside events, significantly greater than the financial effect of the disruption caused by COVID-19 during 2020, 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 at 31 December 2020 amounted to £313.2m. These mainly comprised the unutilised portion of the Group's £375m revolving credit facility which expires on 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 until the end of March 2022, 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.

Overview of our audit approach

Key audit matters	• Improper revenue recognition • Carrying value of goodwill (Group) and investment in subsidiary undertakings (parent company) • Quality of earnings including disclosure of non-underlying items • Going concern
Audit scope	• We performed an audit of the complete financial information of 30 components and audit procedures on specific balances for a further 15 components • The components where we performed full or specific audit procedures accounted for 96% of the adjusted profit before tax measure used to calculate materiality, 91% of revenue and 88% of total assets
Materiality	• Overall Group materiality of £4.8m which represents 5% of profit before tax, adjusted for one-off, non-underlying items

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 Committee
Improper revenue recognition **(2020: £2,062.5m; 2019: £2,300.5m)** *Refer to the Audit Committee report (page 80); accounting policies (page 133); and note 4 of the consolidated financial statements (page 139)* • 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 percent of completion at the year end. Management may use inappropriate measures and assumptions to evaluate the Group's progress towards satisfaction of performance obligations. • There is also significant judgement involved in estimating 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. • 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.	For all revenue recorded on the percentage of completion and earned value bases, we: • 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. 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 2020. • Factors we considered when determining additional higher-risk contracts to select included low margin, loss making and/or contracts subject to delayed performance or commencement. For the sample selected for testing we: • 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. For the sample contracts where revenue is recognised over time under the percentage of completion basis, we have performed the following: • 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.	• 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 and has been recognised appropriately.

Independent auditor's report to the members of Keller Group plc
continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Improper revenue recognition continued	For the sample of contracts where revenue is recognised on the earned value basis, we have performed the following procedures: • Evaluated whether the assessment of earned value appropriately depicts 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) 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. For the revenue recognised at a point of time, we performed revenue cut-off procedures at 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). We performed full and specific scope audit procedures over revenue in 19 locations, which covered 91% of the risk amount.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of goodwill (Group) and investment in subsidiary undertakings (parent company) **Goodwill (2020: £115.2m; 2019: £116.8m) Investments in subsidiary undertakings (2020: £513.9m; 2019: £513.9m)** *Refer to the Audit Committee report (page 80); accounting policies (page 135); and note 14 of the consolidated financial statements (page 147)* • 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. • Due to the degree of estimation involved in calculating the expected future cash flows from cash-generating units (CGUs) and determining appropriate long-term growth rates and discount rates specific to each CGU, 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. • In the parent company financial statements, we have identified a risk that investments may be included on the balance sheet at inappropriate amounts. Under IAS 36, an entity should test for impairment in its investments in subsidiaries that are carried at cost or using the equity method.	We have performed the following: • Walkthrough of the impairment analysis and calculation process (eg controls over the data and assumptions used) to obtain an understanding. • In respect of CGUs for which impairment tests were performed, we have assessed and challenged the key inputs of the final forecast cash flows. • Evaluated the appropriateness of the CGUs identified given changes in Group structure and the allocation of assets and liabilities to the CGUs. • Assessed the discount rate used by obtaining the underlying data used in the calculation and benchmarked against comparable organisations with the support of our EY valuation experts. • Validated the growth rates assumed by comparing them to economic and industry forecasts. • Challenged management on the achievability of the cash flow forecasts and assessed the projected financial information against original forecasts and other market data to assess the robustness of management's forecasting process. • Given the overall economic uncertainty, we have assessed management's assumptions in relation to the impact of COVID-19 on achieving cash flow forecasts. • Analysed the historical accuracy of budgets to 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. • We 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 appropriateness of the related disclosures provided in the notes to the Group financial statements.	• We have completed our audit procedures on goodwill (Group) and investment in subsidiary (parent company). • Based on the final forecast cash flows and assumptions used, there is sufficient headroom across all CGUs other than in Genco where a £0.3m impairment was recognised during the year. As a result of our independent assessment and calculation, we conclude that the impairment recorded is appropriate and reflective of the economic downturn in the region and forecast profits no longer supporting the goodwill balance. • We note that the same analysis prepared by management was used in arriving at the conclusion around investment carrying value and impairment in the parent company financial statements. Based on the assessment of investments held in the parent company, no impairment was recorded in the investment in Keller Group plc (parent company), and investments held under Keller Holdings Limited, ie one of the investee companies under the overall investments held by Keller Group plc (parent company). • Based on the procedures performed, management's assessments are considered reasonable.

Independent auditor's report to the members of Keller Group plc
continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of goodwill (Group) and investment in subsidiary undertakings (parent company) continued	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. For investments in subsidiary undertakings in the parent company financial statements, we performed the following: • For our impairment assessment testing we extracted the net assets and current assets values in the investee companies and compared these with the investments held in the parent company. • Analysed the assets of the investee companies ie checked the recoverability of assets of investee companies. • A three-way comparison between the carrying value of the CGUs in totality, the value of investments in the Group in the parent company balance sheet and the market capitalisation of the Group. • Ensured that the assessment used in goodwill is aligned to the assessment in investment in subsidiaries and that any impairment indicators identified in the goodwill assessment are considered by management in ensuring no impairment in the parent company financial statements.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Quality of earnings, including disclosure of non-underlying items **(2020: £33.1m (pre-tax); 2019: £29.7m (pre-tax))** *Refer to the Audit Committee report (page 80); accounting policies (page 137); and note 8 of the consolidated financial statements (page 142)* 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. As at the year end, management identified certain items totalling £32.1m 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. 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. Furthermore, there is a risk that the financial statements give undue prominence to adjusted performance measures compared with their IFRS equivalents.	We performed the following procedures: • 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 the European Securities and Markets Authority (ESMA) guidance in full. • Tested that the amounts included as non-underlying items are supported by appropriate evidence. • Assessed the appropriateness of the disclosures of non-underlying items and adjusting items in light of IFRS (IAS 1) and the continued focus by the accounting regulators on alternative performance measures (APMs) with the support of our EY technical review team.	As a result of our audit procedures performed, no items were inappropriately included or excluded from non-underlying items. We have assessed that the alternative performance measures (APMs) included in the Group financial statements are appropriately defined, reconciled to GAAP measures and disclosed.

In the prior year, the self-insurance liability provision was included as a key audit matter in our audit report as management revised their accounting policy for recognition of provisions in respect of self-insured claims. As the change was audited satisfactorily in the prior year and there have been no further changes in the accounting treatment for this provision during the current year, we have not assessed this as a key audit matter in the 2020 audit and, therefore, it is not included in our report this year.

Independent auditor's report to the members of Keller Group plc
continued

An overview of the scope of our audit

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity 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, we selected 45 of the 198 reporting components of the Group covering entities within APAC, EMEA and North America, which represent the principal business units within the Group.

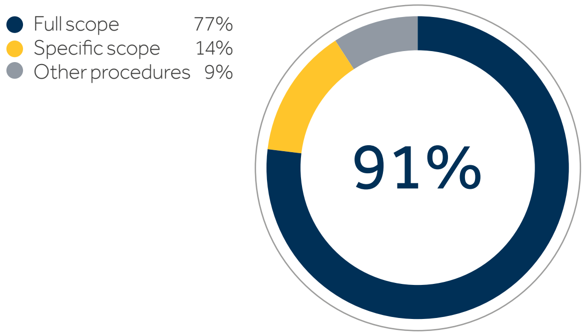
Of the 45 components selected, we performed an audit of the complete financial information of 30 components (full scope components) which were selected based on their size or risk characteristics. For the remaining 15 components (specific scope components), we performed audit procedures on specific accounts within that component, which 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 45 reporting components where we performed full or specific scope audit procedures accounted for 96% (2019: 94%) of the Group's adjusted PBT measure used to calculate materiality, 91% (2019: 93%) of the Group's revenues and 88% (2019: 94%) of the Group's total assets. For the current year, the full scope components contributed 75% (2019: 82%) of the Group's adjusted PBT measure used to calculate materiality, 77% (2019: 74%) of the Group's revenues and 73% (2019: 74%) of the Group's total assets. The specific scope components contributed 21% (2019: 12%) of the Group's adjusted PBT measure used to calculate materiality, 14% (2019: 19%) of the Group's revenues and 15% (2019: 20%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

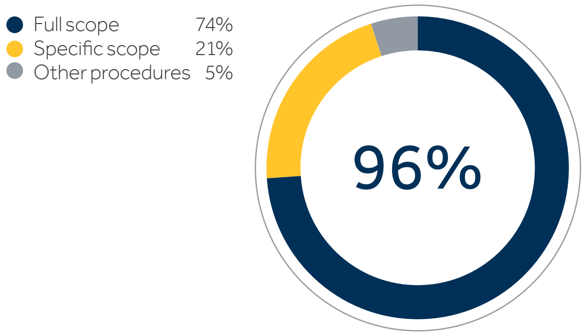
Of the remaining 153 components that together represent 4% of the Group's adjusted profit before tax measure used to calculate materiality, none individually represent greater than 1% of the Group's adjusted profit before tax used to establish materiality. For these components, we performed other audit 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 Group audit team has also performed centralised testing over material cash and cash equivalents balances for existence purposes in these review scope components.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

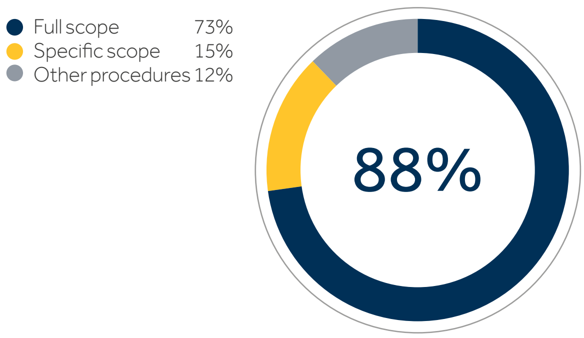
Revenue



Adjusted profit before tax



Total assets



Changes from the prior year

There have been no significant changes in the scoping of our Group audit. We have updated scoping to reflect the inclusion of additional 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 type of work that needed to be undertaken 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. The primary audit team has directly performed audit procedures on 19 out of 30 full scope components and four out of 15 specific scope components. For the remaining 11 full scope components and 11 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.

Impact of the COVID-19 pandemic – direction, supervision and review of component teams

In addressing the appropriateness of oversight arrangements for component teams, the Group audit team considered the impact of COVID-19 on their proposed strategy. Physical visits as originally planned were replaced by virtual site visits for 19 components enabled through the use of video conferencing due to the travel restrictions imposed by the COVID-19 pandemic.

These virtual site visits involved 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. 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 Group audit team interacted regularly with the component teams, where appropriate, 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.

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.

Starting basis	• **£63.8m** • **Profit before tax for the year**
Adjustments	• **Add back: £33.1m** • **Non-underlying loss for the year**
Materiality	• **Totals £96.9m** • **Materiality of £4.8m (5% of materiality basis)**

We determined materiality for the Group to be £4.8 m (2019: £3.4m), which is 5% (2019: 4%) 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 detailed in note 8; as these were identified as a key audit matter which resulted in specific audit focus.

We determined materiality for the parent company to be £4.8m (2019: £5.0 m), which is 1% of equity. We determine equity to be the most appropriate basis for materiality due to the nature of the entity.

During the course of our audit, we reassessed initial materiality and no change has been made to the materiality levels as planning materiality was at the level of the year end assessed materiality.

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 should be set at 50% (2019: 50%) of our planning materiality, namely £2.4m (2019: £1.7m). 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 £0.2m to £1.8m (2019: £0.2m to £1.7m).

Independent auditor's report to the members of Keller Group plc
continued

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2019: £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 set out on pages 1 – 184, including the Strategic report (pages 1 to 55) and the Corporate governance report (pages 56 to 114), other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 79** – the statement or explanation given as to why the Annual Report does not include a statement by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 78 to 83** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee/the explanation as to why the Annual Report does not include a section describing the work of the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 57** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 114, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, 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 objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, FRS 101, the Companies Act 2006 and Corporate Governance Code) and the relevant tax compliance regulations in the 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, those responsible for legal and compliance procedures and the Group Company Secretary. We corroborated our enquiries through our review of Board minutes, discussions with the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the company'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 Committee on compliance with regulations and enquiries of the Group 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.

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

- We were appointed by the shareholders at the AGM on 30 June 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. We signed an updated engagement letter on 27 January 2021.
- 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.
- The audit opinion is consistent with the additional report to the Audit 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.

San Gunapala (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
9 March 2021

Consolidated income statement

For the year ended 31 December 2020

		2020			2019		
	Note	Underlying £m	Non-underlying items (note 8) £m	Statutory £m	Underlying £m	Non-underlying items (note 8) £m	Statutory £m
Revenue	3, 4	**2,062.5**	**–**	**2,062.5**	2,300.5	–	2,300.5
Operating costs	6	**(1,953.2)**	**(29.6)**	**(1,982.8)**	(2,197.4)	(28.7)	(2,226.1)
Amortisation of acquired intangible assets		**–**	**(4.2)**	**(4.2)**	–	(4.3)	(4.3)
Other operating income		**–**	**0.7**	**0.7**	–	3.3	3.3
Share of post-tax results of joint ventures	16	**0.8**	**–**	**0.8**	0.7	–	0.7
Operating profit/(loss)	3	**110.1**	**(33.1)**	**77.0**	103.8	(29.7)	74.1
Finance income	9	**1.1**	**–**	**1.1**	0.8	–	0.8
Finance costs	10	**(14.3)**	**–**	**(14.3)**	(23.3)	–	(23.3)
Profit/(loss) before taxation		**96.9**	**(33.1)**	**63.8**	81.3	(29.7)	51.6
Taxation	11	**(28.3)**	**5.6**	**(22.7)**	(22.4)	(7.5)	(29.9)
Profit/(loss) for the year		**68.6**	**(27.5)**	**41.1**	58.9	(37.2)	21.7
Attributable to:							
Equity holders of the parent		**70.0**	**(27.5)**	**42.5**	58.6	(37.2)	21.4
Non-controlling interests	33	**(1.4)**	**–**	**(1.4)**	0.3	–	0.3
		68.6	**(27.5)**	**41.1**	58.9	(37.2)	21.7
Earnings per share							
Basic	13	**97.1p**		**58.9p**	81.3p		29.7p
Diluted	13	**96.3p**		**58.5p**	81.3p		29.7p

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Profit for the year		**41.1**	21.7
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(5.9)**	(22.0)
Transfer of translation reserve on disposal of subsidiaries	5	**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	**(2.2)**	(3.2)
Tax on remeasurements of defined benefit pension schemes	11	**0.4**	0.6
Other comprehensive loss for the year, net of tax		**(4.8)**	(24.6)
Total comprehensive income/(loss) for the year		**36.3**	(2.9)
Attributable to:			
Equity holders of the parent		**37.9**	(3.3)
Non-controlling interests		**(1.6)**	0.4
		36.3	(2.9)

Consolidated balance sheet

As at 31 December 2020

	Note	2020 £m	2019[1] £m
Assets			
Non-current assets			
Goodwill and intangible assets	14	**118.8**	124.7
Property, plant and equipment	15	**434.9**	460.6
Investments in joint ventures	16	**4.4**	3.8
Deferred tax assets	11	**10.3**	13.3
Other assets	17	**25.9**	22.3
		594.3	624.7
Current assets			
Inventories	18	**60.1**	70.6
Trade and other receivables	19	**503.9**	626.7
Current tax assets		**2.1**	4.2
Cash and cash equivalents	20	**66.3**	98.9
Assets held for sale	21	**8.7**	–
		641.1	800.4
Total assets	3	**1,235.4**	1,425.1
Liabilities			
Current liabilities			
Loans and borrowings	25	**(67.0)**	(41.0)
Current tax liabilities		**(17.1)**	(21.1)
Trade and other payables	22	**(381.7)**	(466.5)
Provisions	23	**(46.2)**	(28.6)
		(512.0)	(557.2)
Non-current liabilities			
Loans and borrowings	25	**(191.8)**	(347.7)
Retirement benefit liabilities	32	**(31.1)**	(30.7)
Deferred tax liabilities	11	**(21.3)**	(26.1)
Provisions	23	**(47.2)**	(46.4)
Other liabilities	24	**(22.0)**	(19.5)
		(313.4)	(470.4)
Total liabilities	3	**(825.4)**	(1,027.6)
Net assets	3	**410.0**	397.5
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		**16.3**	19.1
Other reserve	27	**56.9**	56.9
Retained earnings		**280.1**	263.2
Equity attributable to equity holders of the parent		**406.3**	392.2
Non-controlling interests	33	**3.7**	5.3
Total equity		**410.0**	397.5

1 Trade and other payables, provisions and retirement benefit liabilities presented here do not correspond to the published 2019 consolidated financial statements. The comparative balance sheet has been restated to reclassify contract provisions from other payables to provisions and end of service schemes in the Middle East from provisions to retirement benefit liabilities, as outlined in note 34 to the financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 9 March 2021.

They were signed on its behalf by:

Michael Speakman
Chief Executive Officer

David Burke
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2020

	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 the equity holders of the parent £m**	Non-controlling interests (note 33) £m	**Total equity £m**
At 1 January 2019	7.3	38.1	7.6	41.2	56.9	–	270.5	**421.6**	4.9	**426.5**
Profit for the year 2019	–	–	–	–	–	–	21.4	**21.4**	0.3	**21.7**
Other comprehensive income										
Exchange movements on translation of foreign operations	–	–	–	(22.1)	–	–	–	**(22.1)**	0.1	**(22.0)**
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(3.2)	**(3.2)**	–	**(3.2)**
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	0.6	**0.6**	–	**0.6**
Other comprehensive (loss)/ income for the year, net of tax	–	–	–	(22.1)	–	–	(2.6)	**(24.7)**	0.1	**(24.6)**
Total comprehensive (loss)/ income for the year	–	–	–	(22.1)	–	–	18.8	**(3.3)**	0.4	**(2.9)**
Dividends	–	–	–	–	–	–	(26.3)	**(26.3)**	–	**(26.3)**
Share-based payments	–	–	–	–	–	–	0.2	**0.2**	–	**0.2**
At 31 December 2019 and 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 2020	–	–	–	–	–	–	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	7.3	38.1	7.6	16.3	56.9	–	280.1	**406.3**	3.7	**410.0**

Consolidated cash flow statement

For the year ended 31 December 2020

	Note	2020 £m	2019[1] £m
Cash flows from operating activities			
Profit before taxation		**63.8**	51.6
Non-underlying items	8	**33.1**	29.7
Finance income	9	**(1.1)**	(0.8)
Finance costs	10	**14.3**	23.3
Underlying operating profit	3	**110.1**	103.8
Depreciation of property, plant and equipment	15	**94.3**	94.0
Amortisation of intangible assets	14	**0.6**	0.6
Share of post-tax results of joint ventures	16	**(0.8)**	(0.7)
(Profit)/loss on sale of property, plant and equipment		**(0.6)**	2.2
Other non-cash movements		**1.8**	12.3
Foreign exchange losses/(gains)		**1.5**	(0.4)
Operating cash flows before movements in working capital and other underlying items		**206.9**	211.8
Decrease in inventories		**7.1**	6.2
Decrease/(increase) in trade and other receivables		**111.1**	(54.3)
(Decrease)/increase in trade and other payables		**(80.0)**	45.1
Increase/(decrease) in provisions, retirement benefit and other non-current liabilities		**13.9**	(10.9)
Cash generated from operations before non-underlying items		**259.0**	197.9
Cash inflows from non-underlying items: contract disputes		**0.7**	3.3
Cash outflows from non-underlying items: restructuring costs		**(11.7)**	(2.2)
Cash outflows from non-underlying items: acquisition costs		**–**	(0.7)
Cash generated from operations		**248.0**	198.3
Interest paid		**(8.8)**	(17.8)
Interest element of lease rental payments		**(3.8)**	(4.3)
Income tax paid		**(24.9)**	(12.3)
Net cash inflow from operating activities		**210.5**	163.9
Cash flows from investing activities			
Interest received		**0.6**	0.6
Proceeds from sale of property, plant and equipment		**7.4**	10.9
Proceeds from sale of other non-current assets	17	**–**	4.6
Proceeds on disposal of subsidiaries, net of cash disposed	5	**2.2**	–
Acquisition of subsidiaries, net of cash acquired		**–**	(0.6)
Cash received from escrow		**–**	2.7
Acquisition of property, plant and equipment	15	**(72.5)**	(62.2)
Acquisition of other intangible assets	14	**(0.5)**	(0.7)
Dividends received from joint ventures	16	**0.4**	1.1
Net cash outflow from investing activities		**(62.4)**	(43.6)
Cash flows from financing activities			
New borrowings		**10.4**	37.0
Repayment of borrowings		**(131.4)**	(118.6)
Cash flows from derivative instruments	25	**–**	(0.1)
Payment of lease liabilities		**(27.2)**	(23.9)
Dividends paid	12	**(25.9)**	(26.3)
Net cash outflow from financing activities		**(174.1)**	(131.9)
Net decrease in cash and cash equivalents		**(26.0)**	(11.6)
Cash and cash equivalents at beginning of year		**87.5**	103.7
Effect of exchange rate movements		**0.1**	(4.6)
Cash and cash equivalents at end of year	20	**61.6**	87.5

1 Trade and other payables and provisions, retirement benefit and other non-current liabilities presented here do not correspond to the published 2019 consolidated financial statements. The comparative cash flow has been restated to reclassify contract provisions from other payables to provisions, as outlined in note 34 to the financial statements.

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 2020 were authorised for issue in accordance with the resolution of the Directors on 9 March 2021.

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 5th floor, 1 Sheldon Square, London W2 6TT. 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

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union.

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.

In light of the COVID-19 global pandemic experienced in 2020, and subsequent global uncertainty, the Group has undertaken a detailed going concern and viability analysis and applied appropriate mitigating actions to ensure the protection of future profits and liquidity. While the operational activity of the Group in Q2 2020 was adversely impacted by site closures caused by government restrictions in response to COVID-19, travel restrictions and other actions necessary to ensure safe working practices, operational performance in the second half of the year was not impacted in the same way. The proactive measures taken by the Group in response to the disruptive effect of the pandemic have mitigated the impact on the financial performance of the Group. However, further site closures, reduced construction activity, or the onset of a recession in any given market gives rise to uncertainty in future near to mid-term financial performance.

As part of the 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 2023. The going concern review used the same downside scenarios and forecasts for the period through to the end of March 2022, a period of at least 12 months from when the financial statements are authorised for issue. This process involved linking the Group's principal risks to potential pandemic or recessionary effects and included the following severe but plausible downside assumptions:

- 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.
- A combination of other principal risks materialising together reducing profits by up to £30m. These risks include unrecorded tax liabilities, costs of ethical misconduct and regulatory non-compliance, occurrence of an accident causing serious injury to an employee or member of the public and the cost of a product or solution failure.
- Deterioration of working capital performance by 5% of six months' sales.
- Inability to refinance £54m of borrowing facilities.

The financial and cash effects of these 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, which included a range of cost-cutting measures and overhead savings designed to preserve cash flows. Even in the most extreme downside scenario modelled, which showed a reduction in full-year 2021 operating profit of approximately 59% compared with 2020, 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 at least the next 12 months. Accordingly, the consolidated financial statements are prepared on a going concern basis.

At 31 December 2020, the Group had undrawn committed and uncommitted borrowing facilities, including the funds available under the Bank of England Covid Corporate Financing Facility, totalling £672.6m, comprising £296.7m of the unutilised portion of the revolving credit facility, £19.5m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £359.4m, as well as cash of £66.3m. At 31 December 2020 the Group's net debt to underlying EBITDA ratio (calculated on an IAS 17 covenant basis) was 0.7x, well within the limit of 3.0x.

The company prepares its parent company financial statements in accordance with FRS 101.

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
At the date of authorisation of these financial statements, the following amendments have become applicable for the current period:

- Amendments to IFRS 7, IFRS 9 and IAS 39 'Interest Rate Benchmark Reform'
- Amendments to IAS 1 and IAS 8 'Definition of Material'

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 7, IFRS 9 and IAS 39 'Interest Rate Benchmark Reform' (IBOR)
In September 2019 the IASB issued the first accounting amendment to IFRS 9, IFRS 7 and IAS 39 related to the upcoming IBOR reform and to address the impact that the current uncertainty could have when applying specific hedge accounting requirements on applicable hedge relationships. In particular, the amendment provides temporary relief to allow hedge accounting to continue during the transition period before IBOR-based hedged items or instruments are amended as a result of the reform being completed.

The impact of IBOR reform on the Group is assessed as being limited, with this amendment only applicable to one hedge relationship as at 31 December 2020. The following table sets out the extent of the risk exposure associated with managing the fixed rate on the US Private Placement (USPP) expiring in December 2024.

		Carrying value				
Hedging instrument	Notional £m	Asset £m	Liability £m	Interest rate benchmark	Hedged item	Hedge relationship
Interest rate swaps	**14.4**	**6.2**	**–**	US LIBOR	USPP	Fair value hedge

In August 2020 the IASB also issued Phase 2 amendments which are effective from 1 January 2021. The Group is not early adopting these amendments as the current hedge relationship is continuing and no amendments have been made to the hedged item and/or hedging instruments in the 2020 financial year.

Amendments to IAS 1 and IAS 8 'Definition of Material'
The amendments provide a new definition of material that states, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements, nor is there expected to be any future impact to the Group.

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 OCI 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	2020	2019
US dollar	**1.28**	1.28
Canadian dollar	**1.72**	1.70
Euro	**1.12**	1.14
Singapore dollar	**1.77**	1.74
Australian dollar	**1.86**	1.84

Year end rates	2020	2019
US dollar	**1.37**	1.33
Canadian dollar	**1.74**	1.72
Euro	**1.12**	1.18
Singapore dollar	**1.81**	1.78
Australian dollar	**1.78**	1.89

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. Where consideration is variable, this 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.

Revenue attributed to each performance obligation is recognised based on either the input or the output method, as appropriate:

- 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.
- 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.

Where the Group becomes aware that a loss may arise on a contract, and that loss is probable, full provision is made based on the unavoidable costs of fulfilling the contract, in the consolidated balance sheet.

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. Retentions are recognised on invoicing of the associated trade receivable. 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 in 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.

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.

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.

Interest income and expense
All interest income and expense is recognised in the income statement in the period in which it is incurred 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.

Notes to the consolidated financial statements
continued

2 Significant accounting policies continued

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. 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. Payments to defined contribution schemes are accounted for on an accruals basis. The Group 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.

Government subsidies
In an attempt to mitigate the impact of the COVID-19 pandemic, government bodies in many countries introduced measures to aid companies. These measures included direct subsidies and deferral of tax payments. The Group was in receipt of direct subsidies from governments in a number of countries and was eligible for deferral of the employer's share of Social Security taxes in the United States. COVID-19 related subsidies are recognised when there is reasonable assurance the subsidy will be received. Where the subsidy related 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.

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation
Depreciation is not for provided on freehold land.

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	8 to 12 years
Motor vehicles	4 years
Computers	3 years

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 assess 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	5 to 15 years
Plant and equipment	3 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 for terminating a lease, if the lease term reflects the Group exercising the 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 lessor. Incremental borrowing rates applied to individual leases range from 1.6% to 35.1%.

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. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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, with any impairment losses being 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 combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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, patents, customer relationships, customer contracts and trade names. Other intangibles include internally developed software. 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 14 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 and other intangibles are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If any such indications exist, the recoverable amount 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 due allowance being 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.

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. Assets that are classified as held for sale are not depreciated.

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 as disclosed in the 'revenue from contracts with customers' accounting policy.

For trade and other receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provisioning matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade payables are not interest bearing, are initially recognised at fair value and where applicable 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.

Notes to the consolidated financial statements
continued

2 Significant accounting policies continued

(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 statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, 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 when the fair value is negative.

Changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges are recognised in OCI within the statement of comprehensive income. 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, are included in the initial cost of that 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 insurance liabilities retained in the Group's captive insurance arrangements, legal claims, restructuring and employee commitments. These are recognised as the best estimate of the expenditure required to settle the Group's liability. Details of provisions are set out in note 23.

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.

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 on-market conditions.

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, Middle East and Africa; and Asia-Pacific 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.

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 and other non-trading amounts, including those relating to acquisitions and disposals.

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.

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 above. When revenue is recognised based on the output method, such as units of production, 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 2020, at an average revenue of approximately £350,000 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 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 outcome of 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. It is not possible to quantify the expected impact of this, however 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.

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 value-in-use calculation is based on a discounted cash flow (DCF) model. The Group estimates the recoverable amount based on value-in-use calculations. The cash flows are derived from the budget and forecasts for the next three years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash in-flows and the growth rates assumed within the calculation. Refer to note 14 for further information.

Deferred tax assets
Deferred tax assets are recognised for unused tax losses 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, together with future tax planning strategies. 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.

Provisions
The recognition of provisions for legal disputes is subject to a significant degree of estimation. A provision is made for loss contingencies when it is considered probable that an outflow will occur and the amount of the loss can be reliably estimated. In making its estimates, management takes into account the advice of internal and external legal counsel and actuaries. 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.

Notes to the consolidated financial statements
continued

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.

	2020		2019	
	Revenue £m	**Operating profit £m**	Revenue £m	Operating profit £m
North America	**1,227.5**	**83.2**	1,333.9	78.6
Europe, Middle East and Africa	**607.6**	**20.9**	679.6	28.4
Asia-Pacific	**227.4**	**13.0**	287.0	3.3
	2,062.5	**117.1**	2,300.5	110.3
Central items	**–**	**(7.0)**	–	(6.5)
Underlying	**2,062.5**	**110.1**	2,300.5	103.8
Non-underlying items (note 8)	**–**	**(33.1)**	–	(29.7)
	2,062.5	**77.0**	2,300.5	74.1

	2020					
	Segment assets £m	**Segment liabilities £m**	**Capital employed £m**	**Capital additions £m**	**Depreciation[2] and amortisation £m**	**Tangible and[3] intangible assets £m**
North America	**670.3**	**(208.3)**	**462.0**	**26.9**	**47.7**	**304.0**
Europe, Middle East and Africa	**319.4**	**(210.5)**	**108.9**	**30.1**	**32.7**	**171.9**
Asia-Pacific	**165.3**	**(70.6)**	**94.7**	**16.0**	**13.9**	**77.2**
	1,155.0	**(489.4)**	**665.6**	**73.0**	**94.3**	**553.1**
Central items[1]	**80.4**	**(336.0)**	**(255.6)**	**–**	**0.6**	**0.6**
	1,235.4	**(825.4)**	**410.0**	**73.0**	**94.9**	**553.7**

	2019					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation[2] and amortisation £m	Tangible and[3] intangible assets £m
North America	766.5	(262.9)	503.6	25.5	46.6	324.5
Europe, Middle East and Africa	382.8	(214.4)	168.4	27.3	32.1	185.4
Asia-Pacific	166.1	(83.0)	83.1	10.1	15.5	74.3
	1,315.4	(560.3)	755.1	62.9	94.2	584.2
Central items[1]	109.7	(467.3)	(357.6)	–	0.4	1.1
	1,425.1	(1,027.6)	397.5	62.9	94.6	585.3

1 Central items include net debt and tax balances, which are managed by the Group.
2 Depreciation and amortisation excludes amortisation of acquired intangible assets.
3 Tangible and intangible assets comprise goodwill, intangible assets and property, plant and equipment.

Revenue analysed by country:

	2020 £m	2019 £m
United States	**1,112.0**	1,224.2
Australia	**158.9**	160.1
Germany	**116.9**	128.7
Canada	**113.3**	109.7
United Kingdom	**59.1**	66.5
Other	**502.3**	611.3
	2,062.5	2,300.5

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 2020			Year ended 31 December 2019		
	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[1] recognised on performance obligations satisfied at a point in time £m	Total revenue £m
North America	**944.0**	**283.5**	**1,227.5**	1,065.5	268.4	1,333.9
Europe, Middle East and Africa	**607.6**	**–**	**607.6**	679.6	–	679.6
Asia-Pacific	**227.4**	**–**	**227.4**	287.0	–	287.0
	1,779.0	**283.5**	**2,062.5**	2,032.1	268.4	2,300.5

1 During the year it was identified that all Suncoast revenue is recognised based on performance conditions satisfied at a point in time and so amounts misclassified in 2019 (£134.6m) have been represented to reflect the accounting treatment.

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 2020 from performance obligations satisfied in previous periods is £21.5m (2019: £6.6m).

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 2020, the total order book is £1,000.2m (2019: £1,042.6m).

The order book for contracts with a total duration over one year is £295.8m (2019: £219.3m). Revenue on these contracts is expected to be recognised as follows:

	2020 £m	2019 £m
Less than one year	**185.0**	159.8
One to two years	**99.8**	41.7
More than two years	**11.0**	17.8
	295.8	219.3

Notes to the consolidated financial statements
continued

4 Revenue continued

The following table provides information about receivables, contract assets and contract liabilities arising from contracts with customers:

	2020 £m	2019 £m
Trade receivables	**393.4**	483.9
Contract assets	**71.3**	102.1
Contract liabilities	**(43.9)**	(42.0)

Retentions are recognised on invoicing of the associated trade receivable. Included in the trade receivables balance is £97.7m (2019: £112.5m) in respect of these retentions. Of this amount, £87.5m (2019: £80.1m) is anticipated to be invoiced within one year with the remaining balance of £10.2m (2019: £32.4m) anticipated to be invoiced in more than one year. All contract assets and liabilities are current.

Significant changes in the contract assets and liabilities during the year are as follows:

	2020		2019	
	Contract assets £m	Contract liabilities £m	Contract assets £m	Contract liabilities £m
As at 1 January	**102.1**	**(42.0)**	106.3	(41.4)
Revenue recognised in the current year	**597.1**	**619.2**	651.1	508.6
Disposal of subsidiaries	**(2.4)**	**0.5**	–	–
Amounts transferred to trade receivables	**(624.3)**	**–**	(650.8)	–
Cash received/invoices raised for performance obligations not yet satisfied	**–**	**(623.1)**	–	(511.7)
Exchange movements	**(1.2)**	**1.5**	(4.5)	2.5
As at 31 December	**71.3**	**(43.9)**	102.1	(42.0)

5 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 received of £0.5m (BRL3.0m). Additional consideration of £0.9m (BRL6.5m) was received in September. On 11 September 2020, the Group disposed of Wannenwetsch GmbH, a non-core business in Germany, for a cash consideration received of £2.4m (EUR2.6m). The loss on these disposals is analysed below:

	Tecnogeo £m	Wannenwetsch £m
Proceeds	**1.4**	**2.4**
Cash disposed	**(0.6)**	**(0.4)**
Disposal costs	**(0.1)**	**(0.5)**
Net disposal proceeds	**0.7**	**1.5**
Net assets disposed excluding cash (see below)	**(7.0)**	**(2.4)**
Currency translation losses transferred from translation reserve	**(2.9)**	**–**
Non-underlying loss on disposal	**(9.2)**	**(0.9)**

	Tecnogeo £m	Wannenwetsch £m
Non-current assets	**3.0**	**2.0**
Inventories	**1.9**	**0.7**
Trade and other receivables	**5.3**	**1.4**
Trade and other payables	**(3.4)**	**(1.5)**
Other net assets/(liabilities)	**0.2**	**(0.2)**
Net assets disposed excluding cash	**7.0**	**2.4**

The results for the period are presented below. The 2020 results represent activity prior to the sale.

	Tecnogeo		Wannenwetsch	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Revenue	**4.3**	23.6	**5.6**	6.6
Operating costs	**(3.9)**	(23.0)	**(4.6)**	(6.7)
Operating profit	**0.4**	0.6	**1.0**	(0.1)

The non-underlying loss on disposals during the year also included £1.5m in relation to the Colcrete Eurodrill business, a UK machinery manufacturer. This comprised a loss on sale of the Eurodrill assets during the year of £1.1m and £0.4m of provisions in relation to the sale of the Colcrete business which was completed in January 2021.

6 Operating costs

	Note	**2020 £m**	2019 £m
Raw materials and consumables		**597.7**	699.0
Staff costs	7	**572.4**	598.2
Other operating charges		**549.8**	657.7
Amortisation of intangible assets	14	**0.6**	0.6
Expenses relating to short-term leases and leases of low-value assets		**138.4**	147.9
Depreciation:			
Owned property, plant and equipment	15a	**66.3**	68.4
Right-of-use assets	15b	**28.0**	25.6
Underlying operating costs		**1,953.2**	2,197.4
Non-underlying items	8	**29.6**	28.7
Statutory operating costs		**1,982.8**	2,226.1
Other operating charges include:			
Redundancy and other reorganisation costs		**0.2**	1.9
Fees payable to the company's auditor for the audit of the company's Annual Report and Accounts		**0.9**	0.5
Fees payable to the company's auditor for other services:			
The audit of the company's subsidiaries, pursuant to legislation		**1.7**	1.5
Other assurance services		**0.1**	0.1

During the year, the Group received £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.

7 Employees

The aggregate staff costs of the Group were:

	2020 £m	2019 £m
Wages and salaries	**498.1**	518.1
Social security costs	**59.7**	66.2
Other pension costs	**12.2**	13.1
Share-based payments	**2.4**	0.8
	572.4	598.2

These costs include Directors' remuneration. The remuneration of the Executive Directors is disclosed in the Directors' remuneration report on pages 100 to 110. Fees payable to Non-executive Directors totalled £0.5m (2019: £0.5m).

Notes to the consolidated financial statements
continued

7 Employees continued

In the United States, the Coronavirus Aid, Relief, and Economic Security Act allows 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 is due 31 December 2021 and the remainder by 31 December 2022. At 31 December 2020 the amount deferred is £8.5m.

The average number of staff, including Directors, employed by the Group during the year was:

	2020 Number	2019 Number
North America	**4,305**	4,424
Europe, Middle East and Africa	**3,657**	4,535
Asia-Pacific	**1,347**	1,533
	9,309	10,492

8 Non-underlying items

Non-underlying items include items which are exceptional by their size and/or are non-trading in nature and comprise the following:

	2020 £m	2019 £m
Exceptional restructuring costs	**16.6**	7.2
Loss on disposal of operations	**11.6**	–
Contingent consideration: additional amounts provided	**0.8**	–
Acquisition costs	**0.3**	1.3
Goodwill impairment	**0.3**	20.2
Non-underlying items in operating costs	**29.6**	28.7
Amortisation of acquired intangible assets	**4.2**	4.3
Exceptional contract dispute	**(0.7)**	(3.3)
Non-underlying items in other operating income	**(0.7)**	(3.3)
Total non-underlying items in operating profit	**33.1**	29.7
Non-underlying finance costs	**–**	–
Total non-underlying items before taxation	**33.1**	29.7

In Europe, Middle East and Africa (EMEA) restructuring costs of £11.0m were incurred during the year. These costs arose as a consequence of the strategic project to rationalise the EMEA division by exiting markets considered not sustainable, disposing of non-core businesses and reducing the cost base within the division. As part of this rationalisation, Middle East and Africa business units are to be merged to form Middle East and Africa and management responsibility of the combined business unit will be transferred from EMEA to Asia-Pacific with effect from 1 January 2021. The resultant EMEA structure will be termed 'Europe'. The restructuring costs during the year comprised redundancy costs, property costs, asset impairments and costs of market exit which include project termination costs.

In North America total restructuring costs of £5.5m were incurred during the period. In Canada costs relate to the decision to exit the Prairies region; these comprised redundancy and other restructuring costs of £0.5m and asset write-downs of £1.4m. Following a specific market rationalisation exercise in the US, affecting local markets in the Central, Southeast and Midwest regions, restructuring costs of £1.8m have been incurred in respect of redundancy and other property costs. An exercise was carried out to assess the carrying value of assets in light of market conditions resulting in write-downs of £1.8m.

In Asia-Pacific there was a net charge of £0.1m during the period. In Waterway there was a restructuring provision release of £0.4m, offset by restructuring costs in India, Malaysia and Indonesia. In the previous year Asia-Pacific net restructuring costs were £4.8m, comprising a £7.7m charge recorded in Waterway which was offset by a restructuring provision release in ASEAN.

Additional contingent consideration provided relates to the acquisition of the Geo Instruments US business in 2017.

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, and a £0.9m loss on the disposal of Wannenwetsch GmbH, a non-core business in Germany. Refer to note 5 for further details.

Acquisition costs of £0.3m in the year relate to professional fees associated with the wind-up of an employee share ownership plan at Moretrench, following acquisition in March 2018 (2019: £1.3m).

The goodwill impairment relates to the Genco business in Egypt; due to a downward revision to the medium-term forecast the forward projections did not fully support the carrying value of goodwill. The previous year's impairment relates to the Canadian business.

Amortisation of acquired intangible assets relates to the Moretrench and Austral acquisitions.

During the year £0.7m of proceeds were received on final settlement of a contributory claim relating to an exceptional contract dispute, first reported in 2014. The proceeds received in 2019 are in respect of the same contract dispute.

9 Finance income

	2020 £m	2019 £m
Bank and other interest receivable	**0.3**	0.6
Other finance income	**0.8**	0.2
	1.1	0.8

10 Finance costs

	2020 £m	2019 £m
Interest payable on bank loans and overdrafts	**4.9**	11.1
Interest payable on other loans	**2.4**	3.8
Interest on lease liabilities	**3.8**	4.3
Net pension interest cost	**0.3**	0.5
Other interest costs	**1.6**	3.4
Total interest costs	**13.0**	23.1
Unwinding of discount and effect of changes in discount rate on provisions	**1.3**	0.2
Total finance costs	**14.3**	23.3

Notes to the consolidated financial statements
continued

11 Taxation

	2020 £m	2019 £m
Current tax expense:		
Current year	**24.3**	25.6
Prior years	**(0.8)**	(0.9)
Total current tax	**23.5**	24.7
Deferred tax expense:		
Current year	**(1.2)**	7.4
Prior years	**0.4**	(2.2)
Total deferred tax	**(0.8)**	5.2
	22.7	29.9

UK corporation tax is calculated at 19% (2019: 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% (2019: 19%) as follows:

	2020			2019		
	Underlying £m	Non-underlying items (note 8) £m	Statutory £m	Underlying £m	Non-underlying items (note 8) £m	Statutory £m
Profit/(loss) before tax	**96.9**	**(33.1)**	**63.8**	81.3	(29.7)	51.6
UK corporation tax charge/(credit) at 19% (2019: 19%)	**18.4**	**(6.3)**	**12.1**	15.4	(5.6)	9.8
Tax charged at rates other than 19% (2019: 19%)	**5.6**	**(0.8)**	**4.8**	1.4	(1.8)	(0.4)
Tax losses and other deductible temporary differences not recognised	**6.5**	**1.6**	**8.1**	8.5	14.7	23.2
Utilisation of tax losses and other deductible temporary differences previously unrecognised	**(1.9)**	**(1.3)**	**(3.2)**	(2.4)	–	(2.4)
Permanent differences	**(0.2)**	**2.3**	**2.1**	1.3	0.2	1.5
Adjustments to tax charge in respect of previous periods	**0.2**	**(0.6)**	**(0.4)**	(3.1)	–	(3.1)
Other	**(0.3)**	**(0.5)**	**(0.8)**	1.3	–	1.3
Tax charge/(credit)	**28.3**	**(5.6)**	**22.7**	22.4	7.5	29.9
Effective tax rate	**29.2%**	**16.9%**	**35.6%**	27.6%	(25.3)%	57.9%

The tax charge of £7.5m on non-underlying losses in 2019 related primarily to a valuation allowance made against deferred tax assets on Australian tax losses as a consequence on the restructuring of the business. 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. Where tax positions are uncertain, provision is made where necessary based on interpretation of legislation, management experience and appropriate professional advice. We do not expect the outcome of these estimates to be materially different from the position taken.

The financing of Group companies includes some activities which are subject to exemptions under the UK's Controlled Foreign Company regime. On 2 April 2019, the European Commission announced that the UK's exemption rules are only partially justified and the UK tax authorities are required to recover tax which may constitute State Aid. The Group is managing enquiries from the UK tax authorities in relation to the matter and has made an application to the EU General Court to overturn the ruling. No provision has been made for any additional tax that might become payable as on the basis of professional advice received the Group believes that the original filing position will ultimately be agreed. The cumulative benefits recognised from the Controlled Foreign Company finance exemption are approximately £4.0m.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon 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 temporary differences £m	**Total £m**
At 1 January 2019	(18.5)	40.4	(3.2)	(8.2)	(4.3)	4.8	**11.0**
Reclassify 2018 current tax assets	–	–	–	–	–	(1.4)	**(1.4)**
At 1 January 2019 restated	(18.5)	40.4	(3.2)	(8.2)	(4.3)	3.4	**9.6**
Charge/(credit) to the income statement	3.5	(2.7)	0.3	0.4	(0.6)	4.3	**5.2**
Credit to other comprehensive income	–	–	(0.6)	–	–	–	**(0.6)**
Exchange movements	0.4	(1.6)	0.1	0.3	0.2	(0.8)	**(1.4)**
Other reallocations/transfers	–	(0.3)	0.8	1.6	–	(2.1)	**–**
At 31 December 2019 and 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	**(10.9)**	**34.4**	**(4.0)**	**(6.5)**	**(6.2)**	**4.2**	**11.0**

Deferred tax assets include amounts of £10.4m (2019: £13.3m) 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 (£4.2m), UK (£3.0m), and Australia (£2.0m). The amount of profits in each territory which are necessary to be realised over the forecast period to support these assets are £16m, £16m and £7m respectively. Canadian tax rules currently allow tax losses to be carried forward up to 20 years, UK and Australian tax rules currently allow tax 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:

	2020 £m	2019 £m
Deferred tax liabilities	**21.3**	26.1
Deferred tax assets	**(10.3)**	(13.3)
	11.0	12.8

At the balance sheet date, the Group had unused tax losses of £146.4m (2019: £142.3m), 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, £85.2m (2019: £78.2m) 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 £24.7m (2019: £29.7m).

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 £118.4m (2019: £58.4m), 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 £7.4m (2019: £2.0m).

Notes to the consolidated financial statements
continued

12 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2020 £m	2019 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2019 of 23.3p (2018: 23.9p) per share	**16.8**	17.2
Interim dividend for the year ended 31 December 2020 of 12.6p (2019: 12.6p) per share	**9.1**	9.1
	25.9	26.3

The Board has recommended a final dividend for the year ended 31 December 2020 of £16.8m, representing 23.3p (2019: 23.3p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 19 May 2021 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	
	2020	2019	**2020**	2019
Basic and diluted earnings (£m)	**70.0**	58.6	**42.5**	21.4
Weighted average number of ordinary shares (m)[1]				
Basic number of ordinary shares outstanding	**72.1**	72.1	**72.1**	72.1
Effect of dilution from:				
Share options and awards	**0.6**	–	**0.6**	–
Diluted number of ordinary shares outstanding	**72.7**	72.1	**72.7**	72.1
Earnings per share				
Basic earnings per share (p)	**97.1**	81.3	**58.9**	29.7
Diluted earnings per share (p)	**96.3**	81.3	**58.5**	29.7

1 The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

14 Goodwill and intangible assets

	Goodwill £m	Arising on acquisition £m	Other £m	**Total £m**
Cost				
At 1 January 2019	235.0	60.1	23.8	**318.9**
Additions	–	–	0.7	**0.7**
Exchange movements	(6.4)	(1.1)	(1.1)	**(8.6)**
At 31 December 2019 and 1 January 2020	228.6	59.0	23.4	**311.0**
Additions	–	–	0.5	**0.5**
Disposal of subsidiaries (note 5)	(7.2)	–	–	**(7.2)**
Exchange movements	(1.8)	(0.1)	(0.6)	**(2.5)**
At 31 December 2020	**219.6**	**58.9**	**23.3**	**301.8**
Accumulated amortisation and impairment				
At 1 January 2019	94.1	48.8	22.6	**165.5**
Impairment charge for the year	20.2	–	–	**20.2**
Amortisation charge for the year	–	4.3	0.6	**4.9**
Exchange movements	(2.5)	(0.7)	(1.1)	**(4.3)**
At 31 December 2019 and 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 subsidiaries (note 5)	(7.2)	–	–	**(7.2)**
Exchange movements	(0.5)	(0.1)	(0.6)	**(1.2)**
At 31 December 2020	**104.4**	**56.5**	**22.1**	**183.0**
Carrying amount				
At 1 January 2019	140.9	11.3	1.2	**153.4**
At 31 December 2019 and 1 January 2020	116.8	6.6	1.3	**124.7**
At 31 December 2020	**115.2**	**2.4**	**1.2**	**118.8**

Intangible assets arising on acquisition represent customer relationships, customer contracts at the date of acquisition, patents and trade names. Other intangibles represent internally developed software.

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 95% of the total (2019: 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:

		2020			2019		
CGU	Geographical segment	**Carrying value £m**	**Pre-tax discount rate %**	**Forecast growth rate %**	Carrying value £m	Pre-tax discount rate %	Forecast growth rate %
Keller US	North America	**44.4**	**13.0**	**2.0**	44.7	13.6	2.0
Suncoast	North America	**31.4**	**13.3**	**2.0**	32.3	13.7	2.0
Keller Canada	North America	**12.8**	**12.6**	**2.0**	13.0	14.6	2.0
Keller Limited	Europe, Middle East and Africa	**12.1**	**12.7**	**3.0**	12.1	12.2	3.0
Austral	Asia-Pacific	**7.6**	**14.2**	**2.0**	7.2	13.1	3.0
Other[1]	Europe, Middle East and Africa	**6.9**			7.5		
		115.2			116.8		

1 Pre-tax discount rates and forecast growth rates are defined by market.

Notes to the consolidated financial statements
continued

14 Goodwill and intangible assets continued

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 2021 and financial projections for 2022 and 2023 were approved by the Board, and have been used as the basis for input into the value-in-use calculation. The budget and financial projections have been prepared in light of the current economic environment, which include the projected impact of COVID-19.

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 2023 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.

The goodwill in Genco (included in 'other' above) was fully impaired by £0.3m during 2020. In 2019 Keller Canada goodwill was impaired by £20.2m. For the remaining CGUs, 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 key assumptions that 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	21.7	19.6	67.5
Suncoast	North America	72.7	135.0	102.5
Keller Canada	North America	1.8	1.7	15.5
Keller Limited	Europe, Middle East and Africa	11.2	16.6	69.1
Austral	Asia-Pacific	7.0	6.7	39.6

1 The increase in discount rate and reduction in future growth rate are presented in gross movements.

15 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	Note	**2020 £m**	2019[1] £m
Property, plant and equipment – owned	15a	**365.4**	384.7
Right-of-use assets – leased	15b	**69.5**	75.9
At 31 December		**434.9**	460.6

1 In 2019, £1.9m of legacy finance leases were reclassified from owned property, plant and equipment to right-of-use assets.

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 2019	71.7	919.7	9.8	**1,001.2**
Additions	3.1	56.9	2.2	**62.2**
Disposals	(0.7)	(58.0)	–	**(58.7)**
Reclassification	–	2.1	(2.1)	**–**
Reclassification of right-of-use assets under legacy finance leases	–	(1.9)	–	**(1.9)**
Exchange movements	(3.4)	(38.4)	(0.3)	**(42.1)**
At 31 December 2019 and 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 (note 21)	(0.5)	(23.3)	–	**(23.8)**
Disposal of subsidiaries (note 5)	(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	**68.9**	**878.7**	**7.3**	**954.9**
Accumulated depreciation and impairment				
At 1 January 2019	20.4	558.8	–	**579.2**
Charge for the year	1.9	66.5	–	**68.4**
Disposals	(0.6)	(45.0)	–	**(45.6)**
Exchange movements	(0.8)	(25.2)	–	**(26.0)**
At 31 December 2019 and 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 (note 21)	(0.5)	(15.4)	–	**(15.9)**
Disposal of subsidiaries (note 5)	(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	**21.4**	**568.1**	**–**	**589.5**
Carrying amount				
At 1 January 2019	51.3	360.9	9.8	**422.0**
At 31 December 2019 and 1 January 2020	49.8	325.3	9.6	**384.7**
At 31 December 2020	**47.5**	**310.6**	**7.3**	**365.4**

The Group had contractual commitments for the acquisition of property, plant and equipment of £7.5m (2019: £5.0m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

Impairments in the year include write-down of surplus equipment to current market values where it is not being relocated to other more active parts of the Group. The combined carry amount of these assets was £11.4m, compared to a market value of £4.8m, which resulted in an impairment charge in the year of £6.6m. Details of restructuring are set out in note 8.

Notes to the consolidated financial statements
continued

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 five and 15 years, while plant, machinery and vehicles generally have lease terms between three 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 2019	63.1	24.2	**87.3**
Additions	6.1	16.8	**22.9**
Depreciation expense	(13.7)	(11.9)	**(25.6)**
Contract modifications	(5.8)	(1.3)	**(7.1)**
Exchange movements	(2.3)	(1.2)	**(3.5)**
Reclassification of right-of-use assets under legacy finance leases	–	1.9	**1.9**
At 31 December 2019 and 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	42.2	27.3	**69.5**

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.

16 Investments in joint ventures

	£m
At 1 January 2020	**3.8**
Share of post-tax results	**0.8**
Dividends received	**(0.4)**
Exchange movements	**0.2**
At 31 December 2020	**4.4**

	£m
At 1 January 2019	4.6
Share of post-tax results	0.7
Dividends received	(1.1)
Exchange movements	(0.4)
At 31 December 2019	3.8

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. Please refer to note 9 of the company accounts for the registered address.

Aggregate amounts relating to joint ventures:

	2020 £m	2019 £m
Revenue	**17.3**	16.7
Operating costs	**(16.4)**	(15.9)
Operating profit	**0.9**	0.8
Finance costs	**–**	–
Profit before taxation	**0.9**	0.8
Taxation	**(0.1)**	(0.1)
Share of post-tax results	**0.8**	0.7

	2020 £m	2019 £m
Non-current assets	**5.0**	4.2
Current assets	**2.6**	4.1
Current liabilities	**(1.8)**	(2.9)
Non-current liabilities	**(1.4)**	(1.6)
Share of net assets	**4.4**	3.8

17 Other non-current assets

	2020 £m	2019 £m
Fair value of derivative financial instruments	**5.4**	3.4
Non-qualifying deferred compensation plan assets	**18.3**	17.1
Other assets	**2.2**	1.8
	25.9	22.3

A non-qualifying deferred compensation plan (NQ) is available to US employees, whereby an element of eligible employee bonuses and salary are 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 2020 non-current assets in relation to the investments held in the trust were £18.3m (2019: £17.1m). The fair value movement on these assets was £2.2m (2019: £3.6m). During the period proceeds from the sale of NQ-related investments were £nil (2019: £4.6m).
At 31 December 2020 non-current liabilities in relation to the participant investments were £14.7m (2019: £16.4m). These are accounted for under IFRS 9 as financial liabilities at fair value through profit or loss. The fair value movement on these liabilities was £2.7m (2019: £3.5m). During the year £1.2m (2019: £0.9m) compensation was deferred.

Notes to the consolidated financial statements
continued

18 Inventories

	2020 £m	2019 £m
Raw materials and consumables	**41.3**	53.0
Work in progress	**0.3**	0.7
Finished goods	**18.5**	16.9
	60.1	70.6

During 2020, £3.8m (2019: £2.1m) of inventory write-downs were recognised as an expense in the consolidated income statement.

19 Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**393.4**	483.9
Contract assets	**71.3**	102.1
Other receivables	**21.2**	26.6
Fair value of derivative financial instruments	**0.8**	–
Prepayments	**17.2**	14.1
	503.9	626.7

Trade receivables and contract assets included in the balance sheet are shown net of expected credit loss provisions. Expected credit losses are recognised initially on recognition of a receivable or if the likelihood of default is reasonably possible. The initial 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. Provisions made on the likelihood of default are based on the present value of cash shortfalls.

The movement in the provision held against trade receivables and contract assets (including expected credit losses) is as follows:

	2020 £m	2019 £m
At 1 January	**38.1**	44.5
Used during the year	**(6.3)**	(8.6)
Additional provisions	**23.6**	17.4
Unused amounts reversed	**(12.1)**	(13.3)
Disposal of subsidiaries	**(0.7)**	–
Exchange movements	**0.3**	(1.9)
At 31 December	**42.9**	38.1

Set out below is information about the credit risk exposure on the Group's trade receivables, detailing past due but not impaired:

	2020 £m	2019 £m
Overdue by less than 30 days	**65.9**	91.7
Overdue by between 31 and 90 days	**31.0**	45.2
Overdue by more than 90 days	**25.9**	43.7
	122.8	180.6

20 Cash and cash equivalents

	2020 £m	2019 £m
Bank balances	**64.2**	95.0
Short-term deposits	**2.1**	3.9
Cash and cash equivalents in the balance sheet	**66.3**	98.9
Bank overdrafts	**(4.7)**	(11.4)
Cash and cash equivalents in the cash flow statement	**61.6**	87.5

21 Assets held for sale

	2020 £m	2019 £m
Plant, machinery and vehicles	**7.9**	–
Inventories	**0.3**	–
Trade receivables	**0.5**	–
	8.7	–

Assets held for sale include plant, machinery and vehicles in Waterway as a result of the wind-down of the business. At the year end there was a binding agreement to sell the Colcrete business which completed in January 2021. Assets include plant, machinery and vehicles, inventories and trade receivables. Also included are plant and machinery in Franki Africa and North America as a result of the restructuring activities detailed in note 8.

22 Trade and other payables

	2020 £m	2019[1] £m
Trade payables	**169.3**	291.5
Other taxes and social security payable	**23.0**	15.8
Other payables	**97.3**	72.3
Contract liabilities	**43.9**	42.0
Accruals	**47.7**	44.9
Fair value of derivative financial instruments	**0.5**	–
	381.7	466.5

1 Other payables presented here do not correspond to the published 2019 consolidated financial statements as a result of restating the comparative balance to reclassify contract provisions from other payables to provisions as outlined in note 34 to the financial statements.

23 Provisions

	Employee provisions £m	Restructuring provisions £m	Contract provisions £m	Insurance and legal provisions £m	Other provisions £m	Total £m
At 31 December 2019[1]	9.1	3.4	20.3	32.7	9.5	**75.0**
Reclassification between categories	1.1	–	4.1	–	(5.2)	**–**
Charge for the year	5.7	4.2	24.8	20.0	2.7	**57.4**
Used during the year	(4.5)	(1.4)	(8.9)	(11.5)	(1.0)	**(27.3)**
Unused amounts reversed	(1.4)	(0.6)	(4.0)	(3.0)	(2.3)	**(11.3)**
Unwinding of discount and changes in discount rate	(0.5)	–	–	1.3	–	**0.8**
Exchange movements	(0.2)	–	(1.0)	–	–	**(1.2)**
At 31 December 2020	9.3	5.6	35.3	39.5	3.7	**93.4**
To be settled within one year	1.7	5.6	23.2	12.6	3.1	**46.2**
To be settled after one year	7.6	–	12.1	26.9	0.6	**47.2**
At 31 December 2020	9.3	5.6	35.3	39.5	3.7	**93.4**

1 Opening provisions presented here do not correspond to the published 2019 consolidated financial statements as a result of restating the comparative balance to reclassify contract provisions from other payables to provisions and end of service schemes from provisions to retirement benefit liabilities as outlined in note 34 to the financial statements.

Notes to the consolidated financial statements
continued

23 Provisions continued

Employee provisions

Employee provisions relate to the workers' compensation scheme in North America. The liability is based on estimated settlements for known and anticipated claims as identified. In Australia, a liability is recognised for benefits accruing to employees in respect of long service leave. Employee provisions also include provision for social security contributions on share options.

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 relate primarily to the relevant activities in the Europe, Middle East and Africa division with amounts also included for activities in Asia-Pacific. Refer to note 8 for further details. The provisions include amounts for redundancy costs, onerous lease contracts and other property-related costs. Estimates may differ from the actual charges depending on the finalisation of redundancy amounts and lease exit terms. These provisions are expected to be utilised within the next year.

Contract provisions
Contract provisions include loss provisions on 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 unavoidable costs of fulfilling the contract. Also included are provisions for contractual claims not yet settled and amounts related to contractual disputes. Given the Group's wide project portfolio and low customer concentration this balance is typically not sensitive to individual project performance.

Insurance and legal provisions
Insurance and legal provisions mainly reflect contractual claims against the Group 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.

The captive provides in respect of specific claims across the Group. At 31 December 2020 these were £12.8m (2019: £7.3m). These are recognised when insurance coverage is confirmed 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.

The captive also makes provisions in respect of claims incurred but not reported (IBNR). At 31 December 2020 these were £14.0m (2019: £18.6m). The IBNR is subject to an independent actuarial review which considers past claims experience and the risk profile of the Group. The assumptions are reviewed periodically and are intended to provide a best estimate of the most likely or expected outcome.

The present value of insurance provisions is determined by discounting the estimated future cash outflows using the yields of high-quality corporate bonds that are denominated in the currency in which the claims will be paid. Given the stable risk profile of the Group, reasonably possible changes in assumptions are not considered likely to have a material impact on total insurance provisions held.

Insurance and legal provisions also includes the uninsured portion of claims covered under local insurance policies and other legal-related costs.

Other provisions
Other provisions are in respect of dilapidation and other operational provisions.

24 Other non-current liabilities

	2020 £m	2019 £m
Non-qualifying compensation plan liabilities	**14.8**	16.4
Other liabilities	**7.2**	3.1
	22.0	19.5

Other liabilities include contingent consideration of £2.2m (2019: £2.4m). 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, Canadian dollars, euros, Australian dollars, Singapore dollars and South African rand.

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 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 2020, the fair value of foreign exchange forward contracts outstanding was £0.5m (2019: £nil) and included in current liabilities.

Interest rate risk
Interest rate risk is managed by a mix of fixed and floating rate borrowings dependent upon the purpose and term of the financing.

As at 31 December 2020, approximately 97% (2019: 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 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 its diversity, both geographically and in terms of end markets. No individual customer represented more than 3% of revenue in 2020. 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 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.

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.

Notes to the consolidated financial statements
continued

25 Financial instruments continued

Liquidity risk and capital management
The Group's capital structure is kept under constant review, taking account of 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 certainty of funding and a flexible, cost-effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to ensure 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 $50m private placement repayable in 2021, a $75m private placement repayable in 2024, and a £375m syndicated revolving credit facility expiring in 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 £385.3m (2019: £87.8m). These include £300m available under the Bank of England Covid Corporate Financing Facility which expire on 23 March 2021.

Private placements
In October and December 2014, $50m and $75m respectively were 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.

The US private placement loans 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 2020 was £97.3m (2019: £97.2m).

Hedging
The 2014 $50m and $75m fixed rate private placement liabilities were swapped into floating rate 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 being to protect against the Group's exposure to changes in the fair value of the US private placement debt and related interest cash flows due to changes in US dollar interest rates.

The fair value of the 2014 swaps at 31 December 2020 was £6.2m (2019: £3.4m). £5.4m (2019: £3.4m) is included in other non-current assets and £0.8m (2019: £nil) is included in trade and other receivables. There was no derivative liability included in non-current liabilities in 2020 (2019: £nil). The effective portion of the changes in the fair value of the 2014 swaps gave rise to a gain of £2.8m (2019: gain of £3.3m), which has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

All hedges are tested for effectiveness every six months. All hedging relationships remained effective during the year.

Accounting classifications

	2020 £m	2019 £m
Financial assets measured at fair value through profit or loss		
Non-qualifying deferred compensation plan	**18.3**	17.1
Interest rate swaps	**6.2**	3.4
Financial assets measured at amortised cost		
Trade receivables	**393.4**	483.9
Contract assets	**71.3**	102.1
Cash and cash equivalents	**66.3**	98.9
Financial liabilities at fair value through profit or loss		
Forward exchange contract	**(0.5)**	–
Contingent consideration	**(3.0)**	(2.4)
Financial liabilities measured at amortised cost		
Trade payables	**(169.3)**	(291.5)
Contract liabilities	**(43.9)**	(42.0)
Loans and borrowings	**(185.0)**	(310.3)
Lease liabilities	**(73.8)**	(78.4)

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:

	2020						
	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**	**Total £m**	**Carrying amount as shown in the balance sheet £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**	**–**	**–**	**–**	**169.2**	**169.2**
Contingent consideration	**–**	**0.8**	**2.2**	**–**	**–**	**3.0**	**3.0**
		286.8	**25.4**	**164.1**	**11.6**	**487.9**	**474.9**

	2019						
	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	Total £m	Carrying amount as shown in the balance sheet £m
Bank loans and overdrafts	3.1	14.8	–	192.3	2.5	209.6	209.1
Bonds and other loans	3.5	4.3	41.8	67.2	–	113.3	101.2
Lease liabilities	–	27.5	20.8	29.5	10.0	87.8	78.4
Contract liabilities	–	42.0	–	–	–	42.0	42.0
Trade payables	–	291.5	–	–	–	291.5	291.5
Contingent consideration	–	–	2.4	–	–	2.4	2.4
		380.1	65.0	289.0	12.5	746.6	724.6

Loans and borrowings analysis

	2020 £m	2019 £m
$75m private placement (due December 2024)	**60.0**	59.3
$50m private placement (due October 2021)	**37.3**	37.9
£375m syndicated revolving credit facility (expiring November 2025)	**78.3**	192.0
Bank overdrafts	**4.7**	11.4
Other bank borrowings	**2.3**	5.7
Other loans	**2.4**	4.0
Lease liabilities (note 26)	**73.8**	78.4
Total loans and borrowings	**258.8**	388.7

The Group has substantial borrowing facilities available to it. The undrawn committed facilities available at 31 December 2020 amounted to £313.2m (2019: £205.0m). 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 £359.4m at 31 December 2020 (2019: £42.0m). This includes £300m available under the Bank of England Covid Corporate Financing Facility which can be drawn upon until 23 March 2021. Other uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time. Facilities totalling £4.0m (2019: £4.6m) are secured against certain assets. Future obligations under finance leases on a former IAS 17 basis totalled £2.2m (2019: £1.7m), including interest of £nil (2019: £nil).

Notes to the consolidated financial statements
continued

25 Financial instruments continued

Changes in loans and borrowings were as follows:

	2019 £m	Cash flows £m	Other[1] £m	New leases £m	Foreign exchange movements £m	Fair value changes £m	**2020 £m**
Bank overdrafts	(11.4)	6.7	–	–	–	–	**(4.7)**
Bank loans	(197.7)	119.5	–	–	(2.4)	–	**(80.6)**
Other loans	(101.2)	1.5	–	–	2.8	(2.8)	**(99.7)**
Lease liabilities (note 26)	(78.4)	27.2	(0.9)	(22.5)	0.8	–	**(73.8)**
Total loans and borrowings	(388.7)	154.9	(0.9)	(22.5)	1.2	(2.8)	**(258.8)**
Derivative financial instruments	3.4	–	–	–	–	2.3	**5.7**

1 Other comprises disposals and contract modifications.

Cash flow hedges

The Group held the following instruments to hedge exposures to changes in foreign currency rates (2019: none).

	2020							
	Maturity				**Carrying amount**			
	< 1 year £m	**1-2 years £m**	**2-5 years £m**	**>5 years £m**	**Asset £m**	**Liability[1] £m**	**Change in fair value used for calculating hedge ineffectiveness £m**	**Nominal amount $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:

	2020							
	Maturity				**Carrying amount**			
	<1 year £m	**1-2 years £m**	**2-5 years £m**	**>5 years £m**	**Asset[1] £m**	**Liability £m**	**Change in fair value used for calculating hedge ineffectiveness £m**	**Nominal[2] amount $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%.

	2019							
	Maturity				Carrying amount			
	<1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Asset[1] £m	Liability £m	Change in fair value used for calculating hedge ineffectiveness £m	Nominal[2] amount $m
Interest rate swaps	–	0.5	2.9	–	3.4	–	–	19.4

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:

	2020			2019		
	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
$125m private placements	**(97.3)**	**–**	**–**	(97.2)	–	–
Fair value hedge adjustments	**2.8**	**–**	**–**	3.3	–	–

1 Included within loans and borrowings.
2 Included in operating profit for the year.

Non-interest-bearing financial liabilities comprise trade payables and contract liabilities of £213.2m (2019: £333.5m) which were payable within one 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 consideration and payables, receivables and construction assets.

Derivatives
The fair value 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 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 2020.

The following table shows a reconciliation from the opening to closing balances for contingent consideration:

	2020 £m	2019 £m
At 1 January	**2.4**	2.8
Additional amounts provided (note 8)	**0.8**	–
Paid during the year	**–**	(0.3)
Exchange movements	**(0.2)**	(0.1)
At 31 December	**3.0**	2.4

In 2020, £0.8m (2019: £nil) of the contingent consideration in respect of acquisitions is payable in one year. This relates to earn out payable in respect of the Geo Instruments acquisition in 2017. £2.2m (2019: £2.4m) is payable between one and two years. This amount is dependent on the forecast outcome of one project.

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.

Notes to the consolidated financial statements
continued

25 Financial instruments continued

Payables, receivables and contract assets
For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value.

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:

	2020					
	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)**

	2019					
	GBP	USD	EUR	CAD	Other[1]	Total
Weighted average fixed debt interest rate (%)	–	2.4	1.3	4.9	11.0	–
Weighted average fixed debt period (years)	–	0.8	5.5	3.4	2.0	–

	£m	£m	£m	£m	£m	£m
Fixed rate financial liabilities	–	(0.6)	(3.3)	(0.9)	(3.7)	(8.5)
Floating rate financial liabilities	(37.0)	(119.9)	(14.9)	(47.4)	(82.6)	(301.8)
Lease liabilities	(2.3)	(49.5)	(11.0)	(5.5)	(10.1)	(78.4)
Financial assets	0.8	35.7	10.4	2.4	49.6	98.9
Net debt	(38.5)	(134.3)	(18.8)	(51.4)	(46.8)	(289.8)

1 Included within other floating rate financial liabilities are AUD revolver loans of £5.8m (2019: £35.5m), ZAR revolver loans of £12.6m (2019: £11.0m), SGD revolver loans of £nil (2019: £9.6m) and AED revolver loans of £nil (2019: £13.7m). Included within other financial assets are AUD cash balances of £1.5m (2019: £10.8m), ZAR cash balances of £4.4m (2019: £2.3m) and SGD cash balances of £2.3m (2019: £1.7m).

Sensitivity analysis
At 31 December 2020, 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 £1.1m (2019: £2.1m).

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 £12.0m for the year ended 31 December 2020 (2019: £10.4m), with the estimated impact of a 10 percentage points decrease in the value of sterling being an increase of £14.6m (2019: £12.7m) 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:

	2020 £m	2019 £m
At 1 January	**78.4**	88.1
Additions	**22.5**	22.9
Contract modifications	**0.3**	(7.1)
Interest expense	**3.8**	4.3
Payments	**(30.2)**	(27.9)
Reclassification of legacy finance leases	**–**	1.7
Foreign exchange movements	**(1.0)**	(3.6)
At 31 December	**73.8**	78.4
Current	**24.8**	27.3
Non-current	**49.0**	51.1

27 Share capital and reserves

	2020 £m	2019 £m
Allotted, called up and fully paid equity share capital: 73,099,735 ordinary shares of 10p each (2019: 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 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 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 2020 the total number of shares held in treasury was 889,733 (2019: 1,029,451).

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:

	2020 £m	2019 £m
Short-term employee benefits	**8.3**	5.4
Post-employment benefits	**0.4**	0.4
Termination payments	**0.4**	0.2
	9.1	6.0

Other related party transactions
As at the year end there was a net balance of £0.1m owed by (2019: £0.2m owed to) the joint venture. These amounts are unsecured, have no fixed date of repayment and are repayable on demand.

Notes to the consolidated financial statements
continued

29 Commitments

Capital commitments
Capital expenditure contracted for at the end of the reporting period but not yet incurred was £7.5m (2019: £5.0m) and relates to property, plant and equipment purchases.

30 Contingent liabilities

Claims against the Group arise in the normal course of trading. Some of these claims involve or may involve litigation and, in a few instances, the total amounts claimed against the Group may be significant in relation to the size of the related contract. However, the amounts agreed, if any, are generally less than the total amount claimed, in many cases significantly so, and are predominantly covered by the Group's insurance arrangements.

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 2020, the Group had outstanding standby letters of credit and surety bonds for the Group's captive insurance arrangements totalling £25.4m (2019: £28.8m).

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.

31 Share-based payments

The Group operates a Long-Term Incentive Plan ('Plan').

Details of the terms and conditions of the Plan are set out in the audited section of the Annual remuneration report on pages 100 to 110.

Outstanding awards are as follows:

	Number
Outstanding at 1 January 2019	1,639,717
Granted during 2019	1,078,438
Lapsed during 2019	(617,474)
Exercised during 2019	(10,404)
Outstanding at 31 December 2019 and 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	**2,063,410**
Exercisable at 1 January 2019	–
Exercisable at 31 December 2019 and 1 January 2020	–
Exercisable at 31 December 2020	**–**

The average share price during the year was 651.0p (2019: 615.9p).

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:

	2020	2019
Share price at grant	**720.0p**	625.0p
Weighted average exercise price	**0.0p**	0.0p
Expected volatility	**39.1%**	30.8%
Expected life	**3 years**	3 years
Risk-free rate	**0.11%**	0.84%
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 £2.4m (2019: £0.8m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 695.5p (2019: 582.2p).

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. This estimate remains appropriate for 2020. 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. 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 2020 (2019: £nil). The total UK defined contribution pension charge for the year was £1.2m (2019: £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 of 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.

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. In the 2019 consolidated financial statements the liability of £3.0m was presented within provisions on the balance sheet (£0.8m current, £2.2m non-current), falling under the 'employee provisions' within the provisions note. On further review of these schemes during 2020 it was concluded that these schemes should be accounted for in accordance with IAS 19 'Employee Benefits' with the accounting following the same principles as for a defined benefit scheme. Provisions and retirement benefits have been restated in the comparative balance sheet to reflect this. The closing retirement benefit liability for 2020 is £2.9m.

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 £5.9m (2019: £6.1m).

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 9.5% (2019: 9.5%). The total Australian pension charge for the year was £3.1m (2019: £3.5m).

Notes to the consolidated financial statements
continued

32 Retirement benefit liabilities continued

Details of the Group's defined benefit schemes are as follows:

	The Keller Group Pension Scheme (UK) 2020 £m	The Keller Group Pension Scheme (UK) 2019 £m	**German,[1] Austrian and other schemes 2020 £m**	German,[2] Austrian and other schemes 2019 £m
Present value of the scheme liabilities	**(65.0)**	(60.4)	**(21.9)**	(20.7)
Fair value of assets	**58.0**	52.2	**–**	–
Deficit in the scheme	**(7.0)**	(8.2)	**(21.9)**	(20.7)
Irrecoverable surplus	**(2.2)**	(1.8)	**–**	–
Net defined benefit liability	**(9.2)**	(10.0)	**(21.9)**	(20.7)

1 Included in this balance is £2.9m (2019: £3.0m) in relation to the end of service schemes in the Middle East.
2 Retirement benefits presented here do not correspond to the published 2019 consolidated financial statements as a result of restating the comparative balance to reclassify end of service schemes in the Middle East from provisions to retirement benefit liabilities as outlined in note 34 to the financial statements.

For the Keller Group Pension Scheme, based on the net deficit of the Scheme as at 31 December 2020 and the committed payments under the Schedule of Contributions agreed on 17 November 2020, there is a notional surplus of £2.2m (2019: £1.8m). 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 value of the Scheme liabilities has been determined by the actuary using the following assumptions:

	The Keller Group Pension Scheme (UK) 2020 %	The Keller Group Pension Scheme (UK) 2019 %	**German and Austrian schemes 2020 %**	German and Austrian schemes 2019 %
Discount rate	**1.2**	2.0	**0.3**	0.5
Interest on assets	**1.2**	2.0	**–**	–
Rate of increase in pensions in payment	**3.4**	3.4	**2.0**	2.0
Rate of increase in pensions in deferment	**2.7**	2.3	**1.6**	2.0
Rate of inflation	**3.3**	3.3	**1.6**	2.0

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) 2020	The Keller Group Pension Scheme (UK) 2019	**German and Austrian schemes 2020**	German and Austrian schemes 2019
Male currently aged 65	**20.9**	21.7	**19.4**	20.7
Female currently aged 65	**23.3**	23.2	**22.8**	24.1

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) 2020 £m	The Keller Group Pension Scheme (UK) 2019 £m	**German, Austrian and other schemes 2020 £m**	German, Austrian and other schemes 2019 £m
Equities	**18.8**	17.5	**–**	–
Target return funds	**16.0**	14.5	**–**	–
Gilts	**11.2**	10.1	**–**	–
Bonds	**11.5**	10.0	**–**	–
Cash	**0.5**	0.1	**–**	–
	58.0	52.2	**–**	–

	The Keller Group Pension Scheme (UK) 2020 £m	The Keller Group Pension Scheme (UK) 2019 £m	**German,[1] Austrian and other schemes 2020 £m**	German, Austrian and other schemes 2019 £m
Changes in scheme liabilities				
Opening balance	**(60.4)**	(55.2)	**(20.7)**	(16.5)
Transfer from provisions[2]	**–**	–	**–**	(3.0)
Current service cost	**–**	–	**(0.7)**	(0.3)
Interest cost	**(1.2)**	(1.6)	**(0.1)**	(0.2)
Benefits paid	**3.7**	2.0	**1.2**	0.7
Exchange movements	**–**	–	**(0.8)**	1.2
Experience loss on defined benefit obligation	**(0.4)**	–	**–**	–
Changes to demographic assumptions	**2.7**	1.7	**–**	–
Changes to financial assumptions	**(9.4)**	(7.3)	**(0.8)**	(2.6)
Closing balance	**(65.0)**	(60.4)	**(21.9)**	(20.7)
Changes in scheme assets				
Opening balance	**52.2**	45.2	**–**	–
Interest on assets	**1.0**	1.3	**–**	–
Administration costs	**(0.2)**	(0.2)	**–**	–
Employer contributions	**2.6**	2.5	**–**	–
Benefits paid	**(3.7)**	(2.0)	**–**	–
Return on plan assets less interest	**6.1**	5.4	**–**	–
Closing balance	**58.0**	52.2	**–**	–
Actual return on scheme assets	**7.1**	6.7	**–**	–
Statement of comprehensive income				
Return on plan assets less interest	**6.1**	5.4	**–**	–
Experience loss on defined benefit obligation	**(0.4)**	–	**–**	–
Changes to demographic assumptions	**2.7**	1.7	**–**	–
Changes to financial assumptions	**(9.4)**	(7.3)	**(0.8)**	(2.6)
Change in irrecoverable surplus	**(0.4)**	(0.4)	**–**	–
Remeasurements of defined benefit plans	**(1.4)**	(0.6)	**(0.8)**	(2.6)
Cumulative remeasurements of defined benefit plans	**(25.6)**	(24.2)	**(10.4)**	(9.6)
Expense recognised in the income statement				
Current service cost	**–**	–	**0.7**	0.3
Administration costs	**0.2**	0.2	**–**	–
Operating costs	**0.2**	0.2	**0.7**	0.3
Net pension interest cost	**0.2**	0.3	**0.1**	0.2
Expense recognised in the income statement	**0.4**	0.5	**0.8**	0.5
Movements in the balance sheet liability				
Net liability at start of year	**10.0**	11.4	**20.7**	16.5
Transfer from provisions[2]	**–**	–	**–**	3.0
Expense recognised in the income statement	**0.4**	0.5	**0.8**	0.5
Employer contributions	**(2.6)**	(2.5)	**–**	–
Benefits paid	**–**	–	**(1.2)**	(0.7)
Exchange movements	**–**	–	**0.8**	(1.2)
Remeasurements of defined benefit plans	**1.4**	0.6	**0.8**	2.6
Net liability at end of year	**9.2**	10.0	**21.9**	20.7

1 Other comprises end of service schemes in the Middle East of £2.9m (2019: £3.0m).
2 In respect of the end of service schemes in the Middle East.

Notes to the consolidated financial statements
continued

32 Retirement benefit liabilities continued

A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £1.3m, 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. An increase in the mortality rate by one year would increase the deficit in the schemes by £4.5m.

The weighted average duration of the defined benefit obligation is approximately 17 years for the UK scheme and 12 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 are as follows:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Present value of defined benefit obligation	**(86.9)**	(81.1)	(71.7)	(75.3)	(74.8)
Fair value of scheme assets	**58.0**	52.2	45.2	46.1	43.4
Deficit in the schemes	**(28.9)**	(28.9)	(26.5)	(29.2)	(31.4)
Irrecoverable surplus	**(2.2)**	(1.8)	(1.4)	–	–
Net defined benefit liability	**(31.1)**	(30.7)	(27.9)	(29.2)	(31.4)
Experience adjustments on scheme liabilities	**(7.9)**	(8.2)	3.7	(1.8)	(11.3)
Experience adjustments on scheme assets	**6.1**	5.4	(1.5)	3.2	3.9

33 Non-controlling interests

Financial information of subsidiaries that have a material non-controlling interest is provided below:

Name	Country of incorporation	**2020**	2019
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)/profit attributable to non-controlling interests:

	2020 £m	2019 £m
Keller Fondations Speciales SPA	**(0.6)**	0.8
Keller Turki Company Limited	**(1.0)**	(0.3)
Other interests	**0.2**	(0.2)
	(1.4)	0.3

Share of net assets of non-controlling interests:

	2020 £m	2019 £m
Keller Fondations Speciales SPA	**3.5**	4.9
Keller Turki Company Limited	**0.1**	1.5
Other interests	**0.1**	(1.1)
	3.7	5.3

Aggregate amounts relating to material non-controlling interests:

	2020 £m Keller Fondations Speciales SPA	**2020 £m Keller Turki Company Limited**	2019 £m Keller Fondations Speciales SPA	2019 £m Keller Turki Company Limited
Revenue	**0.8**	**1.5**	6.0	2.0
Operating costs	**(1.4)**	**(2.5)**	(5.0)	(2.3)
Operating profit	**(0.6)**	**(1.0)**	1.0	(0.3)
Finance costs	**–**	**–**	–	–
Profit before taxation	**(0.6)**	**(1.0)**	1.0	(0.3)
Taxation	**–**	**–**	(0.2)	–
(Loss)/profit attributable to non-controlling interests	**(0.6)**	**(1.0)**	0.8	(0.3)

	2020 £m Keller Fondations Speciales SPA	**2020 £m Keller Turki Company Limited**	2019 £m Keller Fondations Speciales SPA	2019 £m Keller Turki Company Limited
Non-current assets	**1.2**	**0.9**	1.9	0.7
Current assets	**4.0**	**1.0**	4.9	2.0
Current liabilities	**(1.7)**	**(1.1)**	(1.9)	(1.2)
Non-current liabilities	**–**	**(0.7)**	–	–
Share of net assets	**3.5**	**0.1**	4.9	1.5

34 Prior year restatement

In preparing the consolidated balance sheet for the year ended 31 December 2020, the Group restated amounts reported previously in the consolidated financial statements as a result of a reclassification of liabilities. There was no impact on the prior year consolidated income statement, cash flow statement or brought forward reserves.

Presented below is a reconciliation of the consolidated balance sheet previously reported as at 31 December 2019 to the 31 December 2020 comparative consolidated balance sheet:

	Note	2019 Presented £m	2019 Restatements £m	**2019 Restated £m**
Trade and other payables	a	(486.8)	20.3	**(466.5)**
Provisions	a,b	(17.7)	(10.9)	**(28.6)**
Current liabilities	a,b	(566.6)	9.4	**(557.2)**
Retirement benefit liabilities	b	(27.7)	(3.0)	**(30.7)**
Provisions	a,b	(40.0)	(6.4)	**(46.4)**
Non-current liabilities	a,b	(461.0)	(9.4)	**(470.4)**
Total liabilities		(1,027.6)	—	**(1,027.6)**

The 31 December 2019 consolidated balance sheet previously reported has been restated as follows:

a) The Group previously classified contract provisions within trade and other payables. This classification has been revised and these have been reclassified to provisions. As a result, trade and other payables have decreased by £20.3m (2018: £18.9m), current provisions have increased by £11.7m (2018: £13.6m) and non-current provisions have increased by £8.6m (2018: £5.3m) to reflect the revised classification.

Notes to the consolidated financial statements
continued

34 Prior year restatement continued

b) The Group previously classified end of service schemes in the Middle East within employee provisions. Following a review it was concluded these arrangements follow the same principles as a defined benefit scheme and are accounted for in accordance with IAS 19 'Employee Benefits'. As a result, current provisions have decreased by £0.8m, non-current provisions have decreased by £2.2m and retirement benefit liabilities have increased by £3.0m to reflect the revised classification. There was no material impact on the opening balances of the comparative period.

35 Post balance sheet events

There were no material post balance sheet events between the balance sheet date and the date of this report.

Company balance sheet
As at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Tangible fixed assets		**–**	0.3
Investments	2	**513.9**	513.9
Deferred tax assets		**0.6**	0.4
Other assets	3	**5.4**	3.4
Non-current assets		**519.9**	518.0
Amounts owed by subsidiary undertakings:			
– Amounts falling due within one year		**0.5**	0.5
– Amounts falling due after one year		**130.5**	201.4
Trade and other debtors	4	**1.1**	0.8
Cash and bank balances		**0.8**	–
Current assets		**132.9**	202.7
Liabilities			
Bank and other loans		**(37.3)**	(3.5)
Current tax liabilities		**–**	(0.7)
Trade and other creditors	5	**(8.5)**	(5.3)
Amounts owed to subsidiary undertakings		**(0.3)**	(0.7)
Creditors: amounts falling due within one year		**(46.1)**	(10.2)
Net current assets		**86.8**	192.5
Total assets less current liabilities		**606.7**	710.5
Bank and other loans		**(72.2)**	(157.2)
Amounts owed to subsidiary undertakings		**(45.6)**	(54.4)
Other creditors	6	**(5.4)**	(5.0)
Pension liabilities	8	**(1.1)**	(1.4)
Creditors: amounts falling due after one year		**(124.3)**	(218.0)
Net assets		**482.4**	492.5
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		**372.5**	382.6
Shareholders' funds		**482.4**	492.5

The company's profit for the year was £13.8m (2019: £41.2m).

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 9 March 2021.

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 2020

	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 2019	7.3	38.1	7.6	56.9	–	367.6	**477.5**
Profit for the year	–	–	–	–	–	41.2	**41.2**
Remeasurement of defined benefit pension schemes	–	–	–	–	–	(0.1)	**(0.1)**
Total comprehensive income	–	–	–	–	–	41.1	**41.1**
Dividends	–	–	–	–	–	(26.3)	**(26.3)**
Share-based payments	–	–	–	–	–	0.2	**0.2**
At 31 December 2019 and 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	–	–	–	–	–	13.7	**13.7**
Dividends	–	–	–	–	–	(25.9)	**(25.9)**
Share-based payments	–	–	–	–	–	2.1	**2.1**
At 31 December 2020	7.3	38.1	7.6	56.9	–	372.5	**482.4**

Details of the capital redemption reserve and the other reserve are included in note 27 of the consolidated financial statements.

Of the retained earnings, an amount of £236.8m (2019: £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 consolidated 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 of the parent company for the financial year amounted to £13.8m (2019: £41.2m).

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 Directors' remuneration report on pages 100 to 110. Fees payable to Non-executive Directors totalled £0.5m (2019: £0.5m).

2 Investments

	2020 £m	2019 £m
Shares at cost		
At 1 January	**513.9**	514.7
Allowances for impairment	**–**	(0.8)
At 31 December	**513.9**	513.9

The company's investments are included in the disclosures in note 9.

Notes to the company financial statements
continued

3 Other assets

	2020 £m	2019 £m
Fair value of derivative financial instruments	**5.4**	3.4
	5.4	3.4

4 Trade and other debtors

	2020 £m	2019 £m
Other receivables	**0.2**	0.4
Prepayments	**0.1**	0.4
Fair value of derivative financial instruments	**0.8**	–
	1.1	0.8

5 Trade and other creditors

	2020 £m	2019 £m
Trade creditors and accruals	**8.3**	4.9
Accrued interest	**0.2**	0.4
	8.5	5.3

6 Other creditors

	2020 £m	2019 £m
Other creditors	**5.4**	5.0
	5.4	5.0

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 2020, the company's liability in respect of the guarantees against bank borrowings amounted to £70.4m (2019: £132.1m). In addition, outstanding standby letters of credit and surety bonds for the Group's captive insurance arrangements totalled £25.4m (2019: £28.8m).

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 (GMP), the estimated increase in the Scheme's liabilities was £0.2m. This was recognised as a past service cost in 2018. An irrecoverable surplus of £0.2m has been recognised in 2020 (2019: £0.3m). Please refer to note 32 of the consolidated financial statements for further information on these items.

There were no contributions outstanding in respect of the defined contribution scheme at 31 December 2020 (2019: £nil).

Details of the company's share of the Scheme are as follows:

	2020 £m	2019 £m
Present value of the scheme liabilities	**(9.1)**	(9.0)
Present value of assets	**8.2**	7.9
Deficit in the scheme	**(0.9)**	(1.1)
Irrecoverable surplus	**(0.2)**	(0.3)
Net defined benefit liability	**(1.1)**	(1.4)

The assets of the scheme were as follows:

	2020 £m	2019 £m
Equities	**2.7**	2.7
Target return funds	**2.2**	2.2
Gilts	**1.6**	1.5
Bonds	**1.6**	1.5
Cash	**0.1**	–
	8.2	7.9

Notes to the company financial statements
continued

8 Pension liabilities continued

	2020 £m	2019 £m
Changes in scheme liabilities		
Opening balance	**(9.0)**	(8.3)
Interest cost	**(0.1)**	(0.2)
Benefits paid	**0.5**	0.3
Experience loss on defined benefit obligation	**(0.1)**	–
Changes to demographic assumptions	**1.0**	0.2
Changes to financial assumptions	**(1.4)**	(1.0)
Closing balance	**(9.1)**	(9.0)
Changes in scheme assets		
Opening balance	**7.9**	6.8
Interest on assets	**0.1**	0.2
Employer contributions	**0.4**	0.4
Benefits paid	**(0.5)**	(0.3)
Return on plan assets less interest	**0.3**	0.8
Closing balance	**8.2**	7.9
Actual return on scheme assets	**0.4**	1.0
Statement of comprehensive income		
Return on plan assets less interest	**0.3**	0.8
Experience loss on defined benefit obligation	**(0.1)**	–
Changes to demographic assumptions	**1.0**	0.2
Changes to financial assumptions	**(1.4)**	(1.0)
Change in irrecoverable surplus	**0.1**	(0.1)
Remeasurements of defined benefit plans	**(0.1)**	(0.1)
Cumulative remeasurements of defined benefit plans	**(3.5)**	(3.4)
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	**1.4**	1.7
Expense recognised in the income statement	**–**	–
Employer contributions	**(0.4)**	(0.4)
Remeasurements of defined benefit plans	**0.1**	0.1
Net liability at end of year	**1.1**	1.4

The contributions expected to be paid during 2021 are £0.4m.

The history of experience adjustments on scheme assets and liabilities is as follows:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Present value of defined benefit obligations	**(9.1)**	(9.0)	(8.3)	(9.0)	(8.8)
Fair value of scheme assets	**8.2**	7.9	6.8	7.0	6.5
Deficit in the scheme	**(0.9)**	(1.1)	(1.5)	(2.0)	(2.3)
Irrecoverable surplus	**(0.2)**	(0.3)	(0.2)	–	–
Net defined benefit liability	**(1.1)**	(1.4)	(1.7)	(2.0)	(2.3)
Experience adjustments on scheme liabilities	**(0.5)**	(0.8)	0.7	(0.5)	(1.2)
Experience adjustments on scheme assets	**0.3**	0.8	(0.4)	0.6	0.3

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 2020 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	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Accrete Limited	5th floor, 1 Sheldon Square, London, W2 6TT, 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 Anchors Ltd.	c/o Blakes, Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, BC, V7X 1L3, Canada
Cyntech Construction Ltd.	4529, Melrose Street, Port Alberni, BC, V9Y 1K7, Canada
Cyntech U.S. Inc.	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States

Name	Address
Fondedile Foundations UK Ltd	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Frankipile Botswana (Pty) Limited	First floor, Plot 64518, Fairgrounds Office Park, Gaborone, Botswana
Frankipile Ghana Limited	Plot LI/13/86, Bethlehem Street, Thema, Ghana
Frankipile International Projects Limited	C/O DTOS Ltd, 10th floor, Standard Chartered Tower, Ebene, Mauritius
Frankipile (Mauritius) International Limited	Geoffrey Road, Bambous, Mauritius
Frankipile Mauritius International (Seychelles) Limited	Maison La Rosiere, Palm Street, Victoria, Mahe, Seychelles
Frankipile Mocambique Limitada	Bairro da Matola D, Estrada Nacional N4, Avenida Samora Machel nr. 393, Matola, Mozambique
Frankipile Swaziland (Pty) Limited	Tenant Office 204, 2nd floor, Inyatsi House, 760 Dr David Hynd Road, Trelwany Park, Manzini, Eswatini
GENCO Geotechnical Engineering Contractors Limited[1]	Sheraton Buildings-Plot 10, Block 1161 Cairo, Cairo, Egypt
GEO Instruments Polska Sp. z o.o.	Lysakow Drugi nr 47, 28-300 Jedrzejow, 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
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

Notes to the company financial statements
continued

9 Group companies continued

Name	Address
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 Colcrete Limited	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
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 Mosheer Ahmed Ismail Street, Nozha Square, 1159 Cairo, Egypt
Keller EMEA Limited[1]	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Engineering, Inc	40600 Ann Arbor Road E., Suite 201, Plymouth, MI 48170, United States
Keller Finance Australia Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Finance Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Financing	5th floor, 1 Sheldon Square, London, W2 6TT, 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 della Siderurgia 10, Verona, I-37139, 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 Geo-Fundações, Sociedade Unipessoal, Lda	Estrada do Porto da Areia 2600-675, Fregguesia da Castanheira, Conchelcho de Vilafranca de Xira, Portugal
Keller Geotechnics Namibia (Pty) Limited	2nd floor, LA Chambers, Ausspann Plaza, Dr Agostinho Neto Road, Windhoek, Namibia
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 6A, Dr Ambedkar Road, Kodambakkam, Chennai, 600024, India
Keller Ground Engineering LLC[4]	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]	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Holdings, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
Keller Industrial, Inc.	820, Bear Tavern Road, West Trenton, NJ, 08628, United States
Keller Investments LLP	5th Floor, 1 Sheldon Square, London, W2 6TT, United Kingdom, 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 Melyepito Kft	1124 Budapest, Csörsz utca 41. 6. em., Hungary
Keller New Zealand Limited	C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand

Name	Address
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.[5]	Office No 273 Al Jazeera Complex-B Satwa Road, Wholesale Market, Doha, Qatar
Keller Resources Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller South Africa (Pty) Limited[6]	16 Industry Rd, Clayville Industrial, Olifantsfontein, 1666, Gauteng, South Africa
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, Vasylkivska 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 Zemin Mühendisligi Limited Sirketi	Harbiye Mah. Tesvikiye Caddesi No:17, D:13 Ikbal Ticaret Merkezi, 34365 Sisli, Istanbul, Turkey
Keller-MTS AG	Sonnenbergstrasse 51, Ennetbaden, 5408, Switzerland
KFS Finland Oy[8]	Haarakaari 42, TUUSULA, 04360, Finland
KGS Keller Gerate & Service GmbH	Kaiserleistraße 8, Offenbach am Main, 63067, Germany
Makers Holdings Limited[1]	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Makers Management Services Limited[1]	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Makers Services Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Makers UK Limited	5th Floor, 1 Sheldon Square, London, W2 6TT, United Kingdom, United Kingdom
Moretrench Australian Pty Ltd	c/o Corporation Service Co., Level 3, Podium, 530 Collins Street, Melbourne VIC 3000, Australia
Moretrench Industrial Inc.	820, Bear 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

Name	Address
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
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
Systems Geotechnique Limited	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Terratest-Keller J.V. SAPI de CV[10]	Presidente Masarik 62, Oficina 110, Bosques de Chapultepec, Distrito Federal, 11580, Mexico
TRENCO Insurance Co., Ltd.	c/o Willis Management (Cayman), Ltd. PO Box 30600, Grand Cayman, KY1-1203, Cayman Islands.
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 70% owned by Keller Holdings Limited.
5 49% owned by Keller Holdings Limited.
6 Share capital consists of 75.1% ordinary shares, 10% ordinary A shares and 14.9% ordinary B shares. Keller Holdings Limited owns 100% of the ordinary shares.
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

9 Group companies 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 2020:

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 2020:

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 2019 results of overseas operations into sterling at the 2020 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 2019 underlying result and the 2019 constant currency result is shown below and compared to the underlying 2020 performance:

Revenue by segment

	2020	2019				
	Statutory £m	Statutory £m	Impact of exchange movements £m	Constant currency £m	**Statutory change %**	**Constant currency change %**
North America	**1,227.5**	1,333.9	(1.1)	1,332.8	**-8%**	**-8%**
Europe, Middle East and Africa	**607.6**	679.6	(8.2)	671.4	**-11%**	**-9%**
Asia-Pacific	**227.4**	287.0	(6.2)	280.8	**-21%**	**-19%**
Group	**2,062.5**	2,300.5	(15.5)	2,285.0	**-10%**	**-10%**

Underlying operating profit by segment

	2020	2019				
	Underlying £m	Underlying £m	Impact of exchange movements £m	Constant currency £m	**Underlying change %**	**Constant currency change %**
North America	**83.2**	78.6	–	78.6	**+6%**	**+6%**
Europe, Middle East and Africa	**20.9**	28.4	0.8	29.2	**-26%**	**-28%**
Asia-Pacific	**13.0**	3.3	(0.2)	3.1	**n/a**	**n/a**
Central items	**(7.0)**	(6.5)	–	(6.5)	**+8%**	**+8%**
Group	**110.1**	103.8	0.6	104.4	**+6%**	**+5%**

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)

	2020 £m	2019 £m
Underlying operating profit	**110.1**	103.8
Depreciation of owned property, plant and equipment	**66.3**	68.4
Depreciation of right-of-use assets	**28.0**	25.6
Amortisation of intangible assets	**0.6**	0.6
Underlying EBITDA	**205.0**	198.4
Non-underlying items in operating costs	**(29.6)**	(28.7)
Non-underlying items in other operating income	**0.7**	3.3
EBITDA	**176.1**	173.0

EBITDA (covenant basis)

	2020 £m	2019 £m
Underlying operating profit	**108.0**	101.8
Depreciation of owned property, plant and equipment	**66.3**	68.4
Depreciation of right-of-use assets[1]	**0.1**	–
Amortisation of intangible assets	**0.6**	0.6
Underlying EBITDA	**175.0**	170.8
Non-underlying items in operating costs	**(29.6)**	(28.7)
Non-underlying items in other operating income	**0.7**	3.3
EBITDA	**146.1**	145.4

1 Includes depreciation on legacy finance leases.

Net finance costs

	2020 £m	2019 £m
Finance income	**(1.1)**	(0.8)
Underlying finance costs	**14.3**	23.3
Net finance costs (statutory)	**13.2**	22.5
Finance charge on lease liabilities[1]	**(3.6)**	(4.3)
Lender covenant adjustments	**(1.5)**	(0.4)
Net finance costs (covenant basis)	**8.1**	17.8

1 Excluding legacy finance leases.

Net capital expenditure

	2020 £m	2019 £m
Acquisition of property, plant and equipment	**72.5**	62.2
Acquisition of other intangible assets	**0.5**	0.7
Proceeds from sale of property, plant and equipment	**(7.4)**	(10.9)
Net capital expenditure[1]	**65.6**	52.0

1 Net capital expenditure excludes right-of use assets.

Net debt

	2020 £m	2019 £m
Current loans and borrowings	**67.0**	41.0
Non-current loans and borrowings	**191.8**	347.7
Cash and cash equivalents	**(66.3)**	(98.9)
Net debt (statutory)	**192.5**	289.8
Lease liabilities[1]	**(71.6)**	(76.7)
Net debt (covenant basis)	**120.9**	213.1

1 Excluding legacy finance leases.

Leverage ratio

The leverage ratio is calculated as net debt to underlying EBITDA.

Statutory

	2020 £m	2019 £m
Net debt	**192.5**	289.8
Underlying EBITDA	**205.0**	198.4
Leverage ratio (x)	**0.9**	1.5

Covenant basis

	2020 £m	2019 £m
Net debt	**120.9**	213.1
Underlying EBITDA	**175.0**	170.8
Leverage ratio (x)	**0.7**	1.2

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.

Adjusted performance measures
continued

Leases

IFRS 16 'Leases' became effective from 1 January 2019. The financial impact of this standard compared to the accounting under the previous leasing standard, IAS 17, is excluded when calculating borrowing leverage under the principal lender covenants and is summarised in the table below:

	2020 £m	2019 £m
Lease charges removed	**31.0**	27.9
Depreciation and impairment of right-of-use assets	**(28.7)**	(25.6)
Increase in operating profit	**2.3**	2.0
Finance charge	**(3.8)**	(4.3)
Reduction in profit before tax	**(1.5)**	(2.3)
Tax effect	**0.4**	0.7
Reduction in profit for the period	**(1.1)**	(1.6)
Right-of-use assets at balance sheet date	**69.5**	75.9
Lease liabilities at balance sheet date[1]	**(73.8)**	(78.4)

1 Included in the lease liabilities are £2.2m of legacy finance leases (2019: £1.7m). These covenants are calculated on a frozen GAAP basis, hence these amounts are not excluded when calculating the borrowing leverage under the principal lender covenants.

Financial record

	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019[1] £m	**2020 £m**
Consolidated income statement										
Continuing operations										
Revenue	1,154.3	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**
Underlying EBITDA	71.4	91.9	124.2	141.9	155.5	158.6	177.2	167.5	198.4	**205.0**
Underlying operating profit	28.9	48.3	77.8	92.0	103.4	95.3	108.7	96.6	103.8	**110.1**
Underlying net finance costs	(7.0)	(4.8)	(3.7)	(6.9)	(7.7)	(10.2)	(10.0)	(16.1)	(22.5)	**(13.2)**
Underlying profit before taxation	21.9	43.5	74.1	85.1	95.7	85.1	98.7	80.5	81.3	**96.9**
Underlying taxation	(5.5)	(13.5)	(23.8)	(29.7)	(33.0)	(29.8)	(24.7)	(22.5)	(22.4)	**(28.3)**
Underlying profit for the year	16.4	30.0	50.3	55.4	62.7	55.3	74.0	58.0	58.9	**68.6**
Non-underlying items[2]	–	–	(20.2)	(56.6)	(36.4)	(7.3)	13.5	(71.8)	(37.2)	**(27.5)**
Profit/(loss) for the year	16.4	30.0	30.1	(1.2)	26.3	48.0	87.5	(13.8)	21.7	**41.1**
Underlying EBITDA (covenant basis)	71.4	91.9	124.2	141.9	155.5	158.6	177.2	167.5	170.8	**175.0**
Consolidated balance sheet										
Working capital	119.8	97.6	124.1	104.1	97.1	152.5	181.3	225.4	230.8	**182.3**
Property, plant and equipment	266.1	248.5	281.9	295.6	331.8	405.6	399.2	422.0	460.6	**434.9**
Intangible and other non-current assets	116.4	112.1	202.8	203.4	183.0	218.2	198.3	179.5	150.8	**149.1**
Net debt (statutory)	(102.5)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(289.8)	**(192.5)**
Other net assets/liabilities	(73.0)	(71.3)	(92.5)	(154.6)	(94.9)	(41.1)	(77.1)	(114.2)	(154.9)	**(163.8)**
Net assets	326.8	335.7	372.6	346.3	334.0	429.6	472.2	426.5	397.5	**410.0**
Net debt (covenant basis)	(102.5)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(213.1)	**(120.9)**
Underlying key performance indicators										
Diluted earnings per share from continuing operations (p)	24.4	45.0	71.9	74.2	85.4	74.8	101.8	79.1	81.3	**96.3**
Dividend per share (p)	22.8	22.8	24.0	25.2	27.1	28.5	34.2	35.9	35.9	**35.9**
Operating margin	2.5%	3.7%	5.4%	5.8%	6.6%	5.4%	5.2%	4.3%	4.5%	**5.3%**
Return on capital employed[3]	6.6%	11.6%	16.7%	18.3%	20.5%	15.3%	15.1%	13.2%	14.4%	**16.4%**
Net debt: EBITDA (statutory)	1.4x	0.6x	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x	1.5x	**0.9x**
Net debt: EBITDA (covenant basis)	1.4x	0.6x	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x	1.2x	**0.7x**

1 Working capital and other net assets/liabilities presented here do not agree to the published 2019 consolidated financial statements as a result of restating the comparative balance sheet as outlined in note 34 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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