Kier Group plc Scrip Dividend Programme

Terms and conditions

This document is important and requires your immediate attention
When considering what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your shares in Kier Group plc please send this document, together with any relevant accompanying documents, to the person to whom you sold or transferred your shares or to the bank, stockbroker or other agent who arranged the sale or transfer for you.

No prospectus is required in accordance with the Prospectus Directive (Directive 2003/71/EC) in connection with the Kier Group plc scrip dividend programme.

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Kier Group plc (the "Company") offers a scrip dividend programme (the "Programme") which offers holders of ordinary shares in the Company ("Shareholders") the opportunity to receive new fully paid ordinary shares in the Company (the "New Shares") instead of cash dividends.

Please remember that the value of ordinary shares and the income from them may fall as well as rise and whether you elect to participate in the Programme is your own decision depending on your individual circumstances. Past performance is no guide to future performance and if you are in any doubt about the action you should take you should contact an independent financial adviser.

If you currently receive cash dividends on your ordinary shares and wish to continue to receive cash dividends, you do not need to take any action and may disregard this document.

Participation and eligibility

The Programme provides eligible Shareholders with an opportunity, if they wish, to receive New Shares instead of a cash dividend in respect of all or a proportion of dividends for which the Programme is offered. The Programme enables eligible Shareholders to increase their holdings in the Company without incurring dealing costs or stamp duty.

The operation of the Programme is subject always to the decision of the Company's directors (the "Directors") to make the Programme available in respect of a particular dividend. Should the Directors decide not to offer the Programme in respect of a particular dividend, a cash dividend will be paid instead.

Who can join the Programme

The Programme is open to all Shareholders, subject to certain restrictions for Shareholders resident outside the UK, as set out below. The right to join the Programme is not transferable.

Shareholders who are resident outside the UK may treat this as an invitation to participate in the Programme provided that they do not live in or are not subject to the jurisdiction of any country where their participation and/or the invitation to participate in the Programme would require the Company to comply with local legal, governmental or regulatory requirements or procedures, or any similar formalities. Shareholders resident outside the UK are responsible for ensuring that they may validly participate in the Programme and for observing all relevant formalities. If you are resident outside the UK and you are in any doubt, you should consult an independent professional adviser. Where local laws or regulations would not allow you to participate in the Programme, these terms and conditions and all other materials issued in connection with the Programme should be treated as having been provided for information purposes only.

How Shareholders holding in certificated form may participate in the Programme

If, with respect to a particular dividend, the Directors decide to offer Shareholders the opportunity to participate in the Programme and receive New Shares instead of cash dividends, the following will be made available to all eligible Shareholders:

- A letter from the Company informing Shareholders of this decision, the relevant details of the scrip dividend alternative, the timetable for the scrip dividend alternative and

  Either

  - A form of election which will enable Shareholders to elect to participate in the Programme (i) on a one-off basis; or (ii) on an on-going basis as part of the Scrip Dividend Mandate Scheme (see below for further details) (the "Form of Election")

  Or

  - If the Shareholder has previously elected to participate in the Scrip Dividend Mandate Scheme, entitlement advice showing the Shareholder's shareholding at the relevant record date, the maximum number of ordinary shares for which an election may be made and the number of New Shares which will be allotted to the Shareholder if he/she does not revoke the Scrip Dividend Mandate before the relevant election date (the "Entitlement Advice").

Shareholders who wish to participate in the Programme should complete the Form of Election and send it to Capita Asset Services ("Capita") in accordance with the instructions set out in the Form of Election. For an election to apply in respect of a particular dividend, instructions must be received by Capita no later than 5.00 p.m. (London time) on the election date for that dividend (which will be notified to Shareholders). Shareholders may elect to participate in the Programme on (i) a one-off basis; or (ii) on an on-going basis as part of the Scrip Dividend Mandate Scheme. Please refer to the section below entitled 'Scrip Dividend Mandate Scheme'.

Shareholders may elect to participate in respect of the full number of ordinary shares or a proportion of the ordinary shares registered in their name(s) on the relevant record date. Please refer to the section below entitled 'Partial elections'. To participate in the Programme for a particular dividend, a Shareholder's holding must be on the Company's share register on the record date for the payment of that dividend.

Shareholders who hold through CREST should refer to the section below entitled 'CREST Shareholders joining and leaving the Programme' on page 8.

Scrip Dividend Mandate Scheme

The Scrip Dividend Mandate Scheme was introduced for the convenience of those Shareholders (except Shareholders holding ordinary shares through CREST), who, in relation to a dividend, would like to elect to receive New Shares automatically for all future dividends for which a scrip dividend is offered. The Scrip Dividend Mandate Scheme does not allow Shareholders to make partial elections.

Shareholders who wish to participate in the Scrip Dividend Mandate Scheme should complete the relevant box on the Form of Election in accordance with the instructions set out in the Form of Election.

An election previously given under the Scrip Dividend Mandate Scheme will remain valid for all dividends for which a scrip dividend alternative is offered until revoked in writing.

How to leave the Scrip Dividend Mandate Scheme

You may leave the Scrip Dividend Mandate Scheme at any time by sending written instructions to revoke the mandate to Capita using the contact details provided on page 9. For a revocation to apply in respect of a particular dividend, instructions must be received by Capita no later than 5.00 p.m. (London time) on the election date for that dividend (which will be notified to Shareholders). A revocation instruction received after the election date will not apply to that dividend but will apply to any dividends paid thereafter.

Managing your shareholding

Entitlement to New Shares

The number of New Shares that a participant will receive for each scrip dividend will depend on the number of ordinary shares held by that participant at the dividend record date, the amount of the cash dividend to which he/she is entitled and the scrip dividend reference share price to be used in calculating scrip dividend entitlements.

Scrip dividend reference share price

The scrip dividend reference share price will be the average of the middle market quotations for Kier Group plc ordinary shares on the Daily Official List of the London Stock Exchange on the five consecutive dealing days commencing on (and including) the date on which the ordinary shares are first quoted ex-dividend.

Formula

The formula used for calculating the maximum number of New Shares to be received for each scrip dividend will be as follows:

$$\frac{\text{Maximum cash available*}}{\text{Scrip dividend reference share price}}$$

* the maximum cash available is the number of ordinary shares held at the relevant dividend record date multiplied by the cash dividend per ordinary share.

Illustrative example of New Share entitlement under the Programme

Number of ordinary shares held: 200
Cash dividend: 20p per ordinary share
Scrip dividend reference share price: £13.00

Step 1 – maximum cash available
(Cash dividend payable)
200 x £0.20 = £40.00

Step 2 – number of New Shares to be issued
(Maximum cash available divided by the scrip dividend reference share price)

$\frac{£40.00}{£13.00}$ = 3.0769 rounded down to 3 New Shares, as no fractions of New Shares can be issued

Step 3 – residual cash balance
(Maximum cash available less value of New Shares)
£40.00 – (3 x £13.00) = £1.00 residual cash balance to be paid to the Shareholder

Listing and ranking of the New Shares

Application will be made for the New Shares to be admitted to the Official List of the UK Listing Authority ("UKLA") and to trading on the London Stock Exchange on the dividend payment date. The New Shares will be credited as fully paid and will rank equally in all respects with the existing ordinary shares (including the same voting rights). In the unlikely event that the New Shares are not admitted to listing or to trading, or if any other condition is not fulfilled, the Company will pay the dividend in cash in the usual way as soon as reasonably practicable.

Statements and share certificates

Once New Shares have been issued, Shareholders will receive a statement called a dividend confirmation, showing the number of New Shares issued, the scrip reference share price, the total 'cash equivalent' of the New Shares for tax purposes and the residual cash balance (if any). If the dividend payable is insufficient to acquire at least one New Share, the statement will show the residual cash balance.

Subject to the New Shares being admitted to the Official List of the UKLA and to trading on the London Stock Exchange, on or about the dividend payment date, the New Shares issued to Shareholders participating in the Programme will be registered in their name and certificated Shareholders will be sent, at their risk, a share certificate. Dealings in the New Shares are expected to begin on the dividend payment date.

CREST Shareholders will have their accounts credited directly with New Shares on the dividend payment date or as soon as practicable thereafter and will receive a statement called a dividend confirmation as above.

Fractions

No participant will receive a fraction of a New Share and fractional entitlements to New Shares will be rounded down.

Residual cash balances

Any residual cash balance remaining after the issue of New Shares, or which was insufficient to acquire a whole New Share, will be paid to Shareholders in accordance with their instructions, either by bank transfer or by cheque which will be sent, at the Shareholder's risk, as soon as reasonably practicable after the relevant event, or by other appropriate payment means.

Multiple shareholdings

If ordinary shares are registered in more than one holding, each holding will require a separate election. Shareholders who would like to consolidate their shareholdings should contact Capita using the contact details provided on page 9.

Joint shareholdings

The Form of Election must be signed by all joint Shareholders to be valid.

Partial elections

Partial elections should be made in accordance with the instructions set out in the Form of Election. If a Shareholder elects to participate in the Programme in respect of a lesser number of ordinary shares than his/her full holding, a cash dividend will be paid on the balance of ordinary shares not included in the Programme. Partial elections cannot be made as part of the Scrip Dividend Mandate Scheme.

Recent sale or purchase of ordinary shares

If a Shareholder has bought ordinary shares before the relevant ex-dividend date, but such ordinary shares are not included in the number shown in the Entitlement Advice and/or Form of Election and the Shareholder wishes to receive New Shares in respect of such additional ordinary shares instead of the cash dividend, the Shareholder should consult his/her bank, stockbroker or other advisor without delay. If no instruction is received for those ordinary shares, the Shareholder will receive the dividend in cash. If a Shareholder has already elected to participate in the Scrip Dividend Mandate Scheme, the additional ordinary shares will be covered by the existing election.

If a Shareholder has sold all of his/her ordinary shares before the relevant ex-dividend date, the Shareholder should pass the relevant Entitlement Advice and Form of Election to his/her bank, stockbroker or other advisor without delay. If a Shareholder has sold some of his/her ordinary shares, but those sold ordinary shares are included in the Entitlement Advice and/or Form of Election, the Shareholder should contact his/her bank, stockbroker or other adviser without delay who will advise on how to proceed. If a Shareholder had previously elected to participate in the Scrip Dividend Mandate Scheme, the existing election will be deemed to be revoked in relation to those ordinary shares which have been sold.

Other circumstances in which an election will be deemed to be revoked

A Shareholder's election to participate will be deemed to be revoked on receipt by Capita of proper notice of the Shareholder's death, bankruptcy or mental incapacity or, in the case of a corporate Shareholder, of such body being placed in liquidation, administration or receivership. However, where the ordinary shares are held jointly with others, participation in the Programme will continue for that shareholding.

CREST Shareholders joining and leaving the Programme

CREST Shareholders may only join the Programme by using the CREST Dividend Election Input (KMIN) Message system entered through CREST no later than 5.00 p.m. (London time) on the election date for that dividend (which will be notified to Shareholders). By doing so, CREST Shareholders confirm their election to participate in the Programme and their acceptance of these terms and conditions, as amended from time to time. Other methods of election, including a paper Form of Election, will not be accepted.

CREST Shareholders may make a one-off election via the CREST Dividend Election Input (KMIN) Message system, which will apply in respect of the next dividend only. This election will only be available after Shareholders have been informed that the Programme will be available for that dividend. Membership of the Scrip Dividend Mandate Scheme will not be permitted in CREST. If you wish to receive New Shares instead of cash in respect of future dividends for which a scrip dividend is offered, you must complete a Dividend Election Input (KMIN) Message on each such occasion, otherwise you will receive the dividend in cash.

Once an election is made using the CREST Dividend Election Input (KMIN) Message system it cannot be amended. Therefore, if a CREST Shareholder wished to change his/her election, the previous election would have to be deleted and a new election made. For a deletion to apply in respect of a particular dividend, it must be input through CREST no later than 17:00 (London time) on the election date for that dividend (which will be notified to Shareholders). If the election is input after the election date, it will not apply to that dividend. All elections made via the CREST system should be submitted in accordance with the procedures as stated in the CREST Reference Manual (as amended from time to time).

The Dividend Election Input (KMIN) Message must contain the number of ordinary shares in respect of which the election is being made. If the number is zero, the election will be rejected. If the number entered on the Dividend Election Input (KMIN) Message is more than the number of ordinary shares held, the election will apply to the full holding. A cash dividend will be paid on any balance of ordinary shares not included in the Programme.

Changes to or cancellation of the Programme

The operation of the Programme requires Shareholder approval. The Programme was approved at the Company's 2013 Annual General Meeting for a period of five years. The Programme may be suspended or terminated or changed at any time at the discretion of the Directors, without notice to individual Shareholders. Details of suspension, termination and any amendments to these terms and conditions will be made available at www.kier.co.uk/scrip as soon as practicable.

If these terms and conditions are amended, existing elections to participate in the Scrip Dividend Mandate Scheme will (unless otherwise specified by the Directors) be deemed to remain valid unless and until Capita receives written instructions from a Shareholder to cancel his/her mandate.

The operation of the Programme is subject always to the Directors' decision to offer the Programme in respect of a particular dividend. The Directors may also, after such an offer is made, withdraw the offer generally at any time prior to the issue of New Shares under the Programme. If the offer is withdrawn in such circumstances, a cash dividend will be paid as soon as practicable on or after the dividend payment date.

Communication

All documents sent by post will be sent at each Shareholder's risk and neither the Company nor Capita will be liable for any accidental failure to receive any document. All notices and documents will be sent to the first-named Shareholder at the address on the share register.

Governing law

The Programme (including the Form of Election and any related documents) is subject to the Company's Articles of Association and these terms and conditions, as amended from time to time, and is governed by, and these terms and conditions are to be construed in accordance with, English law. By electing to receive New Shares under the Programme, you agree that any proceedings between you and the Company in relation to the Programme will be subject to the jurisdiction of the courts of England and Wales.

Enquiries

All enquiries regarding the Programme should be directed to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU - telephone 0371 664 0321 (calls are charged at the standard geographic rate and will vary by provider). Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Capita Asset Services Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Taxation

Taxation treatment for UK residents

The Company understands that under current UK legislation and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), as at 17 October 2016, the taxation consequences for Shareholders electing to receive New Shares instead of a cash dividend will broadly be as set out below.

Please remember:

- This summary is only an outline of the tax position, not a comprehensive picture – your own tax treatment will depend on your individual circumstances;
- It only covers the position of Shareholders resident and domiciled in the UK for taxation purposes (and to whom "split year" treatment does not apply) who hold their ordinary shares beneficially as an investment, otherwise than under an individual savings account and who have not (and are not deemed to have) acquired their ordinary shares by reason of any office or employment;
- It does not address the position of certain classes of Shareholders such as dealers in securities;
- UK legislation and HM Revenue & Customs practice can change from time to time;
- Shareholders who may be subject to taxation in a jurisdiction other than the UK should seek their own professional advice; and
- If you are in any doubt as to your tax position, you should consult your professional adviser before taking any action.

UK resident individual Shareholders

Income tax

An individual Shareholder who is a UK resident and elects to receive New Shares will have the same liability to income tax as the Shareholder would have had on the receipt of a cash dividend of an amount equal to the 'cash equivalent' of the New Shares. The 'cash equivalent' of the New Shares will be the amount of the cash dividend which the Shareholder would have received in the absence of an election to take New Shares, unless the market value of the New Shares on the first day of dealings on the London Stock Exchange differs by 15% or more of such cash dividend amount in which case the market value will be treated as the 'cash equivalent' of the New Shares for taxation purposes.

Where part of the cash dividend foregone is not applied in determining the number of New Shares to which the Shareholder is entitled, this residual cash balance will be treated as a cash dividend in the ordinary way.

An individual Shareholder who elects to receive New Shares instead of a cash dividend, will be treated as having received dividend income of an amount equal to the 'cash equivalent' of the New Shares.

From 6 April 2016, an individual Shareholder will not be subject to income tax on such dividend income to the extent that the total amount of dividend income (including the cash equivalent of the New Shares) received by such individual Shareholder in the tax year does not exceed a dividend allowance of £5,000, which is taxed at a nil rate (the "Dividend Allowance").

In determining the income tax rate or rates applicable to an individual Shareholder, dividend income is treated as the highest part of such individual's income. Dividend income that falls within the Dividend Allowance will count towards the basic or higher rate limits (as applicable), which may affect the rate of tax due on any dividend income in excess of the Dividend Allowance.

To the extent that an individual Shareholder's dividend income for the tax year exceeds the Dividend Allowance and, when treated as the top slice of such individual's income, falls above such individual's personal allowance but below the basic rate limit, such individual Shareholder will be subject to tax at the dividend ordinary rate of 7.5%. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such individual Shareholder will be subject to tax at the dividend upper rate of 32.5%. To the extent that such dividend income falls above the higher rate limit, such individual Shareholder will be subject to tax at the dividend additional rate of 38.1%.

Subject to what is said above in relation to the determination of the 'cash equivalent' of the New Shares, this treatment is the same as that for cash dividends.

From 6 April 2016, individual Shareholders will no longer be entitled to any tax credit in respect of dividends, whether in the form of New Shares or cash dividends.

Capital Gains Tax

For Capital Gains Tax purposes, if an individual Shareholder who is UK tax resident makes an election to receive New Shares instead of a cash dividend, the 'cash equivalent' of the New Shares (determined as described above) will be treated as being the base cost of the New Shares.

UK resident trustees

From 6 April 2016, where an election to receive New Shares instead of a cash dividend is made by trustees of trusts which are liable to income tax at the trust rate, such trustees will be subject to tax on the 'cash equivalent' of the New Shares (determined as described above) at the applicable dividend trust rate, generally 38.1%. The Dividend Allowance, as outlined above, will not be available to trustees.

Where New Shares are received instead of a cash dividend, the 'cash equivalent' of the New Shares will be treated as consideration given for the New Shares for Capital Gains Tax purposes.

From 6 April 2016, trustees will no longer be entitled to any tax credit in respect of dividends whether in the form of New Shares or cash dividends.

UK resident companies

A corporate Shareholder is not generally liable to corporation tax on cash dividends and will not be charged corporation tax on New Shares received instead of a cash dividend. These New Shares will be added to the corporate Shareholder's existing holding of ordinary shares in the Company and treated as having been acquired when the existing holding was acquired. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the New Shares, so there will be no increase in base cost.

UK pension funds

When pension funds elect to receive New Shares, no tax credit will attach to the New Shares, neither will any tax credit attach to a cash dividend.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the issue of New Shares.

Kier Group plc
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www.kier.co.uk