

Remuneration report

Introduction

In preparing this report, the Committee has complied with the Companies Act 2006 (the 'Act') and the June 2008 Combined Code as set out at www.frc.org.uk/corporate/ukcgcode.cfm (the 'Code'). A resolution to approve the report will be proposed at the forthcoming Annual General Meeting of the Company.

The Regulations require the Auditors to report to the Company's members on the 'auditable part' of the Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Act. The report has therefore been divided into separate sections for unaudited and audited information. Within the unaudited section, the report deals with the remuneration policy which is to be followed from 1 January 2011.

Unaudited information Remuneration Committee

The Company has established a Remuneration Committee (the 'Committee') in accordance with the recommendations of the Code. The names of members of the Committee during the year are given below. The Committee was chaired by Mr Brown and all members served on the Committee throughout the year, except where indicated.

Committee members

E G F Brown (Chairman)
Dr K Bond (until 17 May 2010)
R Cairnie (from 1 June 2010)
R T Scholes

The Committee's terms of reference are available on the Group's website (www.keller.co.uk) and on request from the Company Secretary. The principal function of the Committee is to agree the framework and policy for the remuneration of the Group's senior management and to determine, on behalf of the Board, the remuneration packages of the Executive Directors. The Committee is also responsible for monitoring the level and structure of remuneration for senior management and for annually reviewing and noting remuneration trends across the Group. As more than 90% of the workforce is based outside the UK, remuneration packages for the Group's senior management will vary according to local market norms and conditions.

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. Apart from Dr Bond, who was not deemed to be independent under the Code in his last few months on the Board, having served for more than nine years, all other members of the Committee were independent throughout the period of their membership. 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.

The frequency of, and attendance at, meetings of the Committee during the year is shown in the Corporate Governance Report.

In determining the Executive Directors' remuneration for 2011, the Committee has consulted Mr Franklin, the Chairman, and Mr Atkinson, the Chief Executive, about its proposals, except (in the case of Mr Atkinson) in relation to his own remuneration. No Executive Director is involved in determining his own remuneration.

During the year, the Committee has received advice on Executive Directors' remuneration from Hewitt New Bridge Street ('HNBS'), who were appointed by the Committee and who have also advised the Company on the valuation of share-based payments.

Remuneration policy and arrangements

The objective of the remuneration policy is to attract, retain and motivate Executive Directors and senior executives of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation. The remuneration policy also seeks to ensure that members of the Group's senior management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Executive Directors are assessed individually so that their remuneration is directly related to their performance over time.

The Committee has adopted the principle that basic salary should be set broadly in line with the median for executives in a role of comparable standing and that Executive Directors should be able to achieve total remuneration at the market upper quartile level when justified by superior performance.

An appropriate balance is maintained between fixed remuneration and variable (performance-related) remuneration. Fixed remuneration is made up of basic salary, pension and other benefits. Variable remuneration is made up of an appropriate mix of short-term and long-term incentives (further details of which are given below). At 'target' performance (i.e. assuming that 50% of salary is payable under the annual bonus and that 55% of the performance share awards vest), 51% of the package for each of the Executive Directors, excluding pension and other benefits, comprises variable elements. Assuming performance-linked elements pay out in full, the proportion of the variable elements increases to 71% of the total package, excluding pension and other benefits.

Benchmarking of remuneration is not carried out annually, but is a tool used occasionally by the Committee to ensure that remuneration remains competitive. The last exercise to benchmark the remuneration of all Executive Directors was undertaken in 2007 and the remuneration of the Finance Director was subsequently re-assessed in 2009. Other than where benchmarking reveals a significant misalignment with market rates, Executive Directors' basic salaries increase broadly in line with salary increases across the Group, although there may be regional differences reflecting local market and trading conditions.

This remuneration policy is expected to apply to the 2011 financial year and to subsequent years. The details of the component parts of the remuneration package for Executive Directors are set out below.

Elements of remuneration

There are five main elements of the remuneration package for Executive Directors and selected senior managers: basic salary, performance-related annual bonus, long-term incentive arrangements, pension arrangements and other benefits. Only basic salary is pensionable.

(i) Basic salary

Salaries for Executive Directors are determined by the Committee before the start of each year and when an individual changes position or responsibility.

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The Executive Directors elected to have no salary increases in 2010. For the year commencing 1 January 2011, their basic salary increases range from 2.0% to 2.5%.

(ii) Performance-related annual bonus

The maximum annual cash bonuses for Executive Directors are set by the Committee and are subject to: (i) stretching financial performance targets designed to enhance shareholder value; and (ii) individual performance against objectives set by the Committee, most of which are specifically linked to strategy. The performance-related bonuses are not pensionable.

In line with the principle that Executive Directors should be able to achieve total remuneration at the market upper quartile level when justified by superior performance, the maximum bonus potential is 150% of basic annual salary. Bonus representing up to 100% of salary will only become payable in full where very strong financial performance has been delivered. Any bonus earned in excess of 100% of salary will only become payable for exceptional performance and will be deferred for a period of three years. The deferred element of the bonus will be satisfied in cash, subject to continued employment over the deferral period. The amount of cash payable will be adjusted in line with movements in the Company's share price over the three-year period commencing on the last day of the year to which the bonus relates.

The 2011 bonus for Mr Atkinson and Mr Hind will be linked to the achievement of:

- Group earnings per share ('EPS'), profit before tax ('PBT') and average net debt targets; and
- personal, task-based objectives.

The 2011 bonus for Mr Rubright and Dr Sondermann will be linked to the achievement of:

- divisional operating profit and average net debt targets;
- Group EPS and PBT targets; and
- personal, task-based objectives.

Actual financial performance targets for 2011 are considered to be commercially sensitive and accordingly they are not disclosed in this report.

(iii) Long-term incentive arrangements

The Company's long-term incentive arrangements are intended to encourage Executive Directors and selected senior managers to focus on long-term, strategic corporate objectives and to further align the interests of management and shareholders.

Under the Performance Share Plan, approved by shareholders in 2004, performance share awards may be granted each year to selected senior managers. The rules limit annual awards to 100% of an executive's basic annual salary, unless the Committee determines that exceptional circumstances exist, e.g. to facilitate the recruitment or retention of a key executive, in which case an award may be granted up to 200% of the relevant executive's basic annual salary. After having considered carefully the grant levels, taking account of the share price and the performance conditions (which are proposed to be unchanged, as described below), grants will be made to Executive Directors in 2011 over shares worth 100% of salary.

Performance share awards are released to executives after three years, subject to demanding performance conditions being met. Currently, 50% of a performance share award is conditional on

targets based on growth in EPS and the remaining 50% is based on relative total shareholder return ('TSR') against companies comprising the FTSE All-Share Index. Under this approach, in order for awards to vest in full, there must be very strong financial performance as well as stock market outperformance, thereby aligning the interests of Executive Directors with those of shareholders.

The Committee has considered carefully the range of growth targets for awards in 2011 and has decided to retain the same targets as have been adopted since 2007.

The following EPS growth targets will apply for awards granted in 2011:

For half of the shares subject to a performance share award

EPS growth (average over 3 years)	Proportion of shares that vest
Less than RPI + 4% pa	0%
RPI + 4% pa	30%
RPI + 9% pa	100%
Between RPI + 4% pa and RPI + 9% pa	Between 30% and 100% on a straight line basis

Earnings per share, for the purposes of the performance condition, is earnings per share before amortisation and impairment of intangible assets and exceptional items, as calculated from the Company's Annual Report and Accounts.

For awards granted in 2011, TSR performance will once again be compared to the companies comprising the FTSE All-Share Index (as it has been for awards granted since 2007).

For half of shares subject to a performance share award

Relative TSR (after 3 years)	Proportion of shares that vest
Below median ranking	0%
Median ranking	30%
Upper quintile ranking	100%
Between median and upper quintile ranking	Between 30% and 100% on a straight line basis

Performance is measured over a single three-year period, with the return at the end of the period being the average over the last three months of the performance period. To the extent that the targets are not achieved, the award lapses. At the end of the performance period, TSR calculations are independently performed for the Committee by HNBS.

The Committee expects that performance share awards granted since March 2008, and to be granted for the foreseeable future, will be satisfied by shares purchased in the market, either specifically to satisfy these awards or shares previously purchased and held in treasury.

Since 2001, the Group has had an Inland Revenue approved executive share option plan and an unapproved executive share option plan (the '2001 Plans'). No options have been granted under the 2001 Plans since 2003 and the Committee has no current intention of granting further options under these Plans, which will effectively expire in May 2011.

(iv) Pension arrangements

Mr Atkinson is a member of the Keller Group Pension Scheme (the 'Scheme'). The Scheme provides a pension based upon a percentage of final salary and pensions for dependants on death in service or following retirement.

The table on page 29 shows Mr Atkinson's accrued Scheme benefits. The Scheme closed to future benefit accrual with effect from 31 March 2006, since when Mr Atkinson has received a salary supplement in lieu of a Company contribution to an alternative pension arrangement. The salary supplement is not taken into account in determining bonuses or any other form of remuneration.

Dr Sondermann is a member of the defined benefit pension arrangements established by Keller Grundbau GmbH. Dr Sondermann's accrued benefits under these arrangements are included in the table on page 29.

Dr Sondermann is also a member of a defined contribution scheme, as are Mr Hind and Mr Rubright.

(v) Other benefits

Other benefits for Executive Directors comprise a car and payment of its operating expenses, or car allowance; private health care; life assurance; and long-term disability insurance.

Service contracts

In accordance with general market practice, it is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. However, it may be necessary occasionally to offer longer initial notice periods to attract new directors, provided that the notice period shall reduce to one year after the initial period.

Service contracts between the Company (or other companies in the Group*) and individuals who served as Executive Directors at any time during the year are summarised below:

Director	Date of service contract	Notice period
J R Atkinson	11 October 1999	12 months
J W G Hind	16 May 2003	12 months
R M Rubright	8 August 1977	12 months
	(modified by a memorandum of employment dated 12 May 2003)	
Dr W Sondermann	12 February 1998	12 months
	(modified by a memorandum of employment dated 5 March 2004)	

*Mr Rubright's service contract is with Hayward Baker Inc.
Dr Sondermann's service contract is with Keller Holding GmbH.

In the event of early termination, the Executive Directors' contracts provide for compensation up to a maximum of basic annual salary plus the fair value of benefits to which they are contractually entitled for the unexpired portion of the notice period. The Company seeks to apply the principle of mitigation in the payment of compensation on the termination of the service agreement of any Executive Director. There are no special provisions for payments to Executive Directors on a change of control.

The Board may allow Executive Directors to accept external appointments; however, in accordance with the Code, the Board will not agree to a full-time executive taking on more than one non-executive directorship, nor the chairmanship of any company. None of the Executive Directors held external appointments during 2010.

During the year, £20,000 was paid to Mr M W C Martin, a former Director of the Company, for services provided to Group companies.

Non-executive Directors

All Non-executive Directors have specific terms of engagement, the dates of which are set out below. For Non-executive Directors appointed before 1 October 2003, the initial appointment period is 12 months and thereafter the appointment is subject to three months' notice by either party. Subsequent 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.

Director	Date of engagement letter
Dr K Bond (retired May 2010)	24 November 2003 (renewed January 2007 and October 2009)
E G F Brown	18 January 2002
R Cairnie	8 April 2010
R A Franklin	17 July 2007 (and 28 July 2009 re. appointment as Chairman)
C F Girling	11 February 2011
P J López Jiménez	21 January 2003
R T Scholes	8 February 2002

The determination of the Non-executive Directors' remuneration, including that of the Chairman, has been delegated by the Board to the Executive Directors, who are guided by independent surveys of fees paid to non-executive directors of similar companies. The fees paid to Non-executive Directors in the year, shown on the following page, are inclusive of the additional work performed for the Company in respect of membership of the Board Committees and reflect the time commitment and responsibilities of their roles. Non-executive Directors cannot participate in any of the Company's short- or long-term incentive arrangements.

As with the Executive Directors, the Non-executive Directors also elected to receive no increase in their fees for 2010. Their 2011 fees have increased by approximately 2.5%.

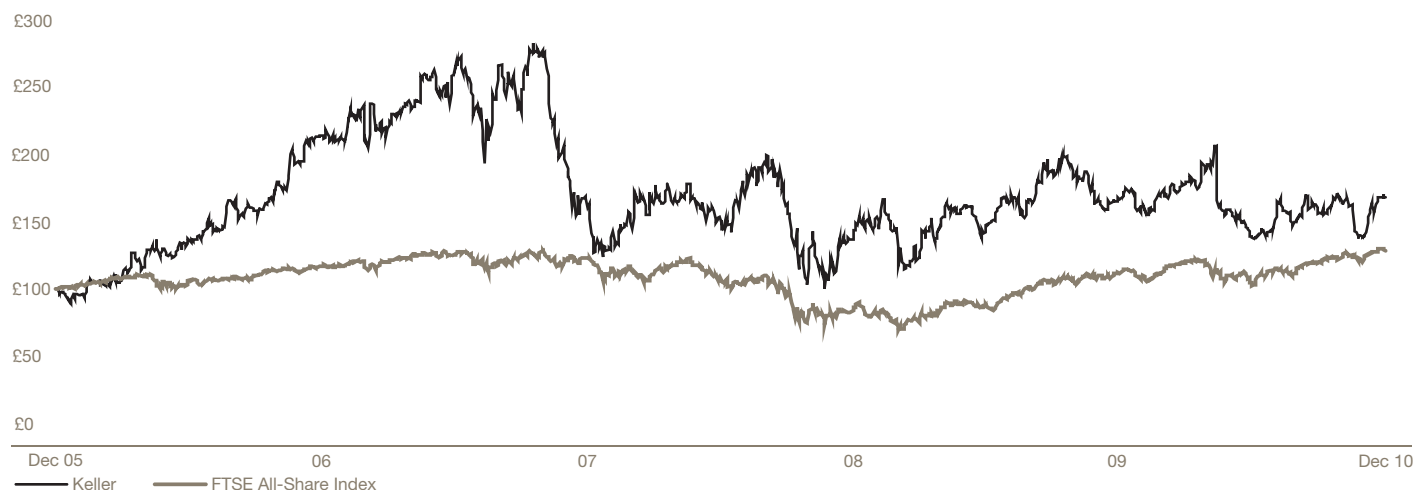
Relative performance

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE All-Share Index. This index has been selected because it best reflects the Company's international nature and size. The graph looks at the value, by the end of 2010, of £100 invested in Keller on 31 December 2005 compared with the value of £100 invested in the FTSE All-Share Index.

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Total Shareholder Return



Audited information

Directors' emoluments for the year ended 31 December 2010

	Basic salary 2010 £000	Fees 2010 £000	Benefits 2010 £000	Annual bonus 2010 £000	Other 2010 £000	Total emoluments 2010 £000	Total emoluments 2009 £000
Executive							
J R Atkinson	410	–	17	*	123	550	807
J W G Hind	295	–	11	*	–	306	492
R M Rubright	384	–	18	*	–	402	655
Dr W Sondermann	326	–	12	*	–	338	490
Non-executive							
Dr K Bond	–	17	–	–	–	17	40
E G F Brown	–	47	–	–	–	47	47
R Cairnie	–	23	–	–	–	23	–
R A Franklin	–	143	–	–	–	143	83
P J López Jiménez	–	40	–	–	–	40	40
R T Scholes	–	47	–	–	–	47	47
Dr J M West (retired July 2009)	–	–	–	–	–	–	91
	1,415	317	58	–	123	1,913	2,792

*The Executive Directors waived their entitlement to bonuses for 2010 – see below.

Mr Rubright and Dr Sondermann are paid in US dollars and euros respectively and the differences between their 2009 and 2010 basic salaries arise solely on the translation of their salaries into sterling.

The column headed 'Other' in the table above shows a salary supplement of £123,000 paid to Mr Atkinson in lieu of a Company pension contribution in 2010 (2009: £123,000) following the closure of the Scheme to future benefit accrual on 31 March 2006.

A maximum annual cash bonus of 150% of basic annual salary was set for the Executive Directors for the year ended 31 December 2010. The 2010 bonus targets for Mr Atkinson and Mr Hind were linked to the achievement of Group EPS, PBT and average net debt targets (up to 130% of salary); and to personal, task-based objectives (up to 20% of salary). The 2010 bonus targets for Mr Rubright and Dr Sondermann were linked to the achievement of Group EPS and PBT targets (up to 20% of salary); to divisional operating profit and average net debt targets (up to 110% of salary); and to personal, task-based objectives (up to 20% of salary). The baselines for the 2010 Group financial performance targets at which no bonus was payable (as adjusted for actual 2010 exchange rates) were PBT of £48m, EPS of 53p and average net debt of £92m. The financial performance targets attracting maximum bonus are considered commercially sensitive and are not, therefore, disclosed.

The Executive Directors waived their entitlement to bonuses for 2010 in the following amounts: Mr Atkinson: £69,700; Mr Hind: £50,200; Mr Rubright: £76,800; and Dr Sondermann: £35,900.

Directors' shareholdings

The interests in the issued ordinary share capital of the Company of Directors holding office at the end of the year were:

Director	At 31 December 2010 Ordinary shares	At 31 December 2009 Ordinary shares	At 31 December 2010 Shareholdings of Executive Directors as % of basic salary
J R Atkinson	202,693	195,083	311%
E G F Brown	24,840	24,840	n/a
R Cairnie	–	–	n/a
R A Franklin	6,000	6,000	n/a
J W G Hind	67,434	62,422	144%
P J López Jiménez*	3,691,985	3,691,985	n/a
R M Rubright	107,000	102,000	175%
R T Scholes	10,000	7,000	n/a
Dr W Sondermann	90,000	85,000	170%

*Shares are registered in the name of GTCEISU Construcción, S.A., a connected person of Mr López Jiménez.

There is no formal shareholding requirement. However, all the Executive Directors have a meaningful shareholding in the Company, aligning their interests with those of shareholders, as indicated in the table above, which is based on a share price of 630p. There have been no changes in Directors' shareholdings between the end of the financial year and 28 February 2011.

Directors' pension rights

Company pension contributions for Directors to defined contribution schemes were as follows:

Director	2010 £000	2009 £000
J W G Hind	53	53
R M Rubright	58	56
Dr W Sondermann	55	57
Total	166	166

The changes during the year in the accrued pension entitlements of Mr Atkinson under the Scheme and of Dr Sondermann under the defined benefit pension arrangements operated by Keller Grundbau GmbH are shown in the table below. The amount shown as accrued pension at the end of the year is that which would be paid annually on retirement, based on service to the end of the year.

Director	Transfer value of accrued benefit at beginning of year £000	Transfer value of accrued benefit at end of year £000	Increase in transfer value during the year less member contributions £000	Accrued pension at end of year £000	(Decrease)/ increase in accrued pension including inflation £000	Increase in accrued pension excluding inflation £000	Transfer value of increase in accrued pension excluding inflation less member contributions £000
J R Atkinson	1,642	1,791	149	95	(2)	0	0
Dr W Sondermann	67	86	19	5	1	1	2

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Directors' interests in the Performance Share Plan

	Awards held at 1 January 2010	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	Awards held at 31 December 2010	Exercise Price (per exercise)	Date from which exercisable	Expiry date
J R Atkinson								
2 March 2007	41,713	–	12,931	28,782	–	100.0p	02/03/10	01/09/10
6 March 2008	58,594	–	–	–	58,594	100.0p	06/03/11	05/09/11
5 March 2009	82,495	–	–	–	82,495	100.0p	05/03/12	04/09/12
5 March 2010	–	62,232	–	–	62,232	100.0p	05/03/13	04/09/13
J W G Hind								
2 March 2007	27,475	–	8,517	18,958	–	100.0p	02/03/10	01/09/10
6 March 2008	38,594	–	–	–	38,594	100.0p	06/03/11	05/09/11
5 March 2009	59,356	–	–	–	59,356	100.0p	05/03/12	04/09/12
5 March 2010	–	44,776	–	–	44,776	100.0p	05/03/13	04/09/13
R M Rubright								
2 March 2007	32,200	–	9,982	22,218	–	100.0p	02/03/10	01/09/10
6 March 2008	41,921	–	–	–	41,921	100.0p	06/03/11	05/09/11
5 March 2009	72,557	–	–	–	72,557	100.0p	05/03/12	04/09/12
5 March 2010	–	54,734	–	–	54,734	100.0p	05/03/13	04/09/13
Dr W Sondermann								
2 March 2007	25,955	–	8,046	17,909	–	100.0p	02/03/10	01/09/10
6 March 2008	37,716	–	–	–	37,716	100.0p	06/03/11	05/09/11
5 March 2009	59,124	–	–	–	59,124	100.0p	05/03/12	04/09/12
5 March 2010	–	50,419	–	–	50,419	100.0p	05/03/13	04/09/13

The market value of the shares on the dates of grant were: 2 March 2007: 881.0p; 6 March 2008: 696.0p; 5 March 2009: 523.0p; and 5 March 2010: 655.5p.

On 3 March 2010, when the market value of the shares was 664.5p, Mr Atkinson exercised an award over 12,931 shares and Mr Hind and Dr Sondermann exercised awards over 8,517 and 8,046 shares respectively. In addition, Mr Rubright exercised an award over 9,982 shares on 9 March 2010 when the market value of the shares was 664.0p. The pre-tax gains on awards exercised by Directors during the year were as follows: Mr Atkinson: £85,925 (2009: £581,114); Mr Hind: £56,594 (2009: £227,959); Mr Rubright: £66,279 (2009: £594,459); and Dr Sondermann: £53,465 (2009: £227,959).

The 2008, 2009 and 2010 awards are subject to two performance conditions linked to EPS and TSR, as detailed on page 26.

In the three-year performance period ended 31 December 2010 EPS growth was negative, whereas TSR ranked number 420 out of 584 companies in the FTSE All-share Index, the TSR comparator group for the 2008 grant. Accordingly, none of the performance share awards granted on 6 March 2008 are exercisable.

The market value of the shares at 31 December 2010 was 630.0p and the range during the year was 515.0p to 784.5p.

There have been no variations to the terms and conditions or performance criteria for share options or performance share awards granted to Executive Directors during the financial year.

On behalf of the Board

E G F Brown

Chairman
Remuneration Committee
28 February 2011