

Introduction

Galliford Try plc believes the highest standards of corporate governance are integral to the delivery of its strategy, providing the means by which the Board manages the expectations of stakeholders to optimise sustainable performance.

The UK Corporate Governance Code, in force for all premium listed companies with accounting periods commencing on or after 29 June 2010 (the “Code”) is the governance code to which the Group is now subject.

Galliford Try has committed to complying in full with all provisions of the Code, including those aspects only strictly relevant to FTSE 350 companies, in seeking to both support and foster the highest standards of corporate governance. The extended provisions are proportionate, and the Group accordingly complied in full with all provisions of the Code throughout the financial year.

Statement and Reporting

The Group will continue to prepare a Corporate Governance statement for the purposes of Disclosure and Transparency Rule 7.2.1 stating, and if necessary explaining, compliance with the Code through the applicable financial year. In 2011 the report covered:

- Board: composition
- Board: remit
- Board: performance evaluation
- Board: committees
- Shareholder relations
- Reporting, risk, internal audit and controls

The Company will also prepare an annual Remuneration Report in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Financial Services Authority’s Listing Rules.

The following extracts from the 2011 Corporate Governance Report, which can be found on pages 42 to 47 of the Annual Report and Financial Statements, summarise the application of the Group’s Corporate Governance policy during the financial year ended 30 June 2011:

Board: composition

The Company is led by a board which comprises the non-executive chairman, two executive directors, the senior independent director and two further independent non-executive directors.

Ian Coull was appointed as a non-executive director and chairman designate with effect from 8 November 2010. He subsequently became chairman and a member of the nomination and remuneration committees on 1 July 2011 following the retirement of David Calverley from the board on 30 June 2011.

These were the only changes to the board during and since the financial year; further information regarding the appointment of Ian Coull is included in the nomination committee report on page 45 of the Annual Report 2011.

Biographical summaries for each of the current directors, their respective committee responsibilities and their external directorships are set out on page 41 of the Annual Report 2011. All of the directors serving throughout the financial year made significant contributions to the Group. They all continue to demonstrate commitment to their roles.

Amanda Burton's continuing term as a non-executive director extended to six years as at 1 July 2011, and her reappointment has therefore been subject to particularly rigorous review this year taking into account the need for the progressive refreshing of the board. The board is particularly keen to maintain the continuity she brings to the board, particularly in light of the change of chairman, and the valuable roles she continues to perform as senior independent director and chairman of the remuneration committee.

Each of the non-executive directors serving during the financial year is considered to be independent, with the exception that David Calverley did not meet the independence criteria set out in the Code on his appointment as chairman in 2005, having previously been the chief executive of the Company. At least half of the board comprised independent non-executive directors throughout the financial year.

The roles of the chairman and the chief executive are separate, clearly defined and documented. The Chairman takes responsibility for board matters encompassing induction and training, governance and information, leadership and effectiveness, and shareholder relations. The chief executive is responsible to the board for the executive management of the Group. The chairman and the chief executive meet regularly to discuss the Group's performance, operations and any matters arising that merit the attention of the wider board.

Amanda Burton continues to be the Group's senior independent director and as such remains available to shareholders if they have concerns which contact through normal channels has failed to resolve, or for which such contact is inappropriate. She was not approached during the year.

The role and responsibilities expected of a non-executive director are detailed in their individual letters of appointment, and each non-executive confirms prior to appointment that they have sufficient time to commit to the Group. The letters of appointment are available for inspection at the Company's registered office during normal office hours and prior to the annual general meeting.

Board: remit

There is a formal schedule of matters reserved for prior authorisation by the board. The board takes responsibility for the Group's business plan; overall Group strategy; all material investments, acquisitions and disposals; all human resource, environmental and health and safety policies; all significant capital expenditure, financial matters and reviewing the Group's system of internal control.

The board has established reporting mechanisms which simultaneously ensure that it receives timely and appropriate reports and proposals from senior management in advance of its scheduled meetings, and is immediately informed of significant developments affecting the business. Ad hoc matters considered by the board during the financial year included the successful refinancing of the Group's banking facilities in May.

The board may, provided the quorum and voting requirements are satisfied, authorise any matter that would otherwise involve a director breaching his duty under the Act to avoid conflicts of interest. Any director may propose that the director concerned be authorised in relation to any matter which is the subject of such conflict and such a proposal shall be put to the board in the same way as any other matter, except that the director who is subject to the conflict (or any other director with a similar interest) shall not count towards the quorum or vote on the resolution authorising the conflict. This forms a central part of the procedures that the Company has to deal with conflicts of interest and these procedures have operated effectively throughout the financial year.

Board: performance evaluation

The process of monitoring and evaluating the performance of the board and its committees was reviewed and updated during the financial year to reflect the application of the Code. All directors completed confidential questionnaires reformatted to rigorously address themes including board mechanics and effectiveness, Group performance and strategy, governance and corporate social responsibility, and incorporate a separate review of the evaluation process. The questionnaires invited any recommendations regarding any areas of concern or potentially meriting greater board attention.

The tailored committee questionnaires covered areas such as committee mechanics and effectiveness; committee governance; communication; risk and internal controls, and external audit. Each aspect of the questionnaire sought to gauge opinion on detailed aspects of the committee's workings, recent Group developments and market practice.

The Company Secretary collated results from the questionnaires and prepared a report on the findings for an initial discussion with the chairman. The findings were then discussed by the wider board, with a number of related actions then being agreed.

Board: committees

The committees of the Board, their members and a report on their activities are given below:

Audit Committee

At the year end the audit committee comprised Andrew Jenner, who is chair, Amanda Burton and Peter Rogers, all three independent non-executive directors who served throughout the financial year.

Having qualified as a chartered accountant with Deloitte & Touche LLP, and now as Finance Director of Serco Group plc, Andrew Jenner has a strong financial background which fulfils the Code requirement that the committee's membership has recent and relevant financial experience.

The committee meets at least three times a year, this number being deemed appropriate to the audit committee's role and responsibilities. The committee also meets with the internal and external audit teams in the absence of executive management. The terms of reference are available on the Group website.

The committee has delegated responsibility for:

- financial reporting, to include monitoring the integrity of the annual and half year financial statements and any formal announcements relating to the Group's financial performance; approving any significant reporting judgements contained therein; and authorising changes to any critical accounting policies and practices;
- external audit, to include overseeing the relationship with the external auditor; reviewing the effectiveness of the audit process at the end of the external audit cycle; making recommendations to the board, for submission to shareholders for their approval in general meeting, regarding the appointment, re-appointment and removal of the external auditor; approving the external auditors' remuneration and terms of engagement; and assessing the independence and objectivity of the external auditor, taking into consideration relevant UK professional and regulatory requirements, and which encompasses maintaining a policy on their engagement to supply non-audit services to the Group;
- internal audit, risk and controls, to include monitoring and reviewing the role and effectiveness of the internal audit function; receiving regular reports on the results of the internal audit team's work; monitoring executive and senior management responsiveness to any findings; keeping under review the integrity of the Group's internal control framework and recommending changes as necessary; assessing the annual internal audit plan; and reviewing elements of the Annual Report and Financial Statements relating to risk and controls;
- whistleblowing, reviewing arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters.

During the financial year, the audit committee otherwise discharged its responsibilities as set out in its terms of reference by undertaking the following calendar of prioritised work:

- agreeing the terms of engagement and fee of the external auditor for the half and full year audits;
- receiving and approving regular reports on the findings of, and actions arising from, the internal audit team's review programme;
- considering the potential impact on the Group's financial statements of significant corporate governance and accounting matters;
- reviewing the appropriateness of the methodology used to assess the carrying value of the Group's land and work-in-progress;
- reviewing the accounting and financing arrangements with respect to any associate and joint venture entities;
- reviewing the Annual Report disclosure items relevant to the committee's remit including any revisions made to the Group's statement of accounting policies;
- meeting prior to the board meetings at which the Annual Report and Financial Statements and the Interim Report were approved, in particular to approve significant accounting policies, financial reporting issues and any judgements together with related reports from the external auditor;
- reviewing any findings of the external auditor, their management letters on accounting procedures and internal finance controls, and their audit representation letters;
- meeting with the external auditor separately in the absence of any executives or the internal audit team;
- reviewing the effectiveness of the external audit process, the strategy and plan for the forthcoming statutory audit, and the qualifications, expertise, resources and independence of the external auditor;
- reviewing arrangements for the testing of the financial and non-financial covenants within the Group's banking facilities;
- reviewing the Group's whistleblowing policy and procedures;
- reviewing the implementation and effectiveness of the Group's measures to comply with the 2010 Bribery Act;
- reviewing the committee's own terms of reference.

The committee also approved an updated policy on the provision of non-audit services by the external auditor during the financial year, also in line with its terms of reference. The updated policy reflected the recommendations of the Financial Reporting Council's (FRC) Guidance on Audit Committees published in December 2010 and applies de minimis limits on both individual engagements for which the external auditor can be appointed without committee pre-approval and total group expenditure on non-audit services. The external auditor is excluded from providing specific services in accordance with the FRC Guidance.

Where significant non-audit related services were provided during the financial year, the committee satisfied itself beforehand that the services were most efficiently provided by the external auditor.

A report is also made to the committee outlining all the non-audit services provided by the external auditor during the year together with fees charged, and is ratified as appropriate. Details of the fees incurred by the external auditor during the financial year are given in note 5 to the financial statements on page 74 of the Annual Report 2011.

The committee separately operates a policy to safeguard the objectivity and independence of the external auditors. The policy sets out certain disclosure requirements by the external auditors to the audit committee, restrictions on the employment of the external auditors' former employees, and partner rotation requirements. It is committee policy to review the need to enter into a competitive tender for the external audit engagement, which would include the incumbent, at least as frequently as audit partner rotation is required. The Company's current auditors were originally appointed in 2001 following a formal tender process. The audit partner is required to rotate at least every five years. The committee remains satisfied with the performance of PricewaterhouseCoopers LLP (PwC) and the audit partner appointed in 2010, and accordingly recommended to the board that a resolution to reappoint PwC be proposed at the forthcoming AGM. There are no contractual obligations that restrict the committee's choice, and the committee is satisfied that PwC remains independent.

Following a review conducted by the committee in 2010, a Head of Risk and Internal Audit was appointed during the financial year, on the specific recommendation of the committee, to improve the Group's risk, audit and control functions. A more detailed consideration of the developments made in that area can be found in the consideration of audit, risk and internal control matters on page 47 of the Annual Report 2011.

Remuneration Committee

At the year end the remuneration committee comprised Amanda Burton, who is chair, Peter Rogers and Andrew Jenner, all three independent non-executive directors who served throughout the financial year. Ian Coull was appointed as a committee member with effect 1 July 2011.

The committee has delegated responsibility for determining all elements of remuneration of the executive directors and senior management, who comprise the members of the executive committee. The committee oversees all aspects of the performance related elements of executive remuneration. In authorising executive remuneration, the committee is sensitive to the structure and level of remuneration elsewhere in the Group and general remuneration levels within the Group's different markets. The committee also reviews its terms of reference annually and is responsible for approving the remuneration related aspects of the Group's Annual Report and Financial Statements.

Further information regarding the work of the committee during the financial year can be found in the Remuneration Report on page 48 of the Annual Report 2011.

Nomination Committee

At the year end the nomination committee comprised Peter Rogers, who is chair, Amanda Burton and Andrew Jenner, all three independent non-executive directors who served throughout the financial year. Ian Coull was appointed as a committee member with effect from 1 July 2011.

The committee has delegated responsibility for reviewing the size, structure and composition of the board; evaluating the balance of skills, knowledge and experience both on the board and as required for any new appointments; overseeing and recommending the recruitment of any new directors to include preparing descriptions of the role and capabilities required, ensuring appointments are made on merit against objective criteria, and the use of external consultants and/or open advertising as appropriate; and also keeping the leadership and succession requirements of the Group under review. The terms of reference are available on the Group website.

The committee took direct responsibility for the processes which led to the appointment of Ian Coull as a non-executive director and chairman designate on 8 November 2010. A detailed job specification was prepared by the committee and external consultants were appointed to provide advice on the availability of suitable candidates before commencing a thorough and formal selection process, which included interviewing a shortlist of diverse potential candidates, which included men and women. The committee then recommended that the board approve the appointment of Ian Coull, having established that he met the independence criteria imposed by the Code, confirmed his external commitments and that he had sufficient time to commit to the role. On appointment Ian undertook a detailed personal induction programme in anticipation of becoming chairman on 1 July 2011.

Each director brings different experience and skills to the operation of the board and its committees. Board composition is kept under review by the committee and when a new appointment is to be made appropriate consideration is given to the specific skills and experience any potential new director could add. Newly appointed directors receive formal induction and appropriate training on the role and responsibilities of being a director of a publicly listed company as soon as practicable after appointment. The induction for non-executive directors includes meetings with senior management across the Group and visits to operational sites.

Individual development plans, and the progress made by potential internal candidates for key executive roles, were also reviewed during the financial year to ensure continual development of effective contingency and succession planning.

Shareholder relations

The board welcomed the Financial Reporting Council's implementation of the UK Stewardship Code in December 2010, and supports its broad principles of disclosure, engagement and collaboration.

The Company continues to prioritise maintaining effective relationships with all its shareholders and seeks to frame its communications accordingly. The chief executive and the finance director have programmes of regular meetings with all major shareholders and potential investors. Feedback from such meetings, and shareholder matters generally, are communicated to the board as a whole, and brokers' reports are regularly circulated to all directors for consideration. The non-executive directors attended a meeting with the Company's brokers to receive updates on the views and objectives of major shareholders during the financial year, thereby ensuring that they further develop their awareness and understanding of any changes in the view of the Group held by major shareholders. The chairman is available to discuss governance and strategy with major shareholders, and the non-executives, including the senior independent director, will also attend meetings on request. While the focus of dialogue is with the major institutional shareholders, care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the requirements of the FSA's Listing and Disclosure & Transparency Rules.

The Company Secretary takes responsibility for communications with private shareholders and has regular meetings with private client fund managers and other investors and/or potential investors. When appropriate the Group takes specific investor relations advice to ensure that its investor communications are as effective as possible.

Every effort is made to ensure that annual general meetings are informative and meaningful occasions, and the full board, including the chairmen of the audit, remuneration and nomination committees are available to answer questions in accordance with the requirements of the Code. All directors were available at the 2010 annual general meeting. It is customary for opportunities to answer questions to follow a presentation from executive management on operational performance during the financial year.

The Notice of annual general meeting is sent to shareholders at least 20 working days in advance of the meeting and includes a substantially separate resolution on each item of business to be considered. The proxy form includes options to vote for or against any resolution, or for this to be withheld, making it clear that any votes withheld will not be counted in the calculation of votes for and against any resolution. Voting at the AGM in November 2011 will be conducted by way of a poll.

The Company has a comprehensive investor relations area of its Group website to provide all current and prospective shareholders with relevant information, including institutional presentations, webcasts, financial reports and statements, and related frequently asked questions in an effort to ensure they are well informed. The investor relations section of the website is kept under regular review and is continuously updated.

Reporting, risk, internal audit and controls

The board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The board regularly reviews the major areas of risk that the Group faces in its operations and the management controls and processes that are in place to manage

them. Such systems are designed to manage rather than eliminate the risk of failure and do not provide absolute assurance against misstatement or loss.

The board reviewed the operation and effectiveness of the material internal controls during the financial year and has taken any necessary action to remedy any significant weaknesses or findings identified. The controls have remained in place throughout the period under review and up to the date of the approval of the Annual Report and Financial Statements.

The material controls, and key foundations, of the Group's established internal control framework are:

- organisational structure;
- contractual review and commitments;
- legal authorities matrix;
- investment in land and development policies and procedures;
- operational activity frameworks;
- operational and financial reporting controls;
- external pension plan administration; and
- assurance provided by non-audit functions.

September 2011.