



Galliford Try plc
Sustainability Report 2015



**Constructing
a sustainable
future**

Galliford Try is one of the UK's leading housebuilding and construction groups.

Our hybrid business model, which spans complementary markets and cycles, gives us a unique set of competitive advantages.

Our shares are listed on the London Stock Exchange and we are a member of the FTSE 250, in the Home Construction sector.

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Cover images

- Top left:** Wilshere Park in Welwyn, Hertfordshire
Middle left: Colour Road Rush event in aid of Rowcroft Hospice in South Devon
Middle right: Open Doors event at Brighton Road, London
Bottom right: Hotel Football, Old Trafford, Manchester

Back cover images

- Top right:** Old Whittington Waste Water Treatment Works in Yorkshire
Middle left: The Sycamores, Birtley, part of the Gateshead Regeneration scheme
Middle right: Our 2015 Supply Chain Business Briefing
Bottom right: Aberdeen Community Health and Care Village



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2015 Annual Report

You can find more information about Galliford Try's strategy and financial statements in our Annual Report.

Visit www.gallifordtry.co.uk to download a copy.

Message from the Executive Chairman

Fundamental to our strategy

Galliford Try has set disciplined growth targets across all divisions, which we aim to achieve by 2018.

Revenue
Up 31%

£2,431m

Greg Fitzgerald
Executive Chairman



Our vision is to be leaders in the construction of a sustainable future. Being sustainable makes us more efficient, adds value to our customers and improves our relationships with our employees, supply chain and the communities in which we operate. Sustainability is integral to achieving the Group's strategic targets for 2018 and beyond, and is a contributor to our record business achievements.

Last year, I said that getting our people strategy and recruitment right would be a major factor in achieving our 2018 objectives. To deliver our business growth we have increased our employee base by 1,169 this year. Although retention remains an industry-wide issue we have implemented several initiatives to enhance our employee experience, including additional benefits and a new induction process. Overall our employee engagement remains high. To ensure the availability of future talent we remain committed to promoting careers in construction and supporting apprenticeship and trainee schemes through the Galliford Try Academy.

Conditions in our supply chain remain challenging. The availability of materials has improved but it is still difficult to obtain skilled tradespeople. We have introduced supply chain forums to address this issue and we use our Supply Chain Business Briefing to engage with our strategic supply chain.

Our significant business growth, alongside the very real trade skills gap, has resulted in an increased number of less experienced supply chain workers on our sites. This may have had an impact on our health and safety performance. Our previously above-average Accident Frequency Rate (AFR) is now on a par with the industry however, our recently introduced 'back to basics' campaign is designed to address this.

Our environmental performance has been extremely positive. Notably we have made both relative and absolute improvements to our carbon emissions, resulting in significant environmental benefits and reducing our operating costs.

Engaging and supporting our local communities remains a business priority. In August 2015 we co-hosted Rowcroft Hospice's Colour Road Rush event on the South Devon Highway and provided funding to produce a promotional video for the charity. Contributions from Galliford Try combined with funds raised through the event totalled over £137,000. Separately an employee-led initiative saw over 80 employees cycle in a relay from Land's End to John O'Groats, raising £45,000 for charitable causes. We continued to promote best practice in community engagement, as demonstrated by 41 Considerate Constructors Scheme Awards.

Exceeding customer quality expectations is central to the way we operate. We diligently comply with our robust quality procedures and, for the first time, we have had our Construction division's approach to collaborative working independently accredited to BS 11000. Within Housebuilding we have appointed a Business Improvement Director to oversee nine forums driving improvements in aspects of customer satisfaction and operational efficiency.

I am delighted with our progress this year and would like to thank all of our employees for their contributions.

Greg Fitzgerald
Executive Chairman

Our business at a glance

Housebuilding

We are one of the UK's leading housebuilders. Our Housebuilding division comprises Linden Homes, which develops both private and affordable homes for sale, and Galliford Try Partnerships, our specialist affordable housing business.

Revenue
Up 11%

£1,108m

Landbank
Up 13%

15,750

Completions by sector
Up 2%

3,177



Sales in hand by activity
Down 1%

£343m



Wilshire Park in Welwyn, Hertfordshire

Linden Homes

Linden Homes delivers around 3,000 houses and apartments each year, the majority of which are for private sale.

We develop distinctive and diverse new homes in prime locations. By using renowned architects, we pay meticulous attention to detail to create homes that complement their surroundings. As well as meeting our customers' needs, our approach has led to numerous industry awards.

We have a South of England focus, with an increasing presence in the North and Midlands. We also embrace the delivery of complex projects including brownfield, refurbishment and regeneration projects.

Revenue
Up 3%

£779m

Profit from operations
Up 8%

£124m

Operating margin
Up from 15.1%

16.0%

Galliford Try Partnerships

Galliford Try Partnerships is our specialist affordable housing contractor, providing services to housing associations and local authorities. We have a strong presence in the South East, Midlands and North East England, and a growing business across the rest of the country.

Galliford Try Partnerships also develops mixed-tenure projects, providing private housing for sale on regeneration-led sites. We draw on Linden Homes' expertise in housing development and sales to successfully deliver these projects. Galliford Try Partnerships completed 408 private units in the year.

Revenue
Up 36%

£329m

Profit from operations
Up 88%

£9.4m

Operating margin
Up from 2.1%

2.9%

Our business at a glance

Construction

We are a major UK contractor, operating mainly under the Galliford Try and Morrison Construction brands. Our diverse business works across the public, regulated and private sectors. We create long-term client relationships, based on our ability to innovate, provide sustainable whole-life solutions and deliver projects to high standards.

Revenue
Up 55%

£1,293m

Cash
Up 14%

£173m

Profit margin
Up from 1.0%

1.2%

Profit from operations
Up 96%

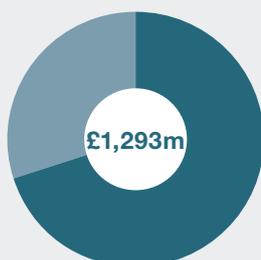
£15.7m

Order book
Up 17%

£3.5bn

Revenue by sector

- Building (£907m)
- Infrastructure (£386m)



Order book

- Building (£2.4bn)
- Infrastructure (£1.1bn)



Queensferry Crossing,
Firth of Forth

Building

Building serves a range of clients across the UK. The acquisition of Miller Construction in July 2014 further enhanced the scale and geographical coverage of our Building business.

Revenue
Up 98%

£907m

Profit from operations
Up 167%

£8.0m

Infrastructure

Infrastructure carries out civil engineering projects, primarily in the highways, rail and aviation, environmental, water and waste, and power and security markets.

Revenue
Up 3%

£386m

Profit from operations
Up 54%

£7.7m

PPP Investments

Investments delivers major building and infrastructure projects through public private partnerships. It leads bid consortia and arranges finance, makes equity investments, manages construction through to operations, and ultimately realises its investment to fund new projects.

Revenue
Up 91%

£28.8m

Profit from operations
Up £5.5m

£3.7m

Sustainability in focus

Constructing a sustainable future

Sustainability is embedded throughout our business. Our vision to be leaders in the construction of a sustainable future underpins our strategic approach to managing our social, environmental and economic impacts. We achieve this through our six fundamentals of Health & Safety, Environment & Climate Change, Our People, Communities, Customers and Supply Chain.

Development of our Sustainability Route Map



Our six fundamentals of sustainability

- ▲ Health & Safety
- ▲ Environment & Climate Change
- ▲ Our People
- ▲ Communities
- ▲ Customers
- ▲ Supply Chain

Strategic management

For the past three years, we have strategically managed and reported our performance against a core set of sustainability Key Performance Indicators (KPIs). This year we have revisited our approach and reviewed our sustainability risks, allowing us to redefine our strategic sustainability objectives for the short-, medium- and long-term, and align them with our overarching strategic goals and stakeholders' priorities. Our objectives will be met through the delivery of our divisional strategies, which are represented through 'Sustainability Route Maps'. The Route Maps are in the final stages of completion and we look forward to reporting our progress against them next year.

Effective governance

The Executive Board is accountable for sustainability across the Group. The Health, Safety & Sustainability Director oversees the management of sustainability and regularly reports to the Executive Board and the plc Board, via the Chief Operating Officer, on our strategic progress. The Sustainability Steering Group, chaired by the Health, Safety & Sustainability Director, and consisting of senior representatives from each division and Group Services, meets quarterly to discuss Company and industry sustainability matters, best practice, risks and opportunities. The group members then cascade information and implement actions within their divisions or functions.

Stakeholder engagement

We recognise the importance of our stakeholders' opinions and actively listen and respond to their concerns at all levels of the organisation. Our key stakeholders include employees, customers, our supply chain and partners, local and national government, local communities and non-governmental organisations.

To ensure we remain drivers of industry best practice, we maintain memberships and participate in numerous industry groups, including the Considerate Constructors Scheme, Constructing Excellence, CIRIA (the construction industry research and information association), Civil Engineering Contractors Association, Green Construction Board, Home Builders Federation, NextGeneration, National House-Building Council, Supply Chain Sustainability School and Build UK, formerly the UK Contractors Group.

External recognition

Our approach to identifying and managing various elements of sustainability within our business is regularly recognised by industry and best practice groups.



FTSE4Good

Galliford Try is a member of the FTSE4Good Index, an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. To be included in the index, companies must meet stringent environmental, social and governance criteria.



NextGeneration

NextGeneration benchmarks UK housebuilders' performance in managing and delivering sustainable development. In 2014, Linden Homes was ranked fourth out of the top 25 housebuilders, up from sixth place in 2013.



Sustainable Developer Award

We have won numerous sustainability awards, including the 2014 *What House?* Sustainable Developer of the Year Award for our holistic approach to all aspects of sustainability.



Considerate Constructors Scheme (CCS)

We are Associate Members of CCS, which measures our sites' performance against their appearance, community, environment, safety and workforce. This year, a record 41 sites won CCS National Site Awards, ranking us second in the industry.



CDP

The CDP independently measures a company's approach to managing carbon impacts. In 2014, Galliford Try scored 79 for disclosure and B for performance, exceeding the industry average of 74 and C, respectively.



Supply Chain Excellence Award

We won the *Construction News* Supply Chain Excellence Award in recognition of our collaborative and innovative 'Optimum schools' approach on Hillview School for Girls in Tonbridge, Kent. By engaging with our supply chain early in this project we realised significant cost and time efficiencies.

Sustainability in focus continued

Management



Health & Safety

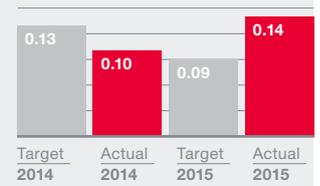
We place the highest priority on health and safety. Our commitment to managing all aspects of health, safety and general well-being effectively extends to all those who work for us or come into contact with our sites and operations. Our OHSAS 18001 certified management system ensures we have processes in place to minimise risk, and our award-winning behavioural safety programme, 'Challenging Beliefs, Affecting Behaviour', embeds safety into the core of our culture.

Performance highlights

Accident Frequency Rate

0.14

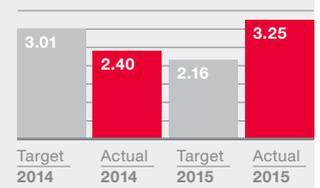
(RIDDORs per 100,000 hours worked)



Accident Incident Rate

3.25

(RIDDORs per 1,000 workers)



Environment & Climate Change

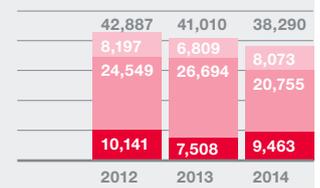
We aim to protect the environment and plan for its improvement. We recognise the impact our business has on the environment (including pollution, carbon, waste, water and biodiversity), and manage these impacts strategically through our third party ISO 14001 certified environmental management system. We also focus on resource efficiency to realise commercial benefits for us and our clients and to minimise the global impact of our construction activities.

Carbon dioxide equivalent emissions²

38,290

(tonnes)

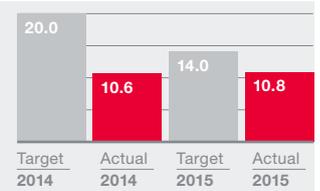
Key
 ■ Scope 2: electricity
 ■ Scope 1: non-fleet fuel
 ■ Scope 1: fleet fuel



Waste per £100,000 revenue³

10.8

(tonnes of construction and demolition waste)



Our People

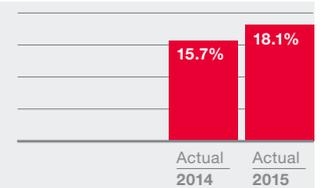
We are committed to developing our people by investing in their careers. Attracting and retaining the very best talent is critical for the delivery of the Group's 2018 targets and we achieve this by managing employee relations, respecting employee rights, training and developing our talent through the Galliford Try Academy and maintaining an inclusive organisational culture.

The annual Chief Executive's roadshow, bi-annual employee magazine and intranet keep employees informed of the latest strategic, performance and other business matters.

Employee churn

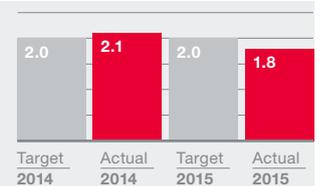
18.1%

(voluntary turnover against a benchmark of 15%)



Training days per employee

1.8



KPIs

- 64 reportable RIDDOR accidents (2014: 35).
- 71,108 safe behaviour discussions (2014: 75,463).
- 968 employees completed 'Challenging Beliefs, Affecting Behaviour' training (2014: 494).
- 64 executive-led health, safety and environmental assessments (2014: 67).
- 90% of employees agree that we place a high priority on health and safety (2014: 93%).¹
- 83% of employees understand their role in 'Challenging Beliefs, Affecting Behaviour' (2014: 86%).¹
- 0 prohibition or improvement notices received (2014: 0).
- The Group received a President's Award, among others, from the Royal Society for the Prevention of Accidents and a Health and Safety Award from *Builder & Engineer* for 'Challenging Beliefs, Affecting Behaviour'.

1 Results derived from the employee survey.

- 1.7t Greenhouse Gases Protocol Scope 1 and 2 carbon dioxide equivalent (CO₂e) emissions per £100,000 revenue (2013: 2.4t)².
- 92% of construction and demolition waste diverted from landfill (2014: 94%)³.
- 89% of construction, demolition and excavation waste diverted from landfill (2014: 87%)³.
- 84 employees completed a four-day IOSH Managing Environmental Responsibilities course (2014: 90%)³.
- 576 employees completed internal training on other environmental aspects (2014: 413).
- 109g/km average fleet emissions (2014: 113g/km).
- 0 environmental prosecutions or fixed penalties (2014: 0).

2 This year, we have changed our reporting to show CO₂e emissions, reflecting both carbon dioxide and other greenhouse gas emissions. These figures are reported by calendar year and externally verified. The latest figures are certified to ISO 14064-3. Emissions reported cover all those arising from our fleet, gas and electricity in all offices and sites and all other fuel used directly (eg diesel on site etc), as per the Greenhouse Gas Protocol definitions of Scope 1 and 2 emissions.

3 Historically figures have been reported by calendar year but these have now been restated to reflect our financial year.

- 5,268 employees (2014: 4,099).
- 80% of employees are engaged (2014: 79%)⁴.
- 78% of employees are proud to work for Galliford Try (2014: 78%)⁴.
- 69% of employees are satisfied with their jobs (2014: 68%)⁴.
- 66% of employees completed the employee survey (2014: 68%).
- 4.3% of the workforce are graduates/trainees (2014: 4.2%).
- 9,328 training days delivered (2014: 9,044).
- 43% of employees attended the Chief Executive's roadshow (2014: 43%).

	Gender ⁶		Ethnicity ⁶		
	Male	Female	White	BME ⁷	Unknown
Total Group	4,252	1,323	3,142	142	2,291
Senior grades ⁵	250	16	203	4	59

4 Results derived from the employee survey.

5 Senior management grades are defined as levels 1-3 on our scale which encompasses directors, heads of discipline and business leaders.

6 Gender and ethnicity figures are based on employee numbers at year end (5,575) rather than the monthly average (5,268).

7 Black and Minority Ethnic (BME).

Commentary

Although it remains in line with the industry average, our number of reportable RIDDOR accidents increased in the year, and we are working hard to improve this. During the first half of the year, we spent significant time aligning Miller Construction's approach with our own, while in the second half we rolled out a Group-wide Drug and Alcohol policy, delivered new 'Challenging Beliefs, Affecting Behaviour' Leadership Update training and launched a 'back to basics' communications campaign, including posters, toolbox talks and a Group-wide shutdown day. The 'back to basics' campaign will continue next year and we will also implement a set of health and safety 'Golden Rules'.

Over the past three years we have dramatically reduced our carbon footprint and consistently recycled or reused the vast majority of our waste. This benefits the environment and reduces our operational costs. Our ongoing actions to drive this improvement included an internal carbon communications campaign, progressive reductions in fleet emissions, use of eco-cabins, waste segregation and waste forums. Biodiversity enhancements on site are being driven through participation in the CIRIA Big Challenge initiative.

The key activities for this year include ensuring we comply with the Energy Savings Opportunity Scheme regulations; improving the efficiency of our data collection and rolling out the UKCG- and CITB-developed Site Environmental Awareness Training Scheme to our employees.

Positive economic growth in the UK has increased job availability and employee mobility across the industry. Despite this increased churn we have attracted significant numbers of new people to the business (growing our employee base by 29%), and our annual employee survey yet again showed above benchmark employee engagement. The number of training days per employee this year fell to slightly below target although we believe this to be largely a reflection of our data collection procedures and steps will be taken to address this next year. Our diversity figures again remain in line with industry measures.

We continue to evolve our approach and this year we have implemented a number of initiatives based on our employee feedback. These include a new induction process, an enhanced benefits package, a facility to purchase extra annual leave and enhanced maternity and paternity pay.

Sustainability in focus continued

Management



Communities

Our objective is to make a positive impact in the communities in which we operate. We recognise that our construction projects affect the surrounding area, so we aim to maximise the benefits to the communities in which we work and minimise any negative impacts by actively engaging with local stakeholders before and during construction.

We also support charitable causes at Group, division, business unit and project level, by donating time, money and materials.



Customers

We aim to give total commitment and high standards to all our customers. All divisions follow robust quality management procedures to deliver consistently high-standard products and services. Linden Homes' approach is set out in The Linden Way, while Construction and Galliford Try Partnerships use the ISO 9001 certified management system. This year, our Building and Infrastructure divisions' approaches to collaboration were recognised by achieving BS 11000 certification.

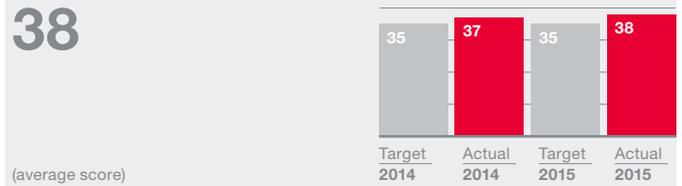


Supply Chain

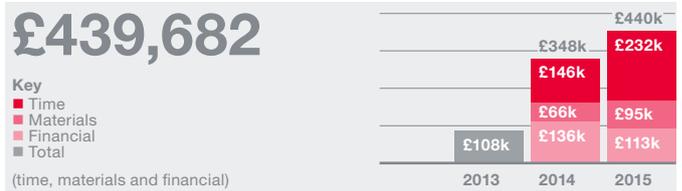
We actively engage with our supply chain to promote our principles and practices. Our supply chain predominantly consists of subcontractors, who operate on our sites, and suppliers, who provide materials. We select and manage our subcontractors and some materials suppliers at a local level to maximise local economic impact. This is coupled with the central procurement of key commodities to benefit from strategic supplier partnerships and economies of scale.

Performance highlights

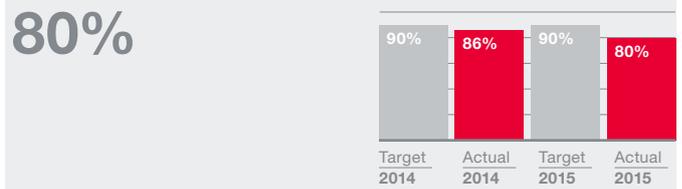
Considerate Constructors Scheme



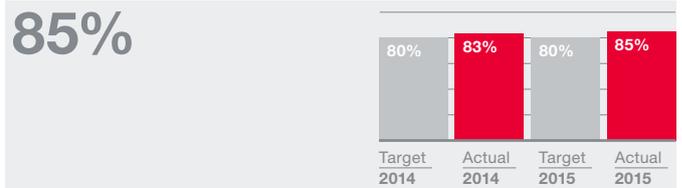
Charitable donations¹



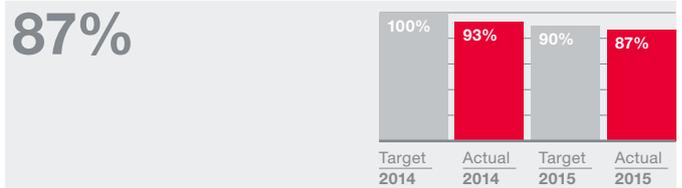
Linden Homes – customer satisfaction³



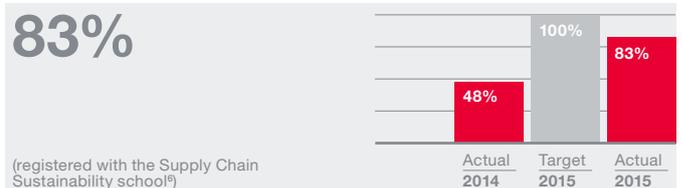
Construction – client satisfaction



Timber supplied with FSC/PEFC certification⁵



Preferred suppliers



KPIs

- 41 Considerate Constructors Scheme awards won (2014: 19).
- 273 apprentices supported by Linden Homes' subcontractors (2014: 139).
- 63 days were volunteered by employees through the Group's volunteering policy (2014: 25)².
- We continue to be patrons of CRASH, the industry's charity for homeless people, and support charity fundraising by employees, including 83 employees participating in a Land's End to John O'Groats cycle relay, raising £45,000.
- Alongside £87,000 of direct support from Galliford Try, £50,000 was raised for Rowcroft Hospice through the Colour Road Rush event we hosted on the A380 South Devon Highway in August 2015.
- 23 sites participated in the UK Contractors Group (now Build UK) Open Doors Weekend, which informs young people about careers in the industry.

- 1 The breakdown of charitable donations by time, materials and financial is only available from 2014 onwards.
- 2 We believe this to be more than stated and are working on a way to improve our capture of this information.

Housebuilding

- 5.8 net promoter score achieved (2014: 15.5)³.
- 0.31 defects per home (Linden Homes NHBC reportable items during construction) (2014: 0.29).

Construction

- 51% repeat work secured in Building (2014: 53%)⁴.
 - £3.5 billion forward order book secured (2014: £3.0 billion).
- 3 Customer satisfaction and net promoter scores from 2014 onwards are derived from an independent NHBC survey. Net promoter scores can range from a maximum of 100 to a minimum of -100.
 - 4 The 2014 figure relates to Construction and Galliford Try Partnerships.

- 99.2% of timber was verified as coming from legal and sustainable sources (2014: 99.4%)⁵.
- 161 representatives from our preferred suppliers attended our Supply Chain Business Briefing to learn about our progress, business growth areas and new initiatives (2014: 135).
- We launched the iSupplier Portal, which allows suppliers to track the progress of their invoices.
- We were named winner of the *Construction News* Supply Chain Excellence Award.

- 5 Timber certified by the Forest Stewardship Council (FSC) or Pan European Forest Council (PEFC) has been independently verified as being legally and sustainably sourced. Our long-term goal is for 100% of our suppliers to have this certification but recognising that this is difficult and costly for our suppliers to achieve, we lowered our short-term target from 100% to 90%, which we narrowly missed. Where our suppliers do not have FSC/PEFC certification we check that their suppliers do, and this covers over 99% of our timber. Historically, figures have been reported by calendar year but these have now been restated to reflect our financial year.
- 6 The Supply Chain Sustainability School provides free practical support to address sustainability in the form of e-learning modules, tailored self assessment and action plans, sustainability training and networking opportunities.

Commentary

Year-on-year improvements in our site-level community engagement are demonstrated through further improvement in our Considerate Constructors Scheme score, which has been driven by improved best practice sharing around the Group.

We participate in community and charity initiatives and invest time money and materials in recognition of the value our employees derive from being directly involved.

Within Linden Homes we inspire, co-ordinate and promote our community activities through the Linden Homes Foundation. The Foundation is now in its third year of operation and showcases more than 570 examples of the division's positive impact on communities.

 <http://thefoundation.lindenhomes.co.uk>

Customer satisfaction scores for our Housebuilding division have dipped but remain high. The key milestones this year were launching a new Customer Relationship Management system, appointing a Business Improvement Director and establishing nine business improvement forums. The outcomes from these forums, such as standard home layouts, will drive efficient processes which, in turn, will improve our customer experience. Next year we will implement these forums' initiatives and refresh our customer service training.

Given our Construction client satisfaction scores have remained consistently high in recent years, we decided this year to revise our process, to get greater depth of feedback. The new process will be launched in the near future.

We recognise the efficiencies that Building Information Modelling (BIM) can bring to our clients and so we continue to develop our approach in accordance with our BIM strategy, supported by a dedicated working group.

This year, we formed a multi-functional team to oversee our strategic approach to the Construction division's subcontractor management. This team oversaw the development of an on-boarding system and an externally facilitated supplier feedback session. Outputs from the latter will shape our strategic approach.

Our Group Procurement function has expanded its award-winning collaborative procurement approach to major frameworks. By engaging key suppliers early in the design process and standardising elements across a number of education projects, we are improving cost visibility and reducing costs and procurement time.

We continue our partnership with the Supply Chain Sustainability School⁶ and participate in its forums, events and portal development. Through promoting the school to our preferred suppliers we have increased their membership significantly in the 15 months since we joined.

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