

Introduction

The Board believes that high standards of corporate governance are integral to the delivery of its strategy, providing the means by which the Board may manage the expectations of stakeholders to optimise sustainable performance.

The 2018 UK Corporate Governance Code (the Code) is the standard against which we are required to measure ourselves. In this Policy, we explain our governance related processes and procedures and their application, to ensure we comply with applicable laws and regulations.

The Group remains compliant with the Financial Conduct Authority's Listing Rule 9.8.6 and Disclosure Guidance and Transparency Rule 7.2.1. Related information can be found in the Directors' Report on pages 77 and 78 of our 2020 Annual Report.

Statement and reporting

The Group continues to prepare a Corporate Governance statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1 stating, and, if necessary, explaining compliance with the Code through the applicable financial year. In 2020, the report covered:

- Board attendance.
- Board activities during 2019/20.
- Board composition.
- How the Board operates.
- Board evaluation and Board effectiveness.
- Inclusion and diversity.
- Governance policies.
- Shareholder relations.
- Reporting, risk, internal audit and controls.
- Board committees.

The Company also prepares an annual Remuneration Report in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Financial Conduct Authority's Listing Rules. A new Remuneration Policy was proposed to the Company's shareholders at the 2020 AGM following the expiry of the three-year life of the previous Remuneration Policy. This is included on pages 65 to 69 in our 2020 Annual Report.

The following extracts from the 2020 Governance review, which can be found on pages 50 to 76 of our 2020 Annual Report, summarise the application of the Group's Corporate Governance policy during the financial year ended 30 June 2020, and subsequent updates up to the date of this document.

Board attendance

The Board had eight scheduled meetings during the year. All Board meetings were led by the Chairman with the General Counsel & Company Secretary in attendance. Additional Board meetings are convened as and when necessary for approving transactions and other matters that may require approval in between scheduled Board meetings. The Board Committee meetings are scheduled around the regular Board meetings. Additionally, and in line with the Code, the Chairman and the Senior Independent Non-executive Director held an annual meeting without the Executive directors present. A summary of Board and Committee attendance can be found on page 50 of our 2020 Annual Report, together with a summary of the content of each Board meeting.

Board composition

Biographical summaries for each of the directors as at 30 June 2020, their respective responsibilities and their external directorships are set out on pages 48 and 49 of the 2020 Annual Report. There were a number of changes to the Board and its Committees during the year. On 3 January 2020, Bill Hocking, formerly Chief Executive of Galliford Try's Construction & Investments business, was appointed Chief Executive, replacing Graham Prothero who stepped down from the position following the successful disposal of the Group's housebuilding divisions. Jeremy Townsend, Non-executive Director, stepped down from the Board on 30 September 2020 and accordingly, did not stand for re-election at the AGM in November 2020. Marisa Cassoni, Non-executive Director, assumed the role of Chair of the Audit Committee, following Jeremy's departure. In addition, Terry Miller, Senior Independent Non-executive Director, became Chair of the Remuneration Committee, replacing Marisa Cassoni. Terry was previously interim Chair of the Remuneration Committee between November 2017 and February 2019.

How the Board operates

The Board is led by the Chairman, who on appointment met the independence criteria set out in the Code and who is responsible for the Board's effectiveness. The Board is further comprised of three non-executive directors, the Chief Executive and the Finance Director.

The Board's role is to promote the long-term sustainable success of the company and it is the key decision-making forum for all strategic matters of the Group. The Chairman is responsible for leading the Board, setting the purpose, direction and values of the Group and ensuring the highest standards of corporate governance are adhered to. In addition, the Chairman facilitates constructive Board relations and the effective contribution of all Non-executive Directors and ensures that directors receive accurate, timely and clear information. The role of the Non-executive Directors is to offer advice and guidance to the Executive directors, and when required, constructively challenge the Executive directors and Group senior management on performance or strategy related matters. The Chief Executive has responsibility for the day-to-day leadership and management of the business, within the authority limits delegated by the Board.

The roles and responsibilities of the Non-executive Directors are specified in their letters of appointment. The letters of appointment are available for inspection on request at the Group's registered office. Additionally, the roles of the Chairman, Chief Executive and Senior Independent Director can be found on our website at <https://www.gallifordtry.co.uk>

In line with the Code, and with the exception of Jeremy Townsend, all other directors stood for re-election at the 2020 AGM. The performance of the directors continues to be effective, and commitment to their respective roles is clearly demonstrated. The Board continues to operate an established framework of delegated financial, commercial and operational matters to management, which is reviewed annually.

The Board receives regular presentations from the businesses on operational matters, assisting Board members to stay up-to-date with specific operational matters and sector-relevant issues, and receives updates from advisors on pertinent matters as and when required. Board members are encouraged to undertake their own continuing professional development. In addition, the annual Board meeting programme typically provides for regular visits to operational sites, which are considered useful and informative and allow the Board to meet with site management. Since March 2020, as a consequence of the Covid-19 pandemic and in line with good practice, all Board meetings have been held in a virtual format.

UK Corporate Governance Code

Throughout the year, the Board has applied the Principles and complied with all the Provisions of the 2018 UK Corporate Governance Code as set out below:

Principle	How we apply the Principle	Further information
1. Board leadership and company purpose		
A. The Board's role A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board is collectively responsible for the long-term success of the company, including its relationships and engagement with all shareholders, and operates via a formal schedule of matters reserved for its decision.	See page 50 of our 2020 Annual Report for further information and list of matters reserved for the Board.
B. Setting purpose, values and strategy The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The schedule of matters reserved for the Board provide that the Board is responsible for establishing the values and strategy of the company. In addition, the establishment of the Employee Forum chaired by Terry Miller, Senior Independent Non-executive Director, is a key element in the Board's oversight of culture. Our Code of Conduct also defines the behaviours we expect of our people and the ethical standards we adhere to. The Code of Conduct was updated during the year and is reviewed and endorsed by the Board.	See our People and culture section on pages 24 to 26 of our 2020 Annual Report for further information.
C. Risk management The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The annual budget was agreed by the Board at the July 2019 meeting. In addition, the Group has mature risk management and governance processes in place to identify, report and manage risk. The Executive Risk Committee provides regular reports to the Board.	See pages 29 to 31 of our 2020 Annual Report for further information on the governance structure and identification of our principal and emerging risks.
D. Stakeholder engagement In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	As we reported in our 2019 Annual Report, the Stakeholder Steering Committee is chaired by Terry Miller, Senior Independent Non-executive Director. The Committee was established to review and oversee relationships with the business's key stakeholders, including collating stakeholder views and reporting these to the Board.	See pages 43 to 45 of our 2020 Annual Report for further information on our stakeholders and Stakeholder Steering Committee.
E. Workforce policies The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	The Code of Conduct 'Doing the right thing' sets out our organisational policies, procedures and defines behaviours. The Code was updated during the year. In addition, there are Group policies that define our approach to managing health, safety, environmental and social matters affecting our employees. These are published on our website and described in our Annual Report. In addition, there is also an independent and anonymous Whistleblowing procedure allowing any employee or third party to confidentially raise any concerns.	See our People and culture section on pages 24 to 26 of our 2020 Annual Report for further information.
2. Division of Responsibilities		
F. Chair leadership The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all Non-	The Chairman, in conjunction with the General Counsel & Company Secretary, ensures that quality information is provided to the Board in advance of each Board meeting. The performance of the Chairman is monitored through the annual Board evaluation process and through a separate annual meeting of the Non-executive Directors led by the Senior Independent Non-executive Director without the Chairman present.	See our Governance section on page 50 of our 2020 Annual Report for further information.

executive Directors, and ensures that directors receive accurate, timely and clear information.		
G. Balance of the Board The Board should include an appropriate combination of Executive and non-executive (and in particular, independent Non-executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the Executive leadership of the company's business.	As explained on page 50 of our 2020 Annual Report the Board comprises the Chairman (who was independent on appointment), Chief Executive, Finance Director and four other independent NEDs. The roles of the Chairman and Chief Executive are separate with distinct accountabilities set out in their role profiles. The Chief Executive is responsible for the day-to-day leadership and management of the business through defined delegated authority limits. The NEDs provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy and performance of the Group.	See the role of Board and its Committees section on page 50 of our 2020 Annual Report for further information.
H. NED's role and time commitment Non-executive Directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	The annual Board evaluation process assesses the performance and effectiveness of directors and their commitment to meet their board responsibilities. In addition, prior to taking up an NED position, the Board considers whether the NED has sufficient time to devote to their role with the Group and in light of any changes to a NED's external commitments during the year.	See the section on Board Evaluation on page 55 of our 2020 Annual Report for further information.
I. The Company Secretary The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	All directors have access to the advice and services of the General Counsel & Company Secretary. The General Counsel & Company Secretary ensures that the Board receive papers of a high quality in a timely manner. He advises the Board on all governance matters, including compliance with the Code. He works with the Chairman and Committee chairs to ensure that the right matters are escalated to the Board and Committees at the appropriate time and that sufficient time is devoted to strategic matters. He arranges Directors' induction and Board evaluation exercises and supports succession planning and recruitment of new NEDs.	
3. Composition, succession and evaluation		
J. Board appointments Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	There are regular succession reviews at Nomination Committee, Executive and business level. A key priority for the Board in 2020 is to review succession plans in the context of the structure of the business following the disposal of the housebuilding divisions.	
K. Skills, experience and knowledge The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the	The Nomination Committee and annual NED meeting regularly review the balance, composition and structure of the Board, as well as the length of service of each Board member and recommends the	

length of service of the Board as a whole and membership regularly refreshed.	re-appointment of the NEDs and any extensions to their term.	
L. Board evaluations Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	In line with the requirement of the Code, the Board has continued to conduct an annual evaluation of the performance of the Board and Committees and each individual Director. An externally-facilitated Board evaluation is undertaken every three years. The most recent external evaluation was undertaken in April 2019, and an update on the outcomes can be found on page 55 of our 2020 Annual Report. This year, the Board undertook an internally-facilitated Board evaluation and further information can also be found on page 55.	
4. Audit, risk and internal control		
M. Financial reporting integrity The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Board delegates detailed oversight of the Group's system of internal controls to the Audit Committee, to ensure the integrity of the Group's full year and half year results and the Annual Report and Accounts. On the recommendation of the Audit Committee, the Board reviewed and approved the 2020 half year and full year results and the 2020 Annual Report. In addition, the Board evaluation process confirmed that the Group's system of internal controls had operated effectively during the year.	
N. Fair, balanced and understandable assessment The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Audit Committee reviewed the 2020 Annual Report and Accounts in September 2020 and was satisfied that it presents a fair, balanced and understandable assessment of the Group's position and prospects. The Audit Committee reported its findings to the Board.	Please see the Financial Review section on pages 40 to 42 of our 2020 Annual Report for further information.
O. Risk management and internal control framework The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Both the Executive Risk Committee and Audit Committee monitor the Group's risk management and internal control systems on behalf of the Board on a continuous basis. The Executive Risk Committee (chaired by the General Counsel & Company Secretary) reviews the Group's principal risks and recommends any changes to risk appetite to the Board. The Group Risk Register is reviewed regularly by the Board.	Please see the section on Principal risks on pages 31 to 34 of our 2020 Annual Report.
5. Remuneration		
P. Supporting strategy and long-term sustainable success Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	The Remuneration Committee proposes the Group's remuneration policy to the Board for approval and the Directors' remuneration report is put to an advisory vote at the AGM, in line with statutory requirements. In accordance with section 439A of the Companies Act 2006, a new Remuneration Policy will be put to a binding vote at the 2020 AGM.	Please see the Remuneration Committee Report on pages 61 to 76 of our 2020 Annual Report.
Q. Remuneration Policy A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No director	In accordance with its terms of reference, the Remuneration Committee has undertaken a review of the Remuneration Policy and recommended a revised Remuneration Policy to the Board for approval at the 2020 AGM. Under the Remuneration Committee's terms of reference, the remuneration of Non-executive	The Remuneration Policy can be found on pages 65 to 69 of our 2020 Annual Report within the Remuneration Report. The terms of reference for the Remuneration Committee can be found on our website at

should be involved in deciding their own remuneration outcome.	Directors shall be a matter for the Chairman and the Executive members of the Board. No Director, committee attendee, Executive, senior manager or other person can be involved in any discussion or decision as to their own remuneration.	https://www.gallifordtry.co.uk/about/governance-and-policies/ .
R. Independence of remuneration outcome decisions Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Remuneration Committee comprises solely of independent NEDs. The Committee takes advice from external remuneration consultants and ensures that remuneration for Board and senior management is suitably structured so as to attract, retain and motivate Executives, and to link reward to corporate and individual performance and all relevant internal and external factors.	

Board evaluation: 2019 update and 2020 performance evaluation

As we reported in our 2019 Annual Report, the 2019 Board externally-facilitated evaluation found that the Board and its Committees were operating effectively. The findings were presented to the May 2019 Board meeting and actions were agreed by the Board to address the recommendations of the evaluation. The table summarises the substantive recommendations made and actions undertaken during the financial year to address them.

2019 Board evaluation recommendations	Actions taken during the year
Executive succession planning	The Board appointed Bill Hocking as Chief Executive following the successful completion of the sale of the housebuilding divisions in January 2020. Succession plans are continuing to be reviewed in the context of the new structure of the business.
Workforce engagement	The Board received regular reports including from the Employee Forum chair on key issues and recommendations raised at these meetings.
Board papers	The structure of Board papers has been kept under review and improved during the year.
Specialist advisors	The Board received regular presentations and advice from advisors, including in relation to the disposal of the housebuilding divisions in January 2020.

In line with the Code, the Board reviews its own effectiveness and that of its Committees on an annual basis, with an externally facilitated review at least every third year. The 2020 Board evaluation was internally-facilitated by the Chairman in conjunction with the General Counsel & Company Secretary. The Board evaluation exercise was conducted between March and May 2020.

A detailed and comprehensive questionnaire was securely sent online to each individual Director to complete and return. Questions were reviewed to ensure their continued relevance with additional relevant questions added. Each Director was asked to complete online questionnaires specific to their Board and Committee responsibilities; the completed questionnaires were then collated and the responses were reviewed by the Chairman and the General Counsel & Company Secretary. In line with best practice, performance evaluation of individual Directors is conducted by the Chairman on an annual basis. The Chairman holds one-to-one meetings with each Board member and the General Counsel & Company Secretary to discuss their performance, contribution, commitment and training and development needs. The Senior Independent Non-executive Director holds a session annually with all Board members and the General Counsel & Company Secretary, except the Chairman, to discuss the performance of the Chairman. The Senior Independent Non-executive Director then meets with the Chairman to provide feedback.

The findings of the evaluation exercise were presented to the Board in May 2020. Overall, the evaluation confirmed that the Board and its Committees are operating effectively. The Board is pleased that the Board and Committee evaluation results were strong, given the challenges faced by the Group in the year. Additionally, the Board has identified the following areas in which it would like to make improvements:

- Succession plans to be regularly reviewed and included as part of business management meetings.
- Regular updates on inclusion and diversity and people initiatives from HR to the Nomination Committee/Board.
- Summary reports of new commercial audits to be provided to the Audit Committee.
- A sustainability session to be added to the Group's annual strategy away day.

Inclusion and Diversity

As at the date of this Policy, women held 33% of Board positions. Strategies to improve diversity at all levels in the workforce have continued to build on the work undertaken in 2019, to ensure each business has the right culture, procedures and policies in place. The Company has continued to sponsor the Women in Construction summit and raise awareness of the construction industry, to promote the opportunities that are available through various events such as colleges, universities and in industry. In addition, a variety of inclusive initiatives, such as gender-neutral recruitment, supporting diversity programmes and the promotion of agile working are used to make the Group more attractive to a wider group of employees.

Executive Board report

Membership of the Executive Board is detailed on page 49 of our 2020 Annual Report. The Chief Executive is responsible for the effective leadership of the senior Executive management and chairs the Executive Board which, in addition to the Chief Executive, consists of the Finance Director, the General Counsel & Company Secretary, the Managing Directors of Building and Investments and Specialist Services and the HR Director. The Executive Board is responsible for the operational management of the Group under terms of reference delegated by the Board, which include responsibility for making recommendations to the Board on all items included in the formal schedule of matters reserved for Board authorisation. The Executive Board receives and considers regular performance and operational reports and presentations from business management. The Assistant Company Secretary acts as Secretary to the Executive Board and the minutes of Executive Board meetings are included in the Board packs.

The Executive Board meets at least ten times a year and additional meetings are convened when necessary to consider and authorise specific operational or project matters. The Executive Board focuses on long-term strategic issues and matters of Group-wide policy, with health, safety and sustainability and business ethics as the first agenda items at every meeting, highlighting the importance of such matters to the Group.

Governance policies

The Group continues to operate a suite of governance and risk management policies, procedures and training programmes, all of which address obligations arising under relevant legislation. The Group Corporate Manual, which summarises the policies, procedures and authority matrices by which the central functions and businesses operate, was updated and refreshed during the financial year.

Shareholder relations

The Chief Executive and Finance Director, continued to meet with existing and prospective institutional shareholders throughout the year. The Board as a whole continues to engage actively with institutional shareholders, in line with the Financial Reporting Council's UK Stewardship Code, on key matters of relevance to the Group and its operations, such as governance, strategy or remuneration, or more general market themes. Specific reports regarding shareholder views are provided to the Board for analysis and discussion. Separately, the Chairman, Senior Independent Non-executive Director and other Non-executive Directors are available to attend meetings with shareholders and address any significant concerns that shareholders may have.

The Company's AGM, held in November each year, continues to be a popular means for private shareholders to receive updates on Group performance, and provides an opportunity to put questions to the Board and for the Board to listen to shareholder suggestions and concerns. As a consequence of the Covid-19 pandemic, this year's AGM was held as a closed meeting and shareholders were not permitted to attend in person. Arrangements for the meeting and voting instructions were set out fully in the Notice of AGM and Form of Proxy. All resolutions proposed to the AGM were passed. Details can be found in the Investor section on the Group's website.

Reporting, risk, internal audit and controls

The Governance review, commencing on page 50 of our 2020 Annual Report, details the specific actions undertaken by the Group during the financial year, including those with a risk management focus. The Board's approach to risk and internal audit, including its systems in relation to the preparation of consolidated accounts, and the material controls of the Group's established internal control framework, are disclosed in the Risk management section on pages 29 to 34 of our 2020 Annual Report. A separate programme of 12 internal audits was also completed across the Group's operations, and progress checks were completed against previous recommendations.

Board committees

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

Audit Committee

The Audit Committee was led by Jeremy Townsend as Chairman, and further comprised of independent non-executive directors. As explained on page 2 of this Policy, Marisa Cassoni assumed the role of Chair of the Audit Committee, following Jeremy's departure on 30 September 2020. Additional details on the Committee's members can be found on pages 48 and 49 of our 2020 Annual Report. The Chairman of the Board, Chief Executive and Finance Director attend Committee meetings by invitation, together with the Director of Risk and Assurance and the Director of Group Finance. The General Counsel & Company Secretary, or his delegate, acts as Secretary to the Committee. A key requirement of Provision 24 of the 2018 UK Corporate Governance Code and the FRC's guidance on Audit Committees is that each committee member should have sufficient knowledge, training and expertise to contribute effectively to the work of the Committee. The Board is satisfied that, as a whole, the Committee has competence relevant to the sector in which the Group operates.

The Committee continued to monitor and review developments in corporate governance, the integrity of the financial statements and the adequacy and effectiveness of the risk management and internal control framework of the Group. In addition, the Committee oversaw the successful transition of external auditor from PwC to BDO LLP, following their appointment as auditor at the 2019 Annual General Meeting.

Aside from the reduction in revenue and profitability following the sale of the housebuilding divisions, the continuing Group's financial performance during the year was severely impacted by the effects of the Covid-19 pandemic on the industry and economy. Further information can be found in the Financial Review on pages 40 to 42 of our 2020 Annual Report. The Committee considers that the 2020 Annual Report and financial statements are fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein.

Remit and activities

The Committee meets at least three times a year, this number being deemed appropriate to the Committee's role and responsibilities. The Committee's delegated authorities and calendar of prioritised work have not changed substantially from those disclosed in previous years. The terms of reference of the Committee are

available on the Group's website (www.gallifordtry.co.uk). The key responsibilities of the Committee are: delegated responsibility from the Board for financial reporting; monitoring external audit, internal audit, risk and controls; and reviewing instances of whistleblowing and the Group's procedures for detecting fraud. The authorities and calendar of work remain in line with the requirements of the Code. The table on page 58 in our 2020 Annual Report summarises the Committee's key activities during the financial year. The Committee also continues to meet with internal and external audit teams, without Executive management, in order to discuss any matters which the auditor may wish to raise in confidence.

The Committee reviews and approves the scope of work of the Risk and Internal Audit team on an annual basis, including assessing the adequacy of the team's resources. During the financial year, the Risk and Internal Audit team focused on delivering its agreed calendar of audit reviews under its rolling three-year internal audit plan and on providing commercial and risk management support across the Group at the request of the Committee, the Executive Board and senior management.

The risks of the Group are reviewed by the Executive Risk Committee, which reports to the Executive Board and the plc Board. Following the disposal of the housebuilding divisions, the Group reconsidered its principal risks and uncertainties. The principal risks and uncertainties and risk profile which may have a material impact on the Group's performance in the second half of the financial year were refreshed to align them more closely with the construction contracting nature of the Group. The principal risks remain primarily the same as those outlined in the Group's annual report and financial statements for the year ended 30 June 2019, other than risks related to growth in the Partnerships & Regeneration business and exposure to the residential housing market which are no longer relevant.

In addition, the Committee has continued to review procedures in place to identify emerging risks. More information about the Group's principal risks, its process of identifying and managing emerging risks, its long-term viability and its risk management systems can be found in the Risk management section on pages 29 to 34 of our 2020 Annual Report.

Policies and review mechanisms governing the provision of material non-audit services and safeguarding the objectivity and independence of the external auditor, remained in force throughout the financial year. The policy specifies: the types of non-audit services for which the use of the external auditor is pre-approved (ie approval has been given in advance as a matter of policy); the services for which specific approval from the Committee is required before the auditor is contracted; and the services from which the external auditor is excluded. In respect of pre-approved services, a financial threshold is in place, applicable to individual and aggregated services in any year. Furthermore, should the total value of non-audit service engagements exceed a defined percentage of the total Group audit fee for the previous financial year, the Committee shall consider and give specific prior approval for any subsequent non-audit service engagements.

As disclosed on page 59 of our 2020 Annual Report, in September 2019 the Committee approved fees totalling £1.5m to appoint PwC to the role of Reporting Accountant, to provide services to audit/validate the extracts of Group financial information that are required for the various public documents as well as review and opine on the working capital forecasts and Financial Position and Prospects statements required by the transaction sponsors acting on the disposal of the housebuilding divisions in January 2020.

Each year, the Committee assesses the independence and effectiveness of the external audit process, which includes discussing feedback from the members of the Committee and key senior management within the Group and from regulatory sources.

The Committee reviewed the integrity of the Group's financial statements and all formal announcements relating to the Group's financial performance. This included an assessment of each critical accounting policy, as set out in note 1 to the financial statements, as well as review and debate on the following areas of significance:

Contract revenue and provisions: in conjunction with the annual audit, the Committee reviewed key judgments in respect of revenue recognition and contract provisions, in relation to certain significant long-term construction contracts. This specifically included consideration, in the context of IFRS 9 and IFRS 15, of the accounting and disclosure in relation to the Aberdeen Western Peripheral Route and three terminated contracts (see Financial review on page 41 and note 40 to the financial statements).

Future IFRS developments: during the year, the Committee continued to review the implementation of new accounting standards with respect to their impact on the Group's results and financial statements. This included IFRS 16 Leases, for which an impact assessment and implementation project was completed and presented. The Committee also considered, reviewed and approved the Group's proposed internal accounting policy to reflect the requirements of the new standard, which was adopted by the Group on 1 July 2019.

Going concern and viability: the Committee assessed the available bank facilities (in September 2019) and the associated covenants and sensitivities and since the disposal of the housebuilding divisions, forecast Group cash liquidity. The Committee also considered other commercial and economic risks to the Group's going concern status and longer-term viability, and reported to the Board on its findings.

Goodwill impairment review: during the year, the Committee considered the judgments made in relation to the valuation methodology adopted by management and the model inputs used, as well as the sensitivities used by management and the related disclosures.

Financial Reporting Council review of 2018 financial statements: the Group's 30 June 2018 financial statements were subject to a review by the FRC's Corporate Reporting Review team. As reported in our half year statement for the six months ended 31 December 2019 and on page 41 of our 2020 Annual Report, this resulted in a number of prior year adjustments being made to the 30 June 2018 net assets, as a result of revisiting the application of the new IFRS 15 accounting standard and its predecessor, IAS 11.

Significant transactions: the Committee has given particular consideration to the accounting for and presentation of individually significant transactions, and areas where alternative performance measures are required to ensure that the financial statements give a fair, balanced and understandable view of the Group's performance, and that statutory measures are equally clear and prominent. Reconciliations of alternative performance measures to their statutory equivalent measures are detailed in note 38 to the 2020 financial statements. In the year ended 30 June 2020, the Committee considered the disposal of the housebuilding divisions to Vistry Group plc.

Nomination Committee

The Nomination Committee is led by Peter Ventress and is further comprised of three independent non-executive directors.

During 2019 and the first part of 2020, the Committee oversaw a number of significant changes to the Board. Graham Prothero stood down as Chief Executive and from the Board. On behalf of the Board I thank Graham for his contribution to the Group and the corporate transaction and wish him well in his new role. Bill Hocking, who was previously Chief Executive of Construction & Investments was appointed as Chief Executive on 3 January 2020. As stated above, Jeremy Townsend stepped down from the Board on 30 September 2020.

Composition and remit

Membership of the Committee is detailed on page 48 of our 2020 Annual Report. The General Counsel & Company Secretary acts as Secretary to the Committee.

Following the publication of the 2018 UK Corporate Governance Code (2018 Code), the Committee has reviewed the terms of reference and updated them to ensure that they are in line with the new Code. The

terms of reference of the Committee can be found on the Group's website (www.gallifordtry.co.uk) and have not been significantly changed from the previous year.

The principal authorities delegated to the Committee by the Board are:

- Reviewing the size, structure and composition of the Board.
- Evaluating the balance of skills, knowledge, diversity and experience of the Board, including the impact of new appointments.
- Overseeing and recommending the recruitment of any new directors.
- Ensuring appointments are appropriately made against objective criteria.
- Keeping the leadership and succession requirements of the Group under active review.

The principal tasks of the Committee during the financial year have been to oversee the succession to the role of Chief Executive, changes to the Executive management team as a consequence of the corporate transaction and to continue the development, monitoring and oversight of succession planning processes and the further implementation of a range of inclusive and diversity-supporting initiatives. Following the successful completion of the sale of the housebuilding divisions, the Committee will focus on refreshing the succession planning process for the continuing business with the particular aim of identifying those in line for future promotion and to ensure retention and development of talent.

At the financial year end, the Committee comprised a majority of independent Non-executive Directors, complying with provision 17 of the 2018 Code. During the financial year, the Committee prioritised the calendar of key activities and areas of focus as set out in the table on page 57 of our 2020 Annual Report.

The Committee oversees and advises the Board on the identification, assessment and selection of candidates for appointment to the Board. An external consultant, Russell Reynolds Associates, which has no other connection to the Company, was engaged to undertake benchmarking to inform the views of the Committee and the Board on appointments in the year.

Remuneration Committee

Membership of the Committee is detailed on page 48 of our 2020 Annual Report. Marisa Cassoni chaired the Committee throughout the 2019/20 financial year. As stated above, Terry Miller, Senior Independent Non-executive Director, became Chair of the Remuneration Committee on 30 September 2020, replacing Marisa Cassoni who became Chair of the Audit Committee. The other current members are Gavin Slark and Peter Ventress. The General Counsel & Company Secretary acts as Secretary to the Committee. The Chief Executive has a standing invitation to attend all Committee meetings, although each meeting commences with the Non-executive Directors meeting without Executive management present. No director, or the General Counsel & Company Secretary, is present when his or her own remuneration is being considered.

The Committee is governed by formal terms of reference agreed by the Board and is composed solely of Non-executive Directors, each of whom the Board considers to be independent. The latest terms of reference are available on the Group's website (www.gallifordtry.co.uk).

Remuneration Policy review

The principal work of the Committee this year has been considering remuneration matters arising from the disposal of the Group's housebuilding operations and the review of the Group's existing Remuneration Policy and formulation of the 2020 Policy, in consultation with major shareholders. Shareholders approved the 2020 Policy at the Group's AGM on 13 November 2020, a copy of which is set out on pages 65 to 69 of our 2020 Annual Report.

Remuneration Policy changes

As part of the Policy review, the Committee consulted with our largest shareholders and proxy voting agencies. Strategy, culture and pay philosophy across the Group, best practice and governance developments were all taken into account when formulating the proposed changes to the current Policy. A summary of the key changes to the Policy are included in the table below.

Element	Summary of current Policy	Proposed change
Annual Bonus Plan	<p>Current bonus opportunity is 150% of base salary for the Chief Executive and 100% for other directors. Pro-rating applies as appropriate for intra-year joiners.</p> <p>The Committee, may at its discretion, adjust bonus outcomes if it considers the payout is inconsistent with the Group's underlying performance during the year.</p> <p>The Committee operates recovery and withholding provisions which facilitate the retrieval of payments made to Directors and Executive management in circumstances of error, financial misstatement or misconduct.</p>	<p>A maximum bonus opportunity of 120% of salary for the Chief Executive, and 100% for other Executive directors. No more than half of the maximum opportunity is earned for target performance.</p> <p>Bonus outcomes are subject to overall Committee discretion taking into account factors including safety, environmental, social and governance (ESG) and the underlying performance of the Group. The change from a formulaic safety adjustor to Committee discretion allows greater flexibility to take into account actual circumstances.</p> <p>In line with best practice, recovery provisions may apply in the event of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.</p> <p>Any bonus payment may be 'clawed back' within a period of three years after the payment date should:</p> <ol style="list-style-type: none"> The Company discover that there was a material misstatement of the financial results or an error in the calculation of any performance condition, which resulted in excess annual bonus being received by the employee. The Company become aware of any material wrongdoing on the part of an employee that would have entitled the Company to terminate the employment summarily. <p>In these scenarios, the Committee shall be entitled to recover the balance of the overpayment from future bonus payments, unvested share awards (if any), or if all of these possibilities have been exhausted, by cash payment from the employee via deduction(s) from their salary or via bank transfer/cheque from ex-employees. Both scenarios shall repay the sum on demand. The application and extent of the claw back provision shall operate at the sole discretion of the Committee.</p>
Long Term Incentive Plan (LTIP)	<p>Performance measures chosen to provide alignment with medium term objectives and selected annually; any material change would be subject to shareholder consultation.</p> <p>The Committee may, at its discretion, adjust LTIP vesting outcomes if it considers the payout is inconsistent with the Group's underlying performance during the performance period.</p> <p>The LTIP provides clawback and malus powers to the Committee, which can facilitate the retrieval of payments made to Directors and Executive management in circumstances of error, financial misstatement or misconduct.</p>	<p>The LTIP performance metrics for FY21 comprise 75% based on earnings per share and 25% based on a cash performance metric, based on average month end cash as a percentage of revenue.</p> <p>Vesting of awards is subject to overall Committee discretion, taking into account factors including safety, ESG and the underlying performance of the Group.</p> <p>In line with best practice, recovery provisions may apply in the event of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.</p>

Pension	The Chief Executive and Finance Director receive age-related pension contributions of 8% and 6% of salary, in line with the rates offered across the employee population.	In line with 2018 Code recommendations, any new Executive Director hire would receive a pension contribution in line with the wider workforce.
Shareholding guidelines	The current share retention policy requires Executive directors to build and maintain a shareholding equivalent in value to at least 200% of basic salary.	The required minimum level of share ownership will be maintained at 200% of salary. However on leaving the Group, Executive directors are required to retain the lesser of their in-post shareholding guideline and their actual shareholding on departure for two years. This requirement applies only to share awards granted to Executive directors following the 2020 AGM.

Application of Remuneration Policy in 2019/20

Base salaries: as a consequence of the Covid-19 pandemic, the 2020/21 salary review, which is usually undertaken in July each year has been deferred to April 2021. Also as a consequence of the pandemic, from 1 May 2020, the Group implemented a temporary 25% salary and fee reduction for all Board Directors and Executive Board members. Normal salaries and fees were reinstated from 1 July 2020.

Annual Bonus Plan (ABP): the structure of the 2019/20 annual bonus was originally aligned with the 2018/19 scheme with regards to performance measures and weightings, and with stretching targets set around the Group's budget for the year. Following the disposal of the housebuilding divisions in January 2020, the Committee used its discretion to adjust the performance metrics and targets for the second half of the 2019/20 financial year to reflect the new structure of the business, as follows:

- The landbank element (12.5% weighting) was removed entirely from the annual bonus, with the weighting reallocated to the Group cash management element for the period from January to June.
- The pre-exceptional half year Group profit before tax and Group cash management targets to 31 December 2019 remained as originally set and represented 10% and 12.5% of the total bonus for the year respectively.
- The pre-exceptional full year Group profit before tax targets were reduced to reflect the original budget for the disposed businesses for the second half of the year.
- Group cash management targets for the second half year to 30 June 2020 (25% of total bonus) were reset based on the new forecast but retained the same principles as had originally applied (ie 50% of monthly bonus achieved at budget and up to 100% at a 10% stretch, with achievement computed on a straight line basis between target and maximum), earned up to 3% each month from January to May and up to 10% for June.

The changes were designed such that the targets should have been no more or less difficult than those set prior to the disposal. Additionally, the Committee resolved that in order to incentivise the successful completion of the disposal of the Group's housebuilding divisions, and to reflect the focus of a significant part of his duties for the year, Andrew Duxbury's annual bonus for 2019/20 would be based 50% on the successful completion of the disposal, with the remaining 50% adjudicated in proportion to the revised annual bonus structure as detailed above. This approach was within the scope of the approved Remuneration Policy. In making the award in respect of the disposal, the Committee had regard to Andrew's wider contribution and the underlying performance of the Group.

A detailed analysis of performance targets and the wider factors taken into account by the Committee in determining ABP payments for the circa 1,800 participants is included on page 72 of our 2020 Annual Report. Taking all factors into consideration, the Committee determined that outcomes of 36.7% and 68.3% of maximum to Bill Hocking and Andrew Duxbury were appropriate taking into account Group performance, their contributions to this, the corporate transaction and consistency with the rewards delivered to the wider workforce.

LTIP: as part of the corporate transaction, updated rules for the continuing Group with respect to the LTIP were put in place and were approved by shareholders at a general meeting held on 29 November 2019. Following the announcement of the half year results to 31 December 2019, the Committee granted awards under the LTIP for 2019 – 2022 of 150% of salary to each of Bill Hocking and Andrew Duxbury, as well as other senior leaders. These awards were made within the current approved Remuneration Policy and, reflecting the new structure of the business, were based entirely on underlying EPS in respect of a performance period comprising three consecutive financial years of the Group commencing in the year ended 30 June 2019. Further details of the awards and performance targets applying are included on page 73 of the 2020 Annual Report.

In addition, the Committee approved the vesting of 16.5% of the LTIP awards originally granted to Executives in September 2016 following the pre-exceptional reported profit before tax (PBT) of £155.5m and cumulative notional EPS over the performance period of 419.9p. The approval took place on 30 September 2019 and again on 16 November 2019, in relation to former Chief Executive Graham Prothero.

Shareholder consultation and voting analysis

The Committee actively consults with relevant institutional shareholders regarding, and in advance of, substantial changes to the Remuneration Policy, where appropriate, or individual Executive director salary packages. The most recent consultation took place in June 2020 in connection with the proposed New Policy.

Wider workforce remuneration

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the Executive directors. Consideration is given to the overall salary increase budget and the incentive structures that operate across the Group, taking into account available market sector data obtained through benchmarking pay and benefits data, Government policies and advice from the Executive management team. The wider total package on offer remains competitive at all levels. However, the Committee is mindful of the feedback from key stakeholders across the Group that improvements could be made to the visibility and flexibility of some of the wider benefits offered to staff.

In relation to the new Policy, the Committee took wider workforce remuneration policies and practices into consideration. Management will apply the New Policy and review the Group's overall remuneration policies and incentive arrangements for the wider management team, to ensure that they are aligned to the Company's long-term strategy. In addition, the Board engages with employees through the Employee Forum. The purpose of the Employee Forum is to:

- Provide a voice for employees and enable better engagement with the workforce.
- Strengthen the internal communication process, providing information exchange and representation of employee groups and their views.
- Act as a representative body for communication with and feedback from employees about enhancements and changes that may affect their employment.
- Seek suggestions and ideas from employees and provide feedback on developments and proposals.
- Champion change and support good governance.

The Employee Forum is chaired by Terry Miller, Senior Independent Non-executive Director. Further information on the work of the Employee Forum can be found on page 46 of the 2020 Annual Report.

Remuneration advice and advisers

The Committee is informed of key developments and best practice in the field of remuneration and regularly obtains advice from independent external consultants, when required, on individual remuneration packages and on Executive remuneration practices in general. Mercer Limited (Mercer) is the Committee's remuneration consultant, following its appointment in March 2019. Fees paid to Mercer during the financial year were £79,907

(2019: £23,000). Mercer Limited does not provide any other services to the Group, although Mercer is part of Marsh & McLennan Companies, a subsidiary of which Marsh JLT Specialty Limited, provides insurance broking services to the Group. The Committee is satisfied that these services do not impinge on the independence of Mercer. Furthermore, Mercer is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial.

The General Counsel & Company Secretary also advises the Committee as necessary and, where appropriate, makes arrangements for the Committee to receive independent legal advice at the request of the Chair.

December 2020