

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 86 to 88 of our 2021 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 2021, the report covered:

- Group Governance structure.
- Board attendance.
- Board activities and key areas of Board discussion during 2020/21.
- UK Corporate Governance Code compliance.
- 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 relevant provisions of the Companies Act 2006, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Financial Conduct Authority's Listing Rules.

The following extracts from the 2021 Governance review, which can be found on pages 58 to 85 of our 2021 Annual Report, summarise the application of the Group's Corporate Governance policy during the financial year ended 30 June 2021, 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 Director held an annual meeting without the Executive directors present. A summary of Board and Committee attendance can be found on page 59 of our 2021 Annual Report, together with a summary of the key areas of Board discussion during 2020/21.

Board composition

Biographical summaries for each of the directors as at 30 June 2021, their respective responsibilities and their external directorships are set out on page 56 of the 2021 Annual Report. As reported in our 2020 Annual Report, Jeremy Townsend stepped down from the Board on 30 September 2020, having served as a Non-executive Director since September 2017. There were no other changes to the Board during the year. In line with the UK Corporate Governance Code, all directors stood for re-election at the 2021 AGM. The performance of the directors continues to be effective, and commitment to their respective roles is clearly demonstrated.

UK Corporate Governance Code

As a UK premium listed company, the 2018 UK Corporate Governance Code (Code) is the standard against which we measured ourselves during 2020/21. Throughout the year, the Board has applied the Principles and complied with all the Provisions of the 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 59 of our 2021 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, which is reviewed by the Board annually, provides that the Board is responsible for establishing the values and strategy of the Company. The Employee Forum chaired by Terry Miller, Senior Independent Director, remains 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.	See our People and culture section on pages 23 to 25 of the 2021 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 is reviewed and agreed by the Board in July each year. In addition, the Group has continued to review its mature risk management and governance processes in place to identify, report and manage risk, ensuring they remain robust. The Executive Risk Committee provides regular reports to the Board and assists the Board and Audit Committee in monitoring and updating the Group's principal and emerging risks.	See our Principal risks section on pages 37 to 40 of the 2021 Annual Report for further information.
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.	The Stakeholder Steering Committee, chaired by Terry Miller, Senior Independent Director, continued to meet during the year. The Committee oversees relationships with the business's key stakeholders, including collating stakeholder views and reporting these to the Board.	See our Stakeholder engagement section on pages 50 to 53 of the 2021 Annual Report for further information.
E. Workforce policies The Board should ensure that workforce policies and practices are consistent with the company's values and	The Code of Conduct 'Doing the right thing' sets out our organisational policies and procedures and defines behaviours. In addition, there are Group policies that define our approach to managing health, safety, environmental and social matters	See our People and culture section on pages 23 to 25 of the 2021 Annual Report for further information.

support its long-term sustainable success. The workforce should be able to raise any matters of concern.

affecting our employees. These policies are regularly reviewed and 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.

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 judgment 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-executive directors, and ensures that directors receive accurate, timely and clear information.

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, in conjunction with the General Counsel & Company Secretary, ensures that directors receive accurate, timely and clear information. 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 Director without the Chairman present.

See page 64 of the 2021 Annual Report for further information and Board effectiveness review.

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.

The Board comprises the Chairman (who was independent on appointment), Chief Executive, Finance Director and three other independent non-executive directors. 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 executive leadership and management of the business through defined delegated authority limits. The non-executive directors 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 page 58 of the 2021 Annual Report for further information.

H. NEDs' role and time commitment

Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge and strategic guidance, offer specialist advice and hold management to account.

The annual Board evaluation process continues to assess the performance and effectiveness of directors and their commitment to meet their Board responsibilities.

See the section on Board evaluation on page 64 of the 2021 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.

The General Counsel & Company Secretary ensures that the Board receives 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' inductions and Board evaluation exercises and supports succession planning and recruitment of new non-executive directors.

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, and cognitive and personal strengths.

Succession plans were reviewed and refreshed during the year. The Board and Executive management recognise its importance to overall business performance. Inclusion and diversity is a key driver to the Group's overall development plans.

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 length of service of the Board as a whole and membership regularly refreshed.

The Nomination Committee and annual non-executive directors' 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 re-appointment of the non-executive directors 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. The Board undertook an internally-facilitated Board evaluation this year, and further information can also be found on page 64.

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 2021 half year and full year results and the 2021 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 2021 Annual Report and Accounts in September 2021 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.

See the Financial and operating review section on pages 42 to 49 of the 2021 Annual Report for further information.

<p>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.</p>	<p>The procedures for managing risk have continued to work well during the year. 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 and emerging risks and recommends any changes to risk appetite to the Board. The Group risk register is reviewed regularly by the Board.</p>	<p>See Our risk management process section on page 36 of the 2021 Annual Report for further information.</p>
<p>5. Remuneration</p>		
<p>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.</p>	<p>The Remuneration Policy was approved by 99.66% of shareholders who voted at the 2020 AGM. The Remuneration Committee continues to review remuneration policies and practices to ensure that they are aligned to the Group's long-term success and based on stretching performance metrics that reflect the interests of shareholders.</p>	<p>See the Directors' Remuneration Policy report on pages 73 to 79 of the 2021 Annual Report.</p>
<p>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 should be involved in deciding their own remuneration outcome.</p>	<p>The Remuneration Committee has continued to apply robust procedures for determining executive remuneration and operates in accordance with its terms of reference. The remuneration of non-executive directors is 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.</p>	<p>The Remuneration Policy can be found on pages 73 to 79 within the Directors' Remuneration Policy report of the 2021 Annual Report. The terms of reference for the Remuneration Committee can be found on our website at www.gallifordtry.co.uk/about/governance-and-policies/.</p>
<p>R. Independence of remuneration outcome decisions Directors should exercise independent judgment and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.</p>	<p>The Remuneration Committee comprises solely independent non-executive directors. The Committee takes advice from external remuneration consultants and ensures that remuneration for the 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.</p>	

Board evaluation: 2020 update and 2021 performance evaluation

The 2020 Board evaluation exercise was internally-facilitated and closely followed those undertaken in 2017 and 2018. The evaluation found that the Board and its Committees were operating effectively. The findings were presented to the May 2020 Board meeting and actions were subsequently agreed by the Board to address the recommendations of the evaluation. The table below summarises the substantive recommendations made and actions undertaken during the financial year to address them.

2020 Board evaluation

recommendations	Actions taken during the year
Succession planning	A detailed review of succession plans at executive level was undertaken by the Nomination Committee in December 2020.
Inclusion and diversity initiatives	The Nomination Committee received a presentation from the HR Director covering inclusion and diversity initiatives in December 2020.
Commercial audit reports	Summary reports of commercial health checks undertaken by the Internal Audit team are regularly included in the Audit Committee papers. An annual review of internal controls and risk management was undertaken by the Board in September 2020 ahead of publication of the full year's results.
Sustainability session	Our approach to sustainability was reviewed at the Board's strategy session in April 2021.

Board effectiveness review

In line with the Code, the Board continues to review its own effectiveness and that of its Committees on an annual basis, with an externally-facilitated review at least every third year (the last being undertaken in May 2019). The 2021 Board evaluation was once again internally facilitated by the Chairman in conjunction with the General Counsel & Company Secretary, and conducted between March and May 2021. Questions were reviewed in line with the Code and best practice to ensure their continued relevance, but remained broadly similar to previous internal evaluations to allow the comparison of results over time and to measure progress and change. This year's evaluation included additional questions on section 172 duties (understanding around key stakeholders), ESG factors and succession planning.

The format of the 2021 effectiveness review followed that undertaken in 2020, whereby a detailed and comprehensive questionnaire was securely sent online to each individual director to complete and return. 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 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 Director then meets with the Chairman to provide feedback.

The findings of the evaluation exercise were presented to the Board in May 2021. Overall, the evaluation confirmed that the Board and its Committees are continuing to operate effectively. The evaluation results found that the composition of the Board remains appropriate for the size and structure of the business currently, however, the Board has identified a need to consider succession to the Board within the next two-to-four years in view of the length of service of several non-executive directors.

The Board has identified the following recommendations in which it would like to make improvements over the forthcoming financial year:

- Succession planning: review and plan for required non-executive director succession.
- ESG: review and develop the scope of the Stakeholder Steering Committee to include oversight of sustainability and its overall governance within the Group.
- Stakeholder engagement: continue to receive regular reports to the Board from the Stakeholder Steering Committee and Employee Forum Chair on stakeholder engagement and employee matters.
- Shareholder relations: continue to engage as required with institutional shareholders on key matters of relevance to the Group and its operations.

Inclusion and diversity

As at 30 June 2021, women held 33% of Board positions, meeting the targets set by the Hampton and Alexander Review, the final report being published in February 2021.

Strategies to improve inclusion and diversity at all levels in the workforce have continued to build on the work undertaken in 2020, to ensure each business has the right culture, procedures and policies in place. The Company actively supports the National Association for Women in Construction to encourage individuals to pursue, establish and sustain successful careers in the construction industry, and the Leadership & Diversity Group Scotland, and is a member of the Supplier Diversity Group Working Party supported by Highways England, a key client. Membership of these groups highlights our commitment to promote equality, diversity and inclusion, share learning with industry peers and promote opportunities in our business. In addition, a variety of inclusive initiatives, such as gender-neutral recruitment advertising, supporting diversity programmes and the promotion of agile working are used to make the Group more attractive to a wider group of employees.

Further diversity disclosures can be found in the People and culture section on pages 24 and 25 of the 2021 Annual Report.

Executive Board report

Membership of the Executive Board is detailed on page 57 of the 2021 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 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.

Despite the challenges of the pandemic, the Executive Board has continued to maintain its programme of 11 scheduled meetings during the year. Meetings of the Executive Board have been held virtually/hybrid; however, in line with our office safety procedures and protocols, a number of our Executive Board members have visited office locations to maintain a visible presence among staff and provide support during these challenging times.

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 featuring as the first agenda items at every meeting, highlighting the importance of such matters to the Group.

Governance policies

The Group has continued to operate a suite of governance and risk management policies, procedures and training programmes, all of which address obligations arising under relevant legislation. Policies, procedures and authority matrices by which the central functions and businesses operate, were reviewed and refreshed during the financial year.

Reporting, risk, internal audit and controls

The Governance review, commencing on page 54 of the 2021 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 page 36 of the 2021 Annual Report.

A separate programme of 11 internal audits was also completed across the Group's operations, and progress checks were completed against previous recommendations.

Shareholder relations

Despite the pandemic, the Chief Executive and Finance Director continued to meet with existing and prospective institutional shareholders throughout the year, utilising various virtual formats. The management team also engaged with Capital Access Group, Vox Markets and Investor Meet Company during the year to expand the reach to further investors. In total, 74 meetings were held during the course of the year, with 92 institutions including 25 shareholders, who together represented 44% of the share register, and 67 potential investors. The management team attended four conferences in the year, meeting with 18 institutions. Key areas of discussion included the Company's strategy and targets, dividend policy, capital allocation, future pipeline and ESG factors.

The Finance Director has this year focused on building strong investor relationships, engaging with a third-party specialist advisory business to schedule roadshows and provide further research coverage, while Vox Markets has been engaged to create digital content following news updates.

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 Director and other non-executive directors are available to attend meetings with shareholders and address any significant concerns that shareholders may have. The Chairman and General Counsel & Company Secretary met one shareholder virtually to discuss the business.

This year's AGM was held on Friday 12 November 2021 at the offices of Peel Hunt LLP, 7th floor, 100 Liverpool Street, London, EC2M 2AT at 11.00am. Shareholders who attended the AGM received an update on the Company's performance. 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.

Board committees

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

Nomination Committee

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

During the 2020/21 financial year, Jeremy Townsend stepped down from his role as a Non-executive Director and Chair of the Audit Committee, having served as a Non-executive Director since September 2017. On the same date Marisa Cassoni, Non-executive Director and then Chair of the Remuneration Committee, assumed the role of Chair of the Audit Committee with Terry Miller, Senior Independent Director, replacing Marisa as Chair of the Remuneration Committee. Terry was previously interim Chair of the Remuneration Committee between November 2017 and February 2019.

Composition and remit

Membership of the Committee is detailed on page 56 of our 2021 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 continue the development, monitoring and oversight of succession planning processes below the Executive Board and identify potential candidates for future promotion and the steps necessary to support their ability to move forward. Succession plans developed by the business were reviewed during the year. Overall, good progress has been made in succession considerations generally across the Group, with the business taking ownership of the process and management understanding the importance of good succession and developing their teams. In addition, the Committee received updates from the HR Director in relation to the implementation of a range of inclusive and diversity-supporting initiatives within the Group.

At the 2020/21 financial year end, the Committee comprised a majority of independent non-executive directors, complying with provision 17 of the 2018 Code. The Committee prioritised the calendar of key activities and areas of focus as set out in the table on page 67 of our 2021 Annual Report.

Board appointments

There were no new appointments made to the Board during the financial year. Any new appointments to the Board continue to be subject to formal, rigorous and transparent procedures. The Committee oversees and advises the Board on the identification, assessment and selection of candidates for appointment to the Board.

Review of the composition of the Board

The Board evaluation process continues to assess whether the composition of the Board and mix of skills, experience, knowledge and diversity of opinion remain suitable in the context of the new structure of the Group. The composition of the Board and its Committees continues to be regularly reviewed. Given the size and simpler structure of our Group, the size and composition of the Board and Nomination Committee remain appropriate. Further details on how the Board evaluation process was conducted and its outcomes are summarised on page 6 above.

Inclusion and diversity

During the year, the Company has continued to monitor inclusion and diversity across the Group more effectively and achieved recognition for our efforts in this area.

Audit Committee

The Audit Committee was led by Marisa Cassoni, and further comprised of independent non-executive directors. 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 page 56 of our 2021 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.

The Committee has continued to support the Board in fulfilling its corporate governance responsibilities, monitoring and reviewing developments in corporate governance, overseeing the internal audit process, and assessing 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 has continued to ensure that each Committee member has sufficient knowledge, training and expertise to contribute effectively to the work of the Committee – a key requirement of Provision 24 of the Code and the FRC's Guidance on Audit Committees.

The Committee considers that the 2021 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 68 in our 2021 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 continues to review and approve 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 has continued to focus 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. Status reports on commercial health checks, based on a sample of 12 contracts from across the business, are reported to the Audit Committee at each meeting. Projects included in commercial health checks provide a representative mix of business units, project values, current commercial performance and stage of completion.

The risks of the Group are reviewed by the Executive Risk Committee, which reports to the Executive Board and the Board. In addition, the Committee has continued to review procedures in place to identify emerging risks. The Executive Risk Committee has a standing agenda item at its meetings to review and document emerging risk themes that could have a significant impact on our business. 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 36 to 40 of our 2021 Annual Report.

In line with the requirements of the Code, an annual review of the effectiveness of the Group's risk management and internal control systems is reviewed by the Board prior to the approval of the full-year results, covering all material controls, including financial, operational and compliance controls. In addition, the Director of Risk and Assurance provides an Internal Audit Report to the Audit Committee at each Committee meeting, which includes the status of audits from the agreed internal audit plan and implementation of agreed actions.

External auditor effectiveness and independence

The Company's external auditor is BDO LLP. Their appointment as auditor was approved by shareholders at the 2019 AGM, following an audit tender process undertaken in the second half of 2018. The audit plan is submitted annually and is approved by the Committee. The Committee meets privately with the auditor, and the Chair of the Committee speaks regularly with the audit partner throughout the year.

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. The Committee is satisfied that the external audit relationship is effective and that BDO LLP remained sufficiently independent in accordance with the relevant professional ethical standards.

Non-audit services

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 (i.e. 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. There were no non-audit-related assurance services provided by BDO LLP during the 2020/21 financial year.

Internal control framework

The day-to-day management of our principal risks is supported by an internal control framework which is embedded in our management and operational processes. The most significant elements of the Group's internal control framework include the following:

Organisational structure: each business unit is led by a managing director and management team providing a clear hierarchy and accountabilities.

Code of Conduct: the Group continues to promote a culture of acting ethically and with demonstrable integrity. Our ethical standards and approach are set out in 'Doing the right thing', our Code of Conduct. It is supported by specific training modules in key areas and its key themes and importance are communicated to new starters as part of their induction.

Contractual review and commitments: the Group has continued to maintain defined policies and procedures for entering into contractual commitments which apply across its business units and operations and are enforced through the Group's legal authorities matrix. During the year, the Group has reviewed and enhanced its procedures for the approval and sign-off of Commercial and Legal Authorities Matrices (CLAM) for specific projects.

Operational activity: site operations are performed in line with established business management systems and processes that incorporate all operational activities, including health, safety and environmental procedures, regular performance monitoring, quality management and external accountability to stakeholders.

Financial planning framework: a detailed annual budget is prepared for each financial year, which is approved by the Board.

Operational and financial reporting: an exacting profit and cash reporting and forecasting regime is in place across the Group. As well as the emphasis placed on cash flow, income and balance sheet reporting, health, safety and environmental matters are prioritised within monthly operational reports.

Internal audit: the Risk and Internal Audit team develops and delivers an annual programme of internal audits, which includes business unit key control reviews, contract and developments commercial audits, audits of Group processes and reviews of significant change programmes.

Assurance provided by non-audit functions: a number of other Group functions provide assurance in areas including, but not limited to, health, safety and environment, legal contract reviews and compliance, and construction industry regulation.

Significant issues and other accounting judgments

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 of the following areas of significance:

Contract revenue and provisions: in conjunction with the annual audit, the Committee continued to review key judgments in respect of revenue recognition and contract provisions, in relation to certain significant long-term construction contracts.

Going concern and viability: The Committee 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.

Deferred tax assets: The Committee reviewed the Group's considerations on future profitability to evaluate the judgment that it is probable the deferred tax assets are recoverable.

PPP portfolio valuation: The Committee reviewed the discount rate used to determine the fair value of each of the Group's PPP investments.

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.

Remuneration Committee

Membership of the Committee is detailed on page 56 of our 2021 Annual Report. 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).

The Remuneration Committee has primarily focused on addressing the challenge of the pandemic around management remuneration and implementation of the Policy approved by shareholders at the 2020 AGM. The Committee continued to apply the recommendations of the UK Corporate Governance Code insofar as they relate to remuneration, and decisions relating to remuneration matters are set out in the relevant sections of this report. The Committee's activities during the 2020/21 financial year are summarised on page 71 of our 2021 Annual Report.

During 2020, and in response to the global pandemic, the Company implemented a temporary salary reduction for the Board and senior management while protecting our lower paid employees. From 1 May to 30 June 2020, the directors and Executive Board volunteered a 25% salary or fee reduction. Salaries and fees were reinstated to normal levels with effect from 1 July 2020. The Company made no use of the Government's Recovery Loan Scheme; however, for a limited duration, the Company used the Government's Job Retention Scheme until August 2020 and has since repaid all amounts that were claimed from the scheme during the 2020/21 financial year (£1.5m).

Remuneration Policy

The Policy was submitted to shareholders for approval at the 2020 AGM held in November 2020. It was subject to a binding vote and was approved by 99.66% of shareholders who voted. The three-year life of the Policy will expire at the 2023 AGM, where we will be required to seek approval for a new binding Policy. The Committee considers the existing Policy, which was updated in accordance with best practice, and its structure comprising base salary, pension, benefits, annual bonus and Long Term Incentive Plan (LTIP), remain appropriate. The Policy is set out in full on pages 74 to 79 of our 2021 Annual Report.

Application of Remuneration Policy in 2021/22

For 2021/22, no changes to the Policy are proposed. The key elements of how the Policy is being applied are set out below:

Base salaries: as a consequence of the Covid-19 pandemic, the 2020/21 salary review, usually undertaken in July, was deferred to April 2021. The Committee has determined that further annual salary reviews will be undertaken in April going forward. Merit-based salary increases were awarded to staff on review in April 2021, and a budget of 2.5% was provided to the Group to cover all salary increases. Bill Hocking and Andrew Duxbury's salaries have been increased by 2.0%, in line with the average increase across the workforce. Andrew Duxbury's salary review is effective 1 April 2021 and Bill Hocking's is effective 1 July 2021. The Committee continues to monitor and review pay and conditions across the Group and in line with the external market.

Annual Bonus Plan (ABP): no changes to metrics or structure are planned for 2021/22. The metrics for the Annual Bonus Plan for 2021/22 are based on the 2020/21 performance metrics, which remain relevant to the Group's objectives and are in accordance with the approved Policy. Profit, cash and construction order book are key elements of business performance. However, the Committee will, during the year, review developing practices on ESG performance metrics with a view to introducing ESG metrics for the 2022/23 Annual Bonus Plan. All bonus awards will be subject to an overall Committee discretion, taking into account health and safety, ESG factors and the underlying performance of the Group.

LTIP: no changes to metrics or structure are proposed for the 2021 awards. The metrics will continue to comprise earnings per share (EPS) and average cash management.

There was one advisory vote at the AGM in November 2021 on the Directors' Remuneration report, which was passed.

Shareholder consultation

The Committee actively consults with relevant institutional shareholders regarding, and in advance of, substantial changes to the Policy, where appropriate, or individual executive director salary packages. As reported in our 2020 Annual Report, the most recent consultation took place in June 2020 in connection with the Remuneration Policy which was presented to shareholders for approval at the 2020 AGM.

Wider workforce remuneration and how the views of employees have been taken into account

The Group ceased claiming the Government's Job Retention Scheme from 1 September 2020 and has since repaid all amounts that were claimed from the scheme during the 2020/21 financial year (£1.5m). During the time that the Group accessed support under the Government's Job Retention Scheme, pay for impacted employees was topped up above the minimum level of government support to protect those employees during the challenging period.

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 Group offers a comprehensive range of benefits which include a 28-day minimum holiday entitlement, plus the opportunity to

purchase further holidays, as well as a comprehensive pension plan, a regular SAYE scheme and health insurance plan. The wider total package on offer remains competitive at all levels.

The Board engages with employees through the Employee Forum. The agenda for the Employee Forum meetings includes business updates, feedback from Employee Representatives on key topics such as reward and benefits, people and engagement initiatives, communication and wellbeing. 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 Director and Committee Chair.

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) remained as the Committee's remuneration consultant throughout the year. Fees paid to Mercer during the 2020/21 financial year were £26,250 (2020: £79,907).

Mercer 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.

November 2021