STATEMENT OF INVESTMENT PRINCIPLES

for the

Galliford Try Final Salary Pension Scheme

September 2020

1. Introduction

1.1. What is the purpose of this Statement of Investment Principles?

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Galliford Try Final Salary Pension Scheme ("the Scheme") on various matters governing decisions about the investments of the Scheme.

1.2. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Lane Clark & Peacock LLP, the Scheme's investment adviser, who the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments and the need for diversification, given the circumstances of the Scheme and the principles contained in this SIP.

The current investment managers of the Scheme were given the opportunity to comment on a draft of the SIP and their comments have been incorporated into this final version. The managers are required to carry out their investment responsibilities in a manner consistent with this SIP.

1.3. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act") and the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations").

The SIP also reflects the Trustee's response to the Myners voluntary code of investment principles.

2. What are the Trustee's overall investment objectives?

The Trustee's objectives are:

- to achieve a return on the investments which is consistent with the long-term assumptions made by the Actuary in the funding of the Scheme;

- that the Scheme should be able to meet benefit payments as they fall due; and
- to avoid volatility in the Scheme funding level. The Trustee is aware that there are various measures of funding, and has given due weight to those considered most relevant to the Scheme.

3. What risks does the Trustee consider and how are these measured and managed?

When deciding how to invest the Scheme's assets, the Trustee considers a wide range of risks, including, but not limited to, those set out in Appendix A. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

4. Summary of the Scheme's investment strategy

4.1. How is the investment strategy determined?

The Trustee, with the help of its advisers and in consultation with the employer, undertakes reviews of the investment strategy from time to time, taking into account the objectives described in Section 2 above.

4.2. What is the investment strategy?

In June 2016, the Trustee reduced investment risk by purchasing a bulk annuity policy, to match the liabilities in respect of the pensions in payment at that time. This transaction was funded by partially disinvesting the Scheme's holdings in corporate bonds, index-linked gilts and cash.

In June 2020, the Trustee reviewed the investment strategy and agreed to replace the Absolute Return Bond fund and one of the DGF fund holdings with investments in buy & maintain corporate bond funds. The Scheme's asset allocation after the strategy review is shown below including and excluding the allocation to the annuity policy. The Trustee intends to maintain an interest rate and inflation hedge ratio broadly equal to the funding ratio.

Asset class	Asset allocation (inc. annuity) (%)	Asset allocation (exc. annuity) (%)
Equities	14	21
Diversified growth	11	18
Corporate bonds	18	27
Liability driven investment (LDI) funds	18	28
Cash	4	6
Annuity	35	-

Asset class	Asset allocation (inc. annuity) (%)	Asset allocation (exc. annuity) (%)
Grand total	**100**	**100**

4.3. What does the Trustee consider in setting the Scheme's investment strategy?

In setting the strategy, the Trustee considers:

- a wide range of asset classes;
- the risks and rewards of a number of possible asset allocation options;
- the suitability of each asset class within each strategy, both across asset classes and within asset classes;
- the need for appropriate diversification between different asset classes; and
- the views of the sponsoring employer, including an assessment of the strength of the covenant of the sponsoring employer.

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient, meaning that not all available, relevant information is incorporated in the market prices of assets, and there may be opportunities for good active managers to add value;
- environmental, social and governance ("ESG") factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and

- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

4.4. What assumptions are made about the returns on different asset classes?

The key financial assumptions underlying the review of investment strategy undertaken in 2020 was that there is a 50/50 chance that, over the long term, equity-type investments will outperform gilts by 5.0% pa and corporate bond investments will outperform gilts 1.0% pa.

5. Appointment of investment managers

5.1. How many investment managers are there?

The Trustee has decided to appoint the following managers to manage the Scheme's non-insured assets;

- BlackRock Investment Managers ("BlackRock"), to manage UK and overseas equities and the diversified growth assets;
- Insight Investments ("Insight"), to manage corporate bond, LDI and cash assets;

In addition, the Scheme holds a bulk annuity policy with Just Retirement Limited in respect of pensioner member liabilities.

5.2. What formal agreements are there with investment managers?

The Trustee has either entered into insurance policies, investment management agreements or signed application forms enabling it to invest in the pooled funds managed by the Scheme's managers. Further details of the investment managers, and their benchmarks and investment guidelines are given in Appendix B.

5.3. What do the investment managers do?

The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

6. Other matters

6.1. What is the Trustee's policy on the realisation of investments?

The investment managers have discretion over the timing of realisation of investments of the Scheme and in considerations relating to the liquidity of investments.

6.2. What is the Trustee's policy on financially material considerations and non-financial matters?

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

6.3. What is the Trustee's policy on voting and engagement?

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

6.4. What is the Trustee's policy in relation to how the arrangements with their asset managers incentivises them to align their investment strategy and decisions with the trustees' policies?

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

6.5. What is the Trustee's policy in relation to the method (and time horizon) of evaluating asset manager performance and the remuneration paid to managers?

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

6.6. What is the Trustee's policy in relation to monitoring portfolio turnover (ie transaction) costs incurred by the asset manager, and how it defines and monitors targeted portfolio turnover or turnover range?

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6.7. What are the responsibilities of the various parties in connection with the Scheme's investments?

Appendix C contains brief details of the respective responsibilities of the Trustee, the investment adviser, and the investment managers. Appendix C also contains a description of the basis of remuneration of the investment adviser and the investment managers.

6.8. Does the Trustee make any investment selection decisions of its own?

Before making any investment selection decision of its own, it is the Trustee's policy to obtain written advice. The written advice considers the suitability of the investment, the need for diversification and the principles contained in this SIP. It is also the Trustee's policy to review its own investment selection decisions on a regular basis, based on written advice.

7. Review

The Trustee will, from time to time, review the appropriateness of this SIP with the help of its advisers, and will amend the SIP as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

Rosemary Kennell

For and on behalf of

Date 18 September 2020

The Trustee of the Galliford Try Final Salary Pension Scheme

The Trustee's policy towards risk, risk measurement and risk management

The Trustee considers that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

A.1. Strategic risk

This is the risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review, and will be monitored by the Trustee on a regular basis.

The Trustee will review the Scheme's investment strategy at least every three years in light of the various risks faced by the Scheme.

A.2. Inadequate long-term returns

A key objective of the Trustee is that, over the long-term, the Scheme should have adequate resources to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce an adequate long-term return.

A.3. Investment manager risk

This is the risk that the investment managers fail to meet their investment objectives. Prior to appointing the investment managers, the Trustee undertook investment manager selection exercises. The Trustee monitors the investment managers on a regular basis.

A.4. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustee's ability to meet its investment objectives.

The Trustee believes that the need for the Scheme's assets to be adequately diversified between different asset classes and within each asset class has been met by the strategy outlined in Section 4.2 and by the guidelines agreed with the investment managers.

A.5. Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Scheme's cash flow requirements and believe that this risk is managed appropriately via the measures described in Section 6.1.

A.7. Environmental, social and governance ("ESG") risks

Environmental, social and corporate governance ("ESG") factors are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

A.6. Other risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme. Examples include:

- mortality risk (the risk that members live, on average, longer than expected); and
- sponsor risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated). The Trustee has taken into account the strength of the employer's covenant in setting the Scheme's investment strategy.

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering each of the risks that contribute to funding risk, the Trustee believes that it has addressed and is positioned to manage this general risk.

Investment manager arrangements

BlackRock

The Trustee has selected BlackRock as the investment manager for the Scheme's passive UK and overseas equity portfolios and the diversified growth portfolio.

Fund	Benchmark index	Objective
Aquila Life UK equity index fund	FTSE All-Share Index	To track the benchmark
Aquila Life World (ex-UK) equity index fund	FTSE All World - Developed (ex-UK) Index	To track the benchmark
Dynamic diversified growth fund	3 month GBP LIBOR	Benchmark + 3% pa, after fees, over a rolling 3 year period

Insight

The Trustee has selected Insight as the investment manager for the Scheme's LDI, buy & maintain corporate bond and cash assets.

Fund	Benchmark index	Objective
Enhanced selection real LDI funds (incorporating the long duration and short duration version of the fund)	A set of typical pension scheme inflation-linked liability cashflows	To match the change in value of the benchmark liabilities
Enhanced selection nominal LDI funds (incorporating the long duration and short duration version of the fund)	A set of typical pension scheme fixed liability cashflows	To match the change in value of the benchmark liabilities
Short Dated Buy & Maintain Fund	Comparator used for performance purposes is the iBoxx GBP Corporates & Collateralized 0-5 years	The investment objective of the Fund is to seek to generate a return for investors by investing primarily in a portfolio of short dated debt securities.

Insight Maturing Buy & Maintain Bond Funds	Comparator used for performance purposes is a customised iBoxx GBP Corporates index with expected maturity within the respective calendar year bands for each fund.	to seek to generate a return for investors by investing primarily in a portfolio of debt securities. Each Fund aims to deliver annual returns for investors principally from the maturity of investments within the maturity period specified in the name of each Fund
Liquidity fund	7-day LIBID	To track the benchmark

B.2. Other assets

Assets in respect of members' additional voluntary contributions are invested separately with Scottish Widows and Prudential.

The Trustee has selected Just Retirement Limited ("Just Retirement") as the provider for the bulk annuity policy. The objective of the policy is to match the Scheme's benefit payments relating to those pensions covered by the policy.

In addition, a number of annuity policies are held in respect of certain pensions in payment.

Responsibilities and fees

C.1. Responsibilities and investment decision-making structure

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service.

C.2. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- reviewing the investment policy following the results of each valuation, and / or after any review of investment strategy (eg any asset liability modelling exercise);
- appointing (and, when necessary, dismissing) the investment managers, the actuary and investment consultants;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

C.3. Investment managers

In broad terms, the investment managers will be responsible for:

- managing their respective portfolios, within the guidelines agreed with the Trustee;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

C.4. Actuary and investment consultant

In broad terms, the actuary and investment consultant will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in reviews of this SIP.

C.5 Mandates given to advisers, and investment managers

The Trustee has in place signed agreements with each of the Scheme's advisers, and investment managers. These provide details of the specific arrangements agreed by the Trustee with each party. Copies of these mandates are available for inspection from the Scheme Secretary.

C.6. Fee structures

The Trustee recognises that the provision of investment management, dealing, and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's investment advisers, under which charges are calculated on a "time-cost" basis or agreed fixed fees.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.