Implementation Statement, covering the Galliford Try Final Salary Pension Scheme from 1st July 2020 to 30th June 2021

The Trustee of the Galliford Try Final Salary Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction – Last review of the voting and engagement policies

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were updated was 30 September 2019 to reflect the Trustee’s agreed policies on financially material considerations (including ESG issues and climate change), the extent to which non-financial matters are considered and stewardship practices.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. Following advice from the Scheme’s Investment Consultant, LCP, the Trustee took a number of steps to review the Scheme’s existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

The most recent Trustee review of LCP’s responsible investment (RI) scores for the Scheme’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund, was in June 2020. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme, and it is these that directly affect LCP’s manager and fund recommendations. The manager scores are based on LCP’s Responsible Investment Survey 2020. The Trustee was satisfied with the results of the review and no further action was taken.

During the Scheme year in October 2020, the Scheme’s Investment Consultant, LCP, provided the Trustee with training on options to reduce the carbon intensity of its equity investments. Following advice from LCP, the Trustee considered changes to the Scheme’s investment strategy, specifically to appoint a manager for climate-tilted equities in place of the equity portfolio with BlackRock. As part of the selection exercise, the Trustee considered LCP’s responsible investment research. Legal and General Investment Management presented to the Trustee, providing further training on how carbon-related factors could be incorporate into the equity investments, and also on their investment capabilities. The Trustee asked several questions about the managers’ voting and engagement practices and were satisfied with the answers they received. Following this exercise, the Trustee agreed to appoint LGIM as the Scheme’s manager of a low-carbon equity fund. Investment in this fund happened after the end of the Scheme Year.

Following release of a report by ShareAction which analyses 75 of the world’s largest asset managers on their performance on stewardship, transparency and governance; the Trustee contacted their asset managers in July 2020, to request comment on areas where ShareAction scored them poorly. The asset managers responded with examples of how they are looking to improve their stewardship practices.

The Trustee also reviewed reports from their incumbent investment managers on voting and engagement activities undertaken on their behalf.

3. Description of voting behaviour during the year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year.

In this section we have sought to include voting data on the Scheme's funds that hold equities as follows:

- BlackRock Aquila Life UK Equity Index Fund
- BlackRock Aquila Life World (ex-UK) Equity Index Fund
- BlackRock Dynamic Diversified Growth Fund

The Trustee has obtained the relevant voting data for Sections 3.2 and 3.3, from all of the investment managers listed above.

In addition to the above, the Trustee contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

3.1 Description of the voting processes

BlackRock

BlackRock determines which companies to engage directly based on an assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of the engagement being productive.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS). The analysts in each regional team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required. BlackRock subscribes to proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, as one of many inputs into their vote analysis process. Proxy research firms are primarily used to synthesise corporate governance information so that their investment stewardship analysts can readily identify and prioritise companies where additional research and engagement would be beneficial. Other sources of information used include the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of active investors, public information and ESG research.

BlackRock refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement their voting intention.

3.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3
Manager name	BlackRock	BlackRock	BlackRock
Fund name	Aquila Life UK Equity Index Fund	Aquila Life World (Ex UK) Equity Index Fund	Dynamic Diversified Growth Fund
Total size of fund at end of reporting period	£4.1bn	£1.7bn	£4.2bn
Value of Scheme assets at end of reporting period (£ / % of total assets excluding buy-in policy)	£15.0m / 8.2%	£20.6m / 11.2%	£30.8m / 16.8%
Number of equity holdings at end of reporting period	Not provided by the manager	Not provided by the manager	Not provided by the manager
Number of meetings eligible to vote	1,202	2,147	995

Number of resolutions eligible to vote	15,505	25,244	12,343
% of resolutions voted	99%	99%	99%
Of the resolutions on which voted, % voted with management	93%	93%	94%
Of the resolutions on which voted, % voted against management	6%	7%	6%
Of the resolutions on which voted, % abstained from voting	2%	0%	0%
Of the meetings in which the manager voted, % with at least one vote against management	32%	36%	34%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	0%	0%

*Totals may not sum due to rounding

3.3 Most significant votes over the year

We have interpreted "most significant votes" to incorporate:

- Potential impact on financial outcome on future company performance;
- Potential impact on stewardship outcome;
- Size of holding in the fund/mandate
- Whether the vote was high-profile or controversial, that could be based on level of media interest; level of political or regulatory interest; level of industry debate; and
- Where the manager was subject to a conflict of interest.

Commentary on the most significant votes over the period is provided below, however details on more votes are available on request.

For votes where the outcome was different to BlackRock's vote, we have asked BlackRock to comment on any subsequent engagement with the relevant companies on these issues. BlackRock does not have anything further to share at this time.

BlackRock

- **Berkshire Hathaway Inc, United States, May 2021. Vote:** For. **Outcome of the vote**: Fail

  Summary of resolution: Report on Climate-Related Risks and Opportunities

  Rationale: The shareholder proposal requested the company to annually report on climate-related risks and opportunities. This would involve the board summarising risks and opportunities that have potential to be materially impacted by climate change, to be discussed in the annual shareholders' meeting.

  On behalf of clients, BlackRock voted for this proposal with the following rationale:

  - Blackrock believed the company's current practices to be insufficient in meeting expectations for disclosing a plan for how their business model will be compatible with a low-carbon economy. Thus, they felt this action to be in the shareholders' best interests.
  - The company did not meet their expectations for disclosure of natural capital policies and/or risk.

- **General Electric Company, United States, May 2021. Vote:** Against. **Outcome of the vote**: Fail

  Summary of resolution: Require Independent Board Chair

Rationale: The shareholder proposal requested the introduction of an independent board chair to ensure a more robust process in challenging management.

On behalf of clients, BlackRock voted against this proposal with the following rationale:

- In line with Blackrock's Global Principles, it looks to encourage independent leadership, deeming it a key metric to success;
- The company has a designated lead director who fulfils the requirements appropriate to such a role and has demonstrable independence and authority to challenge management.
- Any such changes should be discussed on a case-by-case basis, rather than via policy.

- **Tyson Foods, Inc., United States, Feb 2021. Vote:** For. **Outcome of the vote**: Fail

  Summary of resolution: Report on Human Rights Due Diligence

  Rationale: The shareholder proposal requested the company instigate a human rights due diligence reporting process, to 'assess, identify, prevent, mitigate, and remedy' potential or realised human rights impacts.

  On behalf of clients, BlackRock voted for this proposal with the following rationale:

  - The company's existing framework for disclosing supply chain audits is limited, whereby only a small sample of the company's supply chain is subject to scrutiny.
  - Where existing disclosures have been made, they lack clarity on whether the company's suppliers and subcontractors are compliant with the company's standards.

  Thus, BlackRock believed it to lie in the best interests of shareholders to have access to greater disclosure on this issue.

- **Charter Communications, Inc., United States, Apr 2021. Vote:** For. **Outcome of the vote**: Fail

  Summary of resolution: Adopt Policy to Annually Disclose EEO-1 Data

  Rationale: The proposal requested to adopt policy to annually disclose EEO-1 data, which monitors the inclusiveness, diversity and engagement of employees.

  On behalf of clients, BlackRock voted for this proposal with the following rationale:

  - The company does not meet their expectations for disclosure of material diversity, equity, and inclusion policies and/or risks;
  - The current disclosure of workforce diversity metrics in the company's ESG report was not substantial and did not provide direction on how the company would progress on supporting an engaged workforce.
  - BlackRock believe that a diverse and engaged workforce are key drivers of business continuity and long-term value creation, which can be achieved through reporting of EE0-1 data.

- **Chevron Corporation, United States, May 2021. Vote:** For. **Outcome of the vote**: Pass

  Summary of resolution: Reduce Scope 3 Emissions

  Rationale: Shareholders proposed an action to reduce Scope 3 emissions, which involves examination across the entire value chain. The company currently reports on these emissions annually but is slow-moving to action on these figures.

  On behalf of clients, BlackRock voted for this proposal with the following rationale:

  - Accelerating the move to taking responsibility for these more indirect emissions will reduce regulatory and governmental pressure, as initiatives such as the Science Based Target Initiative are conferred increasing lobbying power.

- BlackRock believes it is in the best interests of shareholders to have access to greater disclosure on this issue.

- **Johnson & Johnson, United States, Apr 2021. Vote:** Against. **Outcome of the vote**: Fail

  Summary of resolution: Adopt Policy on Bonus Banking

  Rationale: The shareholder proposal requested a review on executive compensation, suggesting an incorporation of an official bonus banking policy which gives powers to defer executive bonuses under certain conditions.

  On behalf of clients, BlackRock voted against this proposal with the following rationale:

  - Executive compensation matters should be left to the board's compensation committee, which can be held accountable for its decisions through the election of directors.

  - The company is already responsive to shareholder concerns over executive pay and has made improvements to this process following raised concerns. Thus, this does not necessitate an official policy to govern this.