Implementation Statement, covering 1st July 2019 to 30th June 2020

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

Following advice from the Scheme's Investment Consultant, LCP, the voting and engagement policies in the SIP were reviewed and updated during the Scheme year on 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. Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

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.

In February and June, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. 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 and red flags are based on LCP's Responsible Investment Survey 2020. In addition, the Trustee received training from a member of LCP's responsible investment team in June 2020.

Following review of the responsible investment scores of the Scheme's managers, the training delivered on responsible investment, considering third party research and advice; the Trustee's investment adviser, LCP, wrote to the relevant managers on to raise concerns over potential shortcomings. It was also agreed that the Trustee will explore potential further steps it could take to improve climate related exposures within the investment strategy.

Following advice from the Scheme's Investment Consultant, LCP, during the year, the Trustee considered changes to the Scheme's investment strategy. As part of the selection exercise, the Trustee considered LCP's responsible investment research for the funds under consideration. Insight Investment Management, the manager under consideration, presented to the Trustee on their investment capabilities and the Trustee asked several questions about the managers' voting and engagement practices and were satisfied with the answers they received.

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
- Invesco Global Targeted Return 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's investment adviser, LCP, 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. Commentary provided from these managers is set out in Section 3.4.

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.

Invesco

Invesco conducts research, including consideration of the environmental and social impacts, which guides voting on the company's resolutions and leads to robust voting outcomes for clients. Invesco may supplement its internal research with information from third parties, such as proxy advisory firms. However, Invesco generally retains full and independent discretion with respect to proxy voting decisions.

The proxy voting process at Invesco, which is driven by investment professionals, focuses on maximizing long-term value for clients, protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders.

In the majority of instances, Invesco will vote proxies. However, in certain circumstances, Invesco may refrain from voting where the economic or other opportunity costs of voting exceeds any benefit to clients.

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	Fund 4
Manager name	BlackRock	BlackRock	BlackRock	Invesco
Fund name	Aquila Life UK Equity Index Fund	Aquila Life World (Ex UK) Equity Index Fund	Dynamic Diversified Growth Fund	Global Targeted Return Fund
Approximate value of trustees' assets	£15.3m	£20.2m	£29.2m	£13.6m

Average number of holdings	604	3949	701	291
Number of meetings eligible to vote	1,104	2,114	945	310
Number of resolutions eligible to vote	14,999	25,983	12,338	4,544
% of resolutions voted	98%	94%	97%	98%
% of resolutions voted with management	95%	95%	94%	94%
% of resolutions voted against management	5%	5%	6%	6%
% of resolutions abstained	2%	0%	1%	1%
% of meetings with at least one vote against management	See note below	See note below	See note below	36%

Note: BlackRock were not able to share information in relation to the % of meeting with at least one vote against management at the time this statement was produced. They are in the process of developing an automatic solution to provide this statistics and they expect to be able to provide this information in time for next year's Implementation Statement.

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.

BlackRock Aquila Life UK Equity Index Fund: *BHP Group, United Kingdom and Australia, Oct-Nov 2019*

The shareholder resolution recommended that BHP suspends memberships of industry associations where a major function of the association is to lobby, advertise, or advocate climate or energy policies. Additionally, if the association's record of advocacy since 2018 demonstrates inconsistency with the Paris Agreement's goals, membership should be ended.

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

- BHP is an industry leader on climate-related issues. BlackRock's analysis and engagement is that BHP is taking steps to both manage and, where possible, mitigate climate-related business risks. The company is a recognized leader in the mining industry for its commitments to climate-risk management. BHP significantly strengthened its climate-related ambitions in July 2019 through a series of commitments that include:
    - $400m Climate Investment Program to develop technologies to reduce emissions from its own operations as well as those generated from the use of its resources;
    - a new medium-term, science-based target for scope 1 and 2 emissions in line with the Paris Agreement;
    - a new climate-risk portfolio analysis report;
    - a strengthening of the link between executive remuneration and greenhouse gas emissions performance; and,
    - a commitment to set public goals to address scope 3 emissions.
- BHP's track record, and BlackRock's engagements with their management and board gives BlackRock confidence in their judgement on these issues; and

- The ultimate goal of this resolution appeared to be more targeted at industry associations rather than at driving positive outcomes at BHP.

BlackRock Aquila Life UK Equity Index Fund: *Total SA, France, May 2020*

The shareholder resolution instructed Total to set and publish targets for greenhouse gas emissions aligned with the goal of the Paris Climate Agreement.

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

- The company has some of the most ambitious climate targets in the industry and existing reporting aligns with the recommendations of the Task Force on Climate-related Financial Disclosures. BlackRock stated that even under the most ambitious energy transition scenarios, fossil fuels are likely to play a role in the global economy for the coming decades;
- The shareholder resolution refers to Total's previous commitments which have been superseded by renewed and stronger commitments. BlackRock therefore considers that as a result of Total's responsiveness, the request made in the resolution has already been substantively delivered; and
- BlackRock does not believe it is appropriate to amend Total's bylaws in the manner proposed. They believe a company's bylaws define its purpose and the rules by which it is run, and are not meant to define the corporate strategy.

BlackRock Aquila Life World (ex UK) Equity Index Fund: *Alphabet Inc., United States, June 2020*

The first item was regarding the election of Director Ann Mather. BlackRock believes board members should be able to contribute effectively to the board as corporate strategy evolves and business conditions change and all directors must demonstrate appropriate engagement in their duties. Serving on an excess number of boards limits a director's capacity to focus on issues important to each company. Mather sits on five public boards, exceeding the limit of four set in BlackRock's proxy voting guidelines for U.S securities. As a result, Ms. Mather was considered over-committed and BlackRock voted against management's proposal.

BlackRock voted in favour of the second item proposed by shareholders, this was against management's recommendation. The proposal asked for the board to "take all practicable steps in its control to initiate and adopt a recapitalization plan for all outstanding stock to have one vote per share". The rationale behind this vote is that BlackRock believes that fundamental rights such as effective voting rights should be attached to ownership and proportionate voting rights are integral to good governance and accountability. It is noted in BlackRock's proxy voting guidelines that "one vote for one share" is their preferred capital structure.

BlackRock Aquila Life World (ex UK) Equity Index Fund: *The Walt Disney Company, United States, March 2020*

A number of items were voted on at The Walt Disney Company's annual meeting. The agenda items for the meeting and upon which BlackRock voted were:

- Election of Directors;
- Ratification of the appointment of auditors;
- Consideration of an advisory vote to approve executive compensation;
- Approval of an amendment to the Company's Amended and Restated in 2011 Stock Incentive Plan; and
- Consideration of a shareholder proposal requesting an annual report on lobbying.

BlackRock supported management on all proposals with the following rationale:

Where companies are making progress on key corporate governance issues, BlackRock will generally support the board and management in those efforts. The Walt Disney Company Board decided to expand its lobbying disclosure following extensive shareholder engagement during the 2018 Annual Meeting. BlackRock determined that this level of disclosure is in line with current best practice.

BlackRock Dynamic Diversified Growth Fund: *Barclays, United Kingdom, May 2020*

BlackRock has for over a decade used an independent fiduciary to vote proxies where they are required by regulation not to vote themselves or where there are actual or perceived conflicts of interest. One of the issuers for which BlackRock uses an independent fiduciary is Barclays. In this case, the use of a fiduciary is to satisfy regulatory requirements in the United States. Barclays is in scope of these regulations as it is the parent of US bank holding company subsidiaries regulated by the Federal Reserve Bank of New York.

The independent fiduciary, Sustainalytics, makes voting decisions based solely on BlackRock's publicly available proxy voting guidelines. The fiduciary may engage with companies at its discretion to ask clarifying questions or in response to a company's request for engagement on voting matter, though it is not authorised to represent BlackRock's views.

The agenda items for the meeting and upon which BlackRock voted were:

- Approve Barclays commitment to tackling climate change (Resolution 29); and
- Approve shareholder resolution asking Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not aligned with Articles 2.1(a) and 4.1 of the Paris Agreement (Resolution 30).

BlackRock supported management on all proposals and voted against the share action proposal. The vote was carried out by an independent fiduciary which gave the following rationale for its votes:

The independent fiduciary reported that it took into consideration several factors when voting to support the company's own climate change resolution (Resolution 29) and against the shareholder resolution (Resolution 30). Support for both resolutions would have been problematic as they are both binding. The independent fiduciary determined that, as outlined in Resolution 29, the company sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being.

BlackRock Dynamic Diversified Growth Fund: *Royal Dutch Shell plc, United Kingdom and Netherlands, May 2020*

The item on which BlackRock voted was the shareholder resolution to request Shell to set and publish targets for greenhouse gas emissions aligned with the Paris Agreement. Management recommended that shareholders vote against the proposal.

BlackRock voted against the proposal as since the submission of the shareholder proposal Shell has updated its climate commitments to more aggressively reduce its carbon footprint, and to become a "net-zero emissions energy business" by 2050 or sooner. BlackRock has engaged with Shell on its climate commitments for a number of years and was engaged with the company throughout the process of this latest upgrading of commitments. BlackRock also believes that Shell has some of the most ambitious climate targets in the industry, meaning the request made in the resolution have already been substantively delivered. It is understood that the recently revised climate targets will be kept under review to be evolved further if possible.

Given the company's progress towards aligning its reporting with Task Force on Climate-related Financial Disclosures recommendations, which has been one of BlackRock's key requests of large carbon emitters, and its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 greenhouse gas emissions, BlackRock are supportive of management for the time being.

Invesco Global Targeted Return Fund: *Tesco Plc, United Kingdom:*

Invesco voted in line with management's recommendation to approve matters relating to the disposal of Tesco's Asia Business to C.P. Retail Development Company Limited.

Invesco voted with management due to the proposed deal being supported by compelling strategic rationale. Invesco believes that the sale would realise a higher value than what could be generated under Tesco's continued ownership. The valuation provided by Tesco appears reasonable and the Tesco Board unanimously supports the transaction.

Invesco Global Targeted Return Fund: *Pennon Group Plc, United Kingdom:*

Invesco voted in line management's recommendation to approve matters relating to the disposal by Pennon of the Viridor Business, a recycling, resource and waste management business.

Invesco believe there was a compelling strategic rationale for the transaction, including a valuation which appears attractive. The proceeds from sale will be used to reduce borrowings and it is expected that a considerable remainder of the sale proceeds will be returned to shareholders.

3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but invest 100% of their holdings in fixed income instruments:

- **Aegon (previously Kames) Absolute Return Bond Fund** – Aegon has built an active ownership program that includes exercising shareholder voting rights in the best interest of all of their clients, not only equity investors. They engage with bond and equity issuers in an effort to mitigate ESG risk, to help better understand the opportunities that companies face and encourage more sustainable practices.

  An example of engagement explicitly relating to the Absolute Return Bond Fund is their engagement with major bond issuers in the UK water sector. They wrote to these issuers in an engagement that highlighted the need for the delivery of clean water infrastructure and further investment to be conducted within a tax framework that, in itself, gives confidence to the public as consumers.

The Scheme also holds investments with Insight Investment Management in a range of Liability Driven Investment Funds and a liquidity fund. Holdings in these funds do not present voting opportunities, hence we have not included details on these funds in this report.