

Implementation Statement, covering the Galliford Try Final Salary Pension Scheme Year from 1 July 2021 to 30 June 2022

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 Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme 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

During the Scheme Year in July and August 2021, the Trustee switched the Scheme’s equities from BlackRock to LGIM’s Low Carbon Transition UK Equity Index Fund and Low Carbon Transition Developed Markets Equity Index Fund in order to reduce exposure to the financial risks of its equity investments arising from climate change.

The voting and engagement policies in the SIP were reviewed and updated during the Scheme Year in December 2021 to reflect this change. The Trustee’s agreed policy on financially material considerations and non-financial matters (including ESG issues and climate change) was also updated to reflect the new investment in the low carbon equity transition funds. 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 Scheme 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. The Trustee took a number of steps to review the Scheme’s new and existing managers and funds over the Scheme Year, 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.

As noted in Section 1, the Trustee switched the Scheme’s equities from BlackRock to LGIM’s Low Carbon Transition UK Equity Index Fund and Low Carbon Transition Developed Markets Equity Index Fund.

In August 2021, the Trustee signed the 2021 Global Investor Statement to Governments on the Climate Crisis. In summary, this Statement calls on all governments around the world to, amongst other aspects, commit to a domestic 2050 net-zero emissions target.

The Trustee also took part in a training session on ESG considerations (including voting and engagement) in November 2021 and reviewed reports from their incumbent investment managers on voting and engagement activities undertaken on their behalf.

Additionally, the Trustee receives quarterly updates on ESG and Stewardship related issues from its investment advisers.

3. Description of voting behaviour during the Scheme 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 Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme’s funds that hold equities as follows:

- LGIM Low Carbon Transition UK Equity Index Fund;

- LGIM Low Carbon Transition Developed Equity Index Fund; and
- BlackRock Dynamic Diversified Growth Fund.

We have omitted the BlackRock Aquila Life UK Equity Index Fund and the BlackRock Aquila Life World (ex-UK) Equity Index Fund on materiality grounds as the Scheme fully disinvested from both funds in August 2021 (around one month into the Scheme Year).

3.1 Description of the voting processes

BlackRock

BlackRock determines which companies to engage with 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 BIS 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.

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas with the aim of achieving the best outcome for its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and / or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. LGIM aims to ensure its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses Institutional Shareholder Services (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is used to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions.

3.2 Summary of voting behaviour over the Scheme Year

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

	Fund 1	Fund 2	Fund 3
Manager name	LGIM	LGIM	BlackRock
Fund name	Low Carbon Transition UK Equity Index Fund	Low Carbon Transition Developed Equity Index Fund	Dynamic Diversified Growth Fund
Total size of fund at end of the Scheme Year	£274.9m	£1,525.9m	£2,810.3m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets excluding buy-in policy)	£14.8m / 10.4%	£20.4m / 14.3%	£27.6m / 19.4%
Number of equity holdings at end of the Scheme Year	93	1,551	2,721
Number of meetings eligible to vote	117	1,752	990
Number of resolutions eligible to vote	2,154	23,847	13,141
% of resolutions voted	100%	100%	94%
Of the resolutions on which voted, % voted with management	96%	79%	94%
Of the resolutions on which voted, % voted against management	5%	21%	5%
Of the resolutions on which voted, % abstained from voting	0%	0%	1%
Of the meetings in which the manager voted, % with at least one vote against management	40%	80%	30%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	4%	15%	0%

*Totals may not sum due to rounding

3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

LGIM Low Carbon Transition UK Equity Index Fund

This is a subset of significant votes set out by LGIM, selected based on size of holding in the fund.

- **Royal Dutch Shell Plc, May 2022. Vote:** Against. **Outcome of the vote:** Pass

Summary of resolution: Approve the Shell Energy Transition Progress Update

Rationale: LGIM acknowledged the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remains concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.

Criteria against which this vote has been assessed as “most significant”: It is an escalation of LGIM’s climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.

- **Antofagasta Plc, May 2022. Vote:** Against. **Outcome of the vote:** Pass

Summary of resolution: Re-elect Jean-Paul Luksic as Director

Rationale: LGIM voted against firstly because of a lack of progress on gender diversity on the board, since LGIM expects boards to have at least one-third female representation on the board and secondly because it believes the role of Board Chair should be refreshed regularly in line with best practice.

Criteria against which this vote has been assessed as “most significant”: LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

- **Barclays Plc, May 2022. Vote:** Against. **Outcome of the vote:** Pass

Summary of resolution: Approve Barclays’ Climate Strategy, Targets and Progress 2022

Rationale: LGIM positively notes the Company’s use of absolute emissions targets for its exposure in the Energy sector, as well as the inclusion of capital markets financed emissions within its methodology. However, LGIM has concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions needed for long-term 1.5C temperature alignment. A vote against was therefore applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.

Criteria against which this vote has been assessed as “most significant”: It is an escalation of LGIM’s climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.

LGIM Low Carbon Transition Developed Equity Index Fund

This is a subset of significant votes set out by LGIM, selected based on size of holding in the fund.

- **Apple Inc., March 2022. Vote:** For. **Outcome of the vote:** Pass

Summary of resolution: Report on Civil Rights Audit

Rationale: LGIM supports proposals related to diversity and inclusion policies as it considers these issues to be a material risk to companies.

Criteria against which this vote has been assessed as “most significant”: LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

- **Microsoft Corporation, November 2021. Vote:** Against. **Outcome of the vote:** Pass

Summary of resolution: Elect Director Satya Nadella

Rationale: LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.

Criteria against which this vote has been assessed as “most significant”: This is linked to an LGIM engagement campaign, in line with the Investment Stewardship team’s five-year ESG priority engagement themes.

- **Amazon.com, Inc., May 2022. Vote:** Against. **Outcome of the vote:** Pass

Summary of resolution: Elect Director Daniel P. Huttenlocher

Rationale: LGIM voted against as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

Criteria against which this vote has been assessed as “most significant”: LGIM pre-declared its vote intention for this resolution, demonstrating its significance.

BlackRock Dynamic Diversified Growth Fund

BlackRock considers votes to be significant if they are around themes that BlackRock believes will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which it invests on behalf of its clients. The BlackRock Stewardship team publishes statements on their votes in relation to certain high-profile proposals at company shareholder meetings, which we have summarised for the examples below.

- **Rio Tinto Group, May 2022. Vote:** For. **Outcome of the vote:** Pass

Summary of resolution: Approve Climate Action Plan

Rationale: The group's climate action plan, targets, and disclosures are consistent with what BlackRock looks for and, in its assessment, demonstrates management and board responsiveness to shareholder feedback. Accordingly, BlackRock determined that it is in the best interests of its clients as long-term shareholders to support the proposal to approve the Climate Action Plan.

- **Costco Wholesale Corporation, January 2022. Vote:** Against. **Outcome of the vote:** Pass

Summary of resolution: Report on GHG Emissions Reduction Targets

Rationale: The shareholder proposal requested that at least 180 days prior to the next annual meeting, “Costco adopt short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030.”

BlackRock voted against this shareholder proposal because Costco was responsive to shareholder feedback on setting Scope 1 and Scope 2 GHG emissions reductions targets, and is making efforts to address Scope 3 emissions. In particular, the request included reduction targets across the “full value chain” by July 2022. Disclosing emissions across the “full value chain” (which would include Scope 3 emissions) within such a short timeframe is beyond BlackRock's current expectations for this type of disclosure at this company, given Costco's business model and emissions profile.

- **McDonald's Corporation, May 2022. Vote:** Against. **Outcome of the vote:** Fail

Summary of resolution: Issue Transparency Report on Global Public Policy and Political Influence

Rationale: The proposal asks McDonald's to issue a report annually on “global public policy and political influence, disclosing company expenditures and activities outside of the United States.”

BlackRock did not support this proposal because, in its assessment, McDonald's current disclosures regarding their political spending and lobbying activities provides sufficient information.