THE SIR ROBERT MCALPINE LIMITED
STAFF PENSION AND LIFE ASSURANCE SCHEME

ANNUAL REPORT

For the year ended 31 October 2018

The Sir Robert McAlpine Limited
Staff Pension and Life Assurance Scheme
Eaton Court
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TR

0333 566 1949
k.pearson@srm.com

Registration Number: 10118733

TRUSTEES, EXECUTIVES AND PROFESSIONAL ADVISERS

Trustees

David M McAlpine	-	resigned 20 November 2018
Cullum McAlpine		
Michael B Anderson (member-nominated)		
Andrew R Bolt (member-nominated)	-	appointed 1 January 2018
Gillian Bush (member-nominated)		
B Raymond Cowen (member-nominated)	-	resigned 31 December 2017
Katherine A Jarvis (independent Trustee)		
Miles C Shelley	-	appointed 20 November 2018

Scheme Actuary

Martin West of Capita Employee Benefits Limited -	resigned 30 April 2019
Shireen Anisuddin of Hymans Robertson LLP -	appointed 1 May 2019

Independent Auditor

Deloitte LLP

Investment Managers

Legal & General Assurance (Pensions Management) Limited
FIL Life Insurance Limited
River and Mercantile Solutions Limited (formerly P-Solve Investments Limited)
Pimco Shareholder Services
BlackRock Investment Management (UK) Limited
Threadneedle Investment Services Limited
PineBridge Investments Europe Limited

Independent Financial Advisor

CS Financial Solutions Limited (life assurance arrangements only)

Banker

Lloyds Bank plc

Custodians

KAS Bank N.V.

Solicitors

CMS Cameron McKenna LLP
Geldards LLP
Pinsent Masons LLP

Administrator

Capita Employee Benefits Limited
FIL Life Insurance Limited

TRUSTEES' REPORT

The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme (the "Scheme") was established by a Trust Deed dated 21 October 1946. The Scheme aims to provide pensions related to members' earnings and / or contributions before retirement and pensions and lump sum benefits for widows and dependants. Employees of group companies can apply to become pension scheme members for admittance to the Scheme at monthly intervals.

The Scheme is run by Trustees who are responsible for its affairs. The Trustees meet regularly to discuss the affairs of the Scheme. The power of appointment and removal of Trustees is invested in Sir Robert McAlpine Limited, the principal employer. Three of the six Trustees are nominated by the members in accordance with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006.

An independent Trustee was appointed during 2016. The remaining Trustees are drawn from the employees of Sir Robert McAlpine Limited and the Scheme members. The Trustees who served during the year and to the date of this report are listed on page 1.

Membership

A statement showing the number of Scheme members appears on page 5.

The defined benefit section was closed to new members in 2002. Since then, new members join the defined contribution section of the Scheme. The defined benefit section ceased accruing future benefits as at 30 November 2017 and all remaining active members were transferred to the defined contribution section.

Report of actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, as noted below:

Martin West of Capita Employee Benefits Limited, the independent Actuary to the Scheme, conducted his actuarial valuation based on the value of the Scheme at 31 October 2015 using the projected unit method. The report revealed that the Scheme's assets covered 78% of the future liabilities and a Recovery Plan was implemented (see below). The actuarial statement as at 31 October 2015 and the actuary's certificate in relation to the Schedule of Contributions are attached on pages 26 and 27.

	2015
Pre-retirement rate	gilt yield curve + 2.25%
Post-retirement rate	gilt yield curve + 1.0%
Pensionable salary increase	2.0%
Price inflation (RPI)	Inflation yield curve - 0.3%
Price inflation (CPI)	inflation yield curve - 1.0%
Deferred pension increases	CPI
Pension in payment increases	2.5% - 5.0%

Summary funding statement

Value of assets per 31 October 2015 valuation	372.0
Value of future liabilities per 31 October 2015 valuation	479.6
Deficit as at 31 October 2015	(107.6)
Funding level	78%

TRUSTEES' REPORT (continued)

Recovery plan

A Recovery Plan was been implemented following the 2015 valuation and this resulted in the Employers agreeing to make additional contributions of £8.0m p.a. The first of these contributions was made during 2017.

These contributions are planned to cover the future accrual of benefits, the shortfall in funding and an allowance for expenses, death in service life assurance premiums and the Pension Protection Fund (PPF) levy. These contributions are expected to eliminate the shortfall by 1 November 2028, which represents a 12 year recovery plan.

Pensions in payment

Except where a higher increase was required by law, with effect from 1 May 2018 the pensions in payment were increased in line with the guaranteed annual escalation of 2.5% per annum. There were no deferred pension increases.

Transfer values

Transfer values are determined by the Trustees having taken the advice of the Actuary. All transfer values were offered at the cash equivalent of early leavers' non-discretionary rights in the Scheme and did not take account of discretionary benefits. Transfers out of the Scheme are shown in the membership statistics on page 5 and the monetary values involved on page 11 of the financial statements. In order to reflect the current Scheme deficit, a discount of 19% was applied, although this was reduced to 7% during the year.

Compliance statement

A statement containing additional information about the Scheme is attached on page 6.

Financial review

The 31 October 2018 audited financial statements, set out on pages 11 to 25, provide an overview of the Scheme's contributions and benefits, and its net assets statement at that date. They have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

Investment policy and performance

River and Mercantile Solutions Limited acts as investment manager within guidelines set out by the Trustees. Pimco Shareholder Services and BlackRock Investment Management (UK) Limited act as investment managers on a non-discretionary basis, and Threadneedle Investment Services Limited and PineBridge Investments Europe Limited act as investment managers on a discretionary basis. FIL Life Insurance Limited manage assets of the defined contribution section on a passive basis. The Trustees review these guidelines from time to time.

The Trustees have delegated the day-to-day management of the DB and DC sections of the Scheme to the investment managers.

A copy of the investment report prepared by River and Mercantile Solutions Limited is included in the Appendix at the end of this Report.
The Trustees have issued a Statement of Investment Principles as required by Section 35 of the Pensions Act 1995 and a copy is available from them on request.

Custody of assets

The assets of the Scheme are placed for safe-keeping with the appointed custodians and appointed legal representatives.

TRUSTEES' REPORT (continued)

Employer-related investment

Details of Employer -related investments are disclosed in Note 8 to this Annual Report.

Change of Scheme Actuary

On 30th April 2019, Martin West of Capita Employee Benefits Limited resigned as Scheme Actuary. In accordance with Regulation 5 (4) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, he confirmed, by letter, that there were no circumstances connected with his resignation which significantly affect the interests of the members, prospective members, or beneficiaries of the Scheme.

Summary of contributions

A summary of contributions is as follows:

Required by the Schedule of Contributions

		Defined Benefit 2018 £	Defined Contribution 2018 £	Total 2018 £	Total 2017 £
Contributions:					
Members'	- ordinary	160,790	128,157	288,947	4,613,528
Employers'	- ordinary	186,562	11,740,433	11,926,995	8,376,062
	- deficit	8,000,000	-	8,000,000	8,000,000
Total contribution required by the Schedule of Contributions and reported on by the Scheme auditor		8,347,352	11,868,590	20,215,942	20,989,590
Employers' additional contributions		2,545	-	2,545	16,370
Members' additional voluntary contributions		8,980	1,344,670	1,353,650	733,444
Total contributions as reported in the Fund Account		8,358,877	13,213,260	21,572,137	21,739,404

Further information

Further information about the Scheme in general, or about entitlement to benefits, may be obtained from the Secretary to the Trustees at the address shown at the front of this report.

TRUSTEES' REPORT (continued)

Membership Statistics

	Defined Benefit	Defined Contribution
Active Members		
Active members at the beginning of the year	261	1,011
Adjustment to previously reported figures	3	5
Add: New members joining the Scheme during the year	-	231
Less: Members retiring on pension	(1)	(7)
Death in service	-	(1)
Members transferred due to cessation of DB Section	(263)	263
Leavers retaining an entitlement	-	(188)
Leavers not retaining an entitlement	-	(2)
Active members at the end of the year	-	1,312
Deferred Members		
Deferred members at the beginning of the year	675	555
Adjustment to previously reported figures	(13)	(19)
Add: Members transferred due to cessation of DB Section	263	-
Leavers retaining an entitlement	-	188
Less: Retirements	(32)	(4)
Deaths	(2)	-
Transfers out	(10)	(37)
Deferred members at the end of the year	881	683
Pensioner Members		
Pensioner members at the beginning of the year	1,124	-
Adjustment to previously reported figures	2	-
Add: New pensioners (including surviving spouses of active and deferred members)	15	-
Retirements	33	-
Less: Pensions discontinued	(30)	-
Pensioner members at the end of the year	1,144	-
Total membership	2,025	1,995

Adjustments to previously reported figures arise from timing differences in the processing of member movements.

TRUSTEES' REPORT (continued)

Compliance Statement

Tax Status of Scheme

The Scheme is a registered scheme under the Finance Act 2004, and therefore certain of the Scheme's income and gains are free from taxation. Members of the defined benefit section of the Scheme were, until 5 April 2016, contracted out of the State Second Pension whereas members of the defined contribution section are not. From 6 April 2016, members of the defined benefit section were no longer contracted out.

Signed on behalf of the Trustees

CULLUM M^{C}ALPINE

Date: 31 May 2019

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

Trustees Responsibilities in Respect of the Financial Statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK ("FRS 102"), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant reporting financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system of internal control.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

Trustees Responsibilities in Respect of Contributions

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time, reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Independent auditor's report to the trustees of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme (the "Scheme"):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 October 2018 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the trustees of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme (continued)

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Belfast, United Kingdom

Date 31 May 2019

Independent auditor's statement about contributions to the trustees of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme

We have examined the summary of contributions to the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme for the Scheme year ended 31 October 2018 to which this statement is attached.

In our opinion contributions for the scheme year ended 31 October 2018 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme actuary on 28 September 2017.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of trustees and the auditor

As explained more fully in the Schedule of Trustees' Responsibilities, the Scheme's trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our report

This statement is made solely to the trustees, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustees as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Belfast, United Kingdom

Date 31 May 2019

FUND ACCOUNT
For the year ended 31 October 2018

	Notes	Defined Benefit 2018 £	Defined Contribution 2018 £	Total 2018 £	Total 2017 £
CONTRIBUTIONS AND BENEFITS					
Contributions:	2(d)				
Members' - ordinary		160,790	128,157	288,947	4,613,528
- additional voluntary		11,525	1,344,670	1,356,195	733,444
Employers' - ordinary		186,562	11,740,433	11,926,995	8,376,062
- additional contribution		-	-	-	16,370
- deficit		8,000,000	-	8,000,000	8,000,000
		8,358,877	13,213,260	21,572,137	21,739,404
Individual transfers in from other schemes	3	-	231,451	231,451	320,783
		8,358,877	13,444,711	21,803,588	22,060,187
Pensions		17,328,863	-	17,328,863	16,570,545
Annual and lifetime allowance tax deductions		-	-	-	14,895
Commutations and lump sum retirement benefits	2(e)	3,303,176	521,833	3,825,009	3,604,133
Lump sum death benefits	2(f)	264,372	250,456	514,828	510,600
Contributions repaid - ordinary		-	9,731	9,731	135,417
Individual transfers out to other schemes	2(g)	1,406,603	2,702,932	4,109,535	10,166,026
Life assurance premiums		-	54,203	54,203	50,150
Administration expenses	4	1,092,851	59,357	1,152,208	1,715,097
		23,395,865	3,598,512	26,994,377	32,766,863
Net (withdrawals)/additions from dealings with members		(15,036,988)	9,846,199	(5,190,789)	(10,706,676)
RETURNS ON INVESTMENTS					
Investment income	2(a),6	6,740,076	14,908	6,754,984	8,304,737
Change in market value of investments	8	(5,482,380)	(428,675)	(5,911,055)	18,679,034
Investment management expenses	7	(1,166,574)	(16)	(1,166,590)	(791,418)
Net Returns on Investments		91,122	(413,783)	(322,661)	26,192,353
Net movement in the fund during the year		(14,945,866)	9,432,416	(5,513,450)	15,485,677
NET ASSETS OF THE SCHEME					
At Beginning of Year		453,665,876	84,033,327	537,699,203	522,213,526
At End of Year		438,720,010	93,465,743	532,185,753	537,699,203

NET ASSETS STATEMENT AVAILABLE FOR BENEFITS
As at 31 October 2018

	Notes	Defined Benefit 2018 £	Defined Contribution 2018 £	Total 2018 £	Total 2017 £
Equities		31,253,734	-	31,253,734	30,192,724
Fixed interest securities		126,162,154	-	126,162,154	118,477,014
Pooled investment vehicles					
- designated to members		9,160,241	90,372,080	99,532,321	91,168,865
- not designated to members		253,885,625	-	253,885,625	267,689,551
Property		7,000,000	-	7,000,000	6,350,000
Derivatives – gross assets		15,324,632	-	15,324,632	14,829,780
Derivatives – gross liability		(12,580,310)	-	(12,580,310)	(5,928,798)
Funds with brokers		3,383,940	-	3,383,940	9,514,338
Cash		4,667,717	3,100,929	7,768,646	4,837,613
Investments assets	8	438,257,733	93,473,009	531,730,742	537,131,087
Current assets	10	1,218,101	-	1,218,101	1,260,042
Current liabilities	11	(755,824)	(7,266)	(763,090)	(691,926)
Net assets of the scheme		438,720,010	93,465,743	532,185,753	537,699,203

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme period. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on page 2 and these financial statements should be read in conjunction with it.

The financial statements on pages 11 to 23 were approved by the Trustees on 31 May 2019

Signed on behalf of the Trustees

CULLUM M[C]ALPINE . . . .
(Trustee)

. . . .

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, the Amendments to FRS 102 – Fair Value Hierarchy Disclosures (March 2016) issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (Revised November 2014).

2. ACCOUNTING POLICIES

The financial statements have been prepared on an accruals basis. The accounting policies below are unchanged from the previous year.

(a) Investment income

Investment income is recognised on the following bases:

Interest and dividends on securities declared on or before 31 October 2018.

Interest on loans and deposits on a day to day basis.

Investment income is recognised in the accounts net of associated tax credits which are not recoverable by the Scheme. Any overseas withholding tax is recognised as income, but where this is not recoverable by the Scheme, it is shown separately as a tax charge.

(b) Investments

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price, or most recent transaction price is used.

The methods of determining fair value for the principal classes of investments are:

Pooled investment vehicles are included at the closing bid price or, if single priced, at the closing single price as advised by the investment managers.

Equities and fixed interest securities are included at the closing bid price. Fixed interest securities include any accrued interest.

Forward foreign currency contracts have been put in place by the Trustees to reduce the currency exposure of overseas investments to a targeted level. These are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. They are shown at their fair value in the Net Assets Statement.

The Trustees have implemented a bespoke liability hedging strategy via interest and inflation rate swaps which aims to reduce the sensitivity to changes in interest and inflation rates by reducing the impact of any movements. The current value of future cash flows arising from the swap is determined using discounted cash flows and market data at the reporting date.

The unquoted investments relate to Public-Private Partnership (PPP) investments held in the year. One of these is an employer related investment as noted in Note 8. The PPP investments are valued at an appropriate fair value based on discounted cash flows taking into account any changes to anticipated returns on investment (including distributions and assumed RPI) and the discount rate used. The unwinding of the discount is taken as investment income.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

2. ACCOUNTING POLICIES (continued)

Investment properties are valued annually at open market value. The Trustees are required to revalue investment properties at least triennially. The only investment property currently held was internally revalued as at 31 October 2018 (see note 8). No depreciation is provided.

(c) Presentation Currency

The Scheme functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

(d) Contributions receivable

Contributions are accounted for on an accruals basis. Contributions are paid in accordance with the relevant Schedule of Contributions in force.

Augmentations are accounted for when received. Augmentations are one-off payments made to increase benefits for specific members.

(e) Benefits payable

Pensions in payment are payable in the period to which they relate. Where members choose to either take their benefit as a full pension or a lump sum with a reduced pension, then the benefits are based on an accruals basis on the later of the date of retirement or the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement or, if appropriate, date of death. Where the Trustees have agreed to pay a Member's tax liability arising from exceeding an annual or lifetime allowance, then the resultant reduction to benefits and any tax payable are accounted for on the same basis as the event which created the tax liability.

(f) Death benefits

Death benefits are paid out of the Scheme assets and include all valid claims notified to the Trustees during the Scheme year.

(g) Transfer values

Transfer values from and to other pension arrangements represent the amounts received and paid and relate to leavers whose transfers have been agreed by the Trustees during the Scheme year. Transfers out are recognised on a cash basis.

(h) Additional Voluntary Contributions (AVC)

All additional voluntary contributions are recognised as forming part of the overall assets under the supervision and stewardship of the Trustees and accordingly they have been included within the net assets of the Scheme. Contributions received from members and monies payable by the Trustees in respect of benefits arising under AVC arrangements have similarly been included within the Fund Account.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

3. SUMMARY OF CONTRIBUTIONS RECEIVABLE IN THE YEAR

During the year ended 31 October 2018 the contributions receivable by the Scheme under the Schedule of Contributions were as follows:

	Defined Benefit 2018 £	Defined Contribution 2018 £	Total 2018 £	Total 2017 £
Required by the Schedule of Contributions				
Employers' ordinary contributions	186,562	11,740,433	11,926,995	8,376,062
Members' ordinary contributions	160,790	128,157	288,947	4,613,528
Deficit funding contributions	8,000,000	-	8,000,000	8,000,000
Total Contributions required by the Schedule of Contributions	8,347,352	11,868,590	20,215,942	20,989,590
Additional contributions:				
Employers' additional contributions	2,545	-	2,545	16,370
Members' additional voluntary contributions	8,980	1,344,670	1,353,650	733,444
Total contributions as reported in the Fund Account	8,358,877	13,213,260	21,572,137	21,739,404

The contributions receivable by the Scheme during the year have been paid in accordance with the relevant Schedule of Contributions.

During the current year, deficit contributions of £8.0m were made as per the Schedule of Contributions dated 28 September 2017 in relation to the Recovery Plan which shows deficit contributions of £8.0m will be made every year until 2027.

Employers' ordinary contributions include salary sacrifice contributions.

All contributions outstanding at the year-end were received on or before 19 November 2018 as required by the Schedule of Contributions.

4. ADMINISTRATION EXPENSES

	Defined Benefit 2018 £	Defined Contribution 2018 £	Total 2018 £	Total 2017 £
Actuarial and administrative fees	258,035	35,787	293,822	299,116
Legal and other professional fees	25,014	-	25,014	22,336
Audit	11,927	18,277	30,204	13,412
Statutory levy	777,700	2,983	780,683	1,357,665
Other costs	20,175	2,310	22,485	22,568
	1,092,851	59,357	1,152,208	1,715,097

The Scheme does not reimburse Sir Robert M^{c}Alpine Limited for any expenses that are incurred by the company except where it is acting as agent for the Scheme.

5. TAXATION

The Scheme was an exempt approved scheme under the Income and Corporation Taxes Act 1988 and is now registered under the Finance Act 2004. It therefore does not bear United Kingdom income tax and capital gains tax.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

6. INVESTMENT INCOME

	Defined Benefit 2018 £	Defined Contribution 2018 £	Total 2018 £	Total 2017 £
Income from fixed interest securities	2,143,729	-	2,143,729	1,899,917
Dividends from equities	2,133,879	-	2,133,879	1,691,928
Income from pooled investment vehicles	2,336,733	-	2,336,733	3,787,377
Income from property	32,000	-	32,000	845,183
Interest on cash deposits	21,022	14,908	35,930	20,208
Management fees	72,713	-	72,713	60,124
	6,740,076	14,908	6,754,984	8,304,737

7. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit 2018 £	Defined Contribution 2018 £	Total 2018 £	Total 2017 £
Bank and interest charges	1,470	16	1,486	2,490
Investment management costs	1,165,104	-	1,165,104	788,928
	1,166,574	16	1,166,590	791,418

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

8. INVESTMENTS

	Market Value at 31.10.17 £	Purchases at cost and derivative payments £	Sales proceeds and derivative receipts £	Change in Market Value £	Market Value at 31.10.18 £
Defined Benefit Section					
(not designated to members – unless otherwise stated)					
Equities	30,192,724	-	-	1,061,010	31,253,734
Fixed interest securities	118,477,014	16,523,974	(9,279,543)	440,709	126,162,154
Pooled investment vehicles					
- designated to members (*)	9,712,017	529,738	(1,050,963)	(30,551)	9,160,241
17- not designated to members	267,689,551	140,006,094	(151,216,358)	(2,593,662)	253,885,625
Property	6,350,000	-	-	650,000	7,000,000
Derivatives	8,900,982	4,851,399	(5,820,226)	(5,187,833)	2,744,322
	441,322,288	161,911,205	(167,367,090)	(5,660,327)	430,206,076
Funds with brokers	9,514,338			170,025	3,383,940
Cash accounts	2,244,565			7,922	4,667,717
	453,081,191			(5,482,380)	438,257,733
Defined Contribution Section					
Pooled investment vehicle *(designated to members (*))*	81,456,848	17,236,440	(7,892,533)	(428,675)	90,372,080
Cash deposits	2,593,048				3,100,929
	84,049,896			(428,675)	93,473,009
	537,131,087			(5,911,055)	531,730,742

(*) – Assets are allocated in order to provide benefits to the Members on whose behalf the contributions were paid. Assets held within the Defined Benefits Section which are designated to Members are Defined Contribution style investments.

Pooled Investment Vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

Defined Benefit Section	2018 £	2017 £
Equity	240,907,621	228,645,120
Bonds	22,076,371	48,663,503
Property	61,874	92,945
	263,045,866	277,401,568

Defined Contribution Section	2018 £	2017 £
Equity	90,372,080	81,456,848
	90,372,080	81,456,848

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

8. INVESTMENTS (continued)

Investment Transaction Costs

Direct transaction costs during the year were as follows:

Defined Benefit Section	2018 £	2017 £
Custody fees	36,826	43,985
Custody transaction fees	6,230	2,858
Fees	17,301	24,088
	60,357	70,931

In addition to the costs noted above, indirect costs were also incurred such as the bid-offer spread on investments. It has not been possible for the Trustees to quantify such indirect transaction costs.

Property

The wholly owned investment property is situated in the United Kingdom. The property was internally valued at £7,000,000 based on the expected current market value (2017 - £6,350,000 independently valued by Knight Frank LLP).

Forward Foreign Exchange Contracts and Interest and Inflation Rate Swaps

Derivatives are held in order to reduce the risks associated with foreign currency, inflation and interest rate movements.

	2018 Assets £	2018 Liabilities £	2017 Assets £	2017 Liabilities £
Forward FX Contracts	16,397	1,736,146	907,489	-
Interest Rate Swap	12,565,533	10,746,240	13,291,276	5,799,712
Inflation Rate Swap	1,604,913	51,802	631,015	114,227
Return Swap	719,226	46,122	-	14,859
Put Option	418,571	-	-	-
	15,324,640	12,580,310	14,829,780	5,928,798

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

8. INVESTMENTS (continued)

Swaps Nature	Notional Amount	Asset value £	Liability value £
Interest Rate Swaps			
0-10 Years (8 contracts)	133,991,000	1,370,058	1,201,618
11-20 Years (7 contracts)	115,831,473	11,195,475	1,644,766
21-30 Years (6 contracts)	51,935,000	-	2,905,139
31-40 Years (2 contracts)	24,546,000	-	2,481,778
41-50 Years (2 contracts)	16,678,000	-	2,512,939
	342,981,473	12,565,533	10,746,240
Inflation Swaps			
0-10 Years (5 contracts)	28,974,765	478,686	51,802
11-20 Years (6 contracts)	36,294,260	1,126,227	-
	65,269,025	1,604,913	51,802
Return Swaps			
0-10 Years (3 contracts)	32,482,040	719,226	46,122
Put Option			
0-10 Years (1 contract)	11,426,000	418,571	-
Total Swap Contracts 2018	452,158,538	15,308,243	10,844,164
Total Swap Contracts 2017	407,363,653	13,022,291	5,928,798

The notional amounts shown above are the amounts on which interest is payable/receivable as described in the nature of the swap.

At the year-end the Scheme held the following collateral in respect of OTC Swaps:

	2018 Nominal £	2018 Fair Value £	2017 Nominal £	2017 Fair Value £
Barclays Gilts	2,000,000	2,121,594		
Barclays Gilts	808,000	1,569,300		
Barclays Gilts	2,165,000	2.838.572		
Barclays Gilts	588,000	727,650		
Barclays Gilts			4,684,000	6,688,602
Lloyds Gilts			322,000	369,935
		7,257,116		7,058,537

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

8. INVESTMENTS (continued)

In addition, the Scheme has provided the following collateral in respect of OTC Swaps:

	2018 Nominal £	2018 Fair Value £	2017 Nominal £	2017 Fair Value £
In favour of Citi Bank				
Gilts	370,000	620,383		
Gilts			132,000	225,126
In favour of Lloyds Bank				
Gilts	899,000	1,415,000		

Forward Foreign Exchange Contracts

The Trustees aim to mitigate the investment portfolio foreign exchange exposure by means of forward exchange contracts, all of which mature within one year of the year end.

Contract	Settlement Date	Currency Bought	Currency Value	Aggregate Asset £	Aggregate Liability £
Forward OTC	25/01/2019	GBP	2,637,202	16,397	-
Forward OTC	25/01/2019	USD	61,845,100	-	63,157
Forward OTC	25/01/2019	EUR	4,469,100	-	24,653
Forward OTC	25/01/2019	JPY	518,430,000	-	1,648,336
Total 2018				16,397	1,736,146
Total 2017				907,489	-

Employer-Related Investments

One investment included within equities, consists of 2,800 BM$1.00 shares in Paget Health Services (Holdings) Limited acquired at a cost of BM$ 10,091,766 on 27 November 2010. The Newarthill group, of which the principal employer, Sir Robert M^{c}Alpine Limited, is a member, owns 58% of the share capital of Paget Health Services (Holdings) Limited. The value of this investment at 31 October 2018 was £13,229,326 being 2.5% of total investments (2017 – £12,607,350 being 2.3% of total investment).

Investment Fair Value

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2017

8. INVESTMENTS (continued)

The Scheme's investment assets and liabilities have been fair-valued using the above hierarchy categories as follows:

Defined Benefit As at 31 October 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Equities	163,674	13,522,500	17,567,560	31,253,734
Fixed Interest Securities	-	124,447,391	1,714,763	126,162,154
Pooled investment vehicles	-	263,045,865	-	263,045,865
Property	-	-	7,000,000	7,000,000
Derivatives	-	2,744,322	-	2,744,322
Funds with brokers	3,383,940	-	-	3,383,940
Cash Deposits	4,667,717	-	-	4,667,717
	8,215,331	403,760,078	26,282,323	438,257,732

Defined Benefit As at 31 October 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Equities	161,678	13,230,000	16,801,046	30,192,724
Fixed Interest Securities	-	116,513,251	1,963,763	118,477,014
Pooled investment vehicles	-	277,401,568	-	277,401,568
Property	-	-	6,350,000	6,350,000
Derivatives	-	8,900,982	-	8,900,982
Funds with brokers	9,514,338	-	-	9,514,338
Cash Deposits	2,244,565	-	-	2,244,565
	11,920,581	416,045,801	25,114,809	453,081,191

Defined Contribution As at 31 October 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	90,372,080	-	90,372,080
Cash Deposits	3,100,929	-	-	3,100,929
	3,100,929	90,372,080	-	93,473,009

Defined Contribution As at 31 October 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	81,456,848	-	81,456,848
Cash Deposits	2,593,048	-	-	2,593,048
	2,593,048	81,456,848	-	84,049,896

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2017

8. INVESTMENTS (continued)

Investment Risks Disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risks: comprising currency risk, interest rate risk and other price risk.

- Currency risk: as a result of changes in foreign exchange rates.
- Interest rate risk: as a result changes in market interest rates.
- Other price risk: arising from changes in market prices (other than those arising from interest rate risk or currency risk).

The Trustees determine the investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy as detailed below. The Trustees monitor its investment objectives and risks using reports produced by the Scheme's investment adviser and through the investment management agreements in place.

Investment Strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustees set the investment strategy for the Scheme taking into account the strength of the employer covenant, the long-term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

The Defined Benefit current strategy is to hold:

a. 25% in investments which move in line with the long-term liabilities of the Scheme. This is referred to as Liability Driven Investment (LDI) and comprises gilt and leveraged index-linked gilt funds held with Legal & General, the purpose of which is to hedge against the impact of interest rate and inflation movements on long term liabilities.
b. 75% in return-seeking investments comprising UK and overseas equities (including the use of pooled investment vehicles), investment property, PPP investments and swaps (but only to hedge against the impact of interest rate and inflation movements).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

8. INVESTMENTS (continued)

Risk Exposures

The following table summarises the extent to which various classes of investments are affected by the risks noted above.

	Credit Risk	Market Risk: Currency	Market Risk: Interest Rates	Market Risk: Other	2018 %	2017 %
Defined Benefits						
Equities	-	○	-	●	7.13	6.66
Fixed interest securities	○	-	●	-	28.79	26.15
Pooled investment vehicles	○	○	○	○	60.02	61.23
Property	○	-	-	●	1.60	1.40
Derivatives	○	-	-	-	0.63	1.96
Funds with brokers	○	○	-	-	0.77	2.10
Cash	○	-	-	-	1.06	0.50
					100.00	100.00

● Significant
○ Partial
\- None/immaterial

Credit Risk

The Scheme is subject to credit risk because it directly invests in bonds, OTC derivatives and has cash balances.

The Scheme has a direct risk in so far as it has invested in pooled arrangements although these are mitigated by the underlying assets being, in part, ring-fenced from the investment pool manager, the regulatory environments in which these managers operate and diversification of investments. Through the use of its adviser, the Trustees monitor the appointment of any new investment pool managers and on an ongoing basis review their performance.

For pooled investment vehicles, the Scheme is indirectly exposed to credit risk in relation to the instruments it holds.

The Scheme is also exposed to credit risks arising from its use of swaps in the event of a default by the underlying issuer.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer.
To mitigate this, the Trustees have ensured that the Scheme uses a number of issuers in order to minimise the impact of any individual default. The risk is further mitigated by the types of investments held and the due diligence undertaken before any contract is entered into.
Credit risk on properties relates to the tenants' continued ability to pay its obligations and so the Trustees regularly monitor the financial strength and payment record.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

8. INVESTMENTS (continued)

Currency risk

The Scheme is subject to currency risk as some of its investments are held in overseas markets and priced in the local currency. Current risk is mitigated by River & Mercantile implementing currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of FX Forward contracts.

The Trustees expect that the investment managers consider the impact of currency movements as part of their ongoing management of the portfolios.

Interest Rate Risk

The Scheme's investments are affected by interest rate movements as the Scheme does invest in index-linked gilts and interest rate swaps which are intended to move in line with the Scheme's liabilities as a consequence of changing interest rates (and inflation). Hedging is used to mitigate these risks.

Other Price Risk

The Scheme has indirect exposure to other price risks, principally in relation to equities, alternatives (which include PPP investments) and properties.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and geographical regions.

Defined Contribution Risks

Assets held under the Defined Contribution section, and assets within the Defined Benefit section which are shown as Designated to Members, are primarily held within Pooled Investment Vehicles. A member can choose the levels of risk they wish to be exposed to in terms of currency (in relation to assets held overseas) and interest rates (by including or excluding index linked funds). All funds are exposed to credit risk (as noted above for other Pooled Investment Vehicles).

Concentration of Investments

The following investments account for more than 5% of the Scheme's net assets as at 31 October 2018:

	Market Value at 31 October 2018 £	2018 %	Market Value at 31 October 2017 £	2017 %
L&G Diversified Fund (*)	39,462,200	7.4%	32,852,817	6.1%
Threadneedle Dynamic Real Return Fund	36,106,315	6.8%	-	-
Fidelity L&G Global Equity Fixed Weights 60/40 Fund(*)	34,829,312	6.5%	33,903,414	6.3%
PineBridge Global Dynamic Asset Alloc Fund	34,402,684	6.5%	-	-
BlackRock Asset Mgmt Aquila Life Global Dev Fnd	26,254,056	4.9%	71,553,866	13.3%

(*) These are primarily held within the Defined Contribution funds. The balance of these, and the other investments shown are held within the Defined Benefit funds.

Direct Transaction Costs

The purchase and sale of investments during the year resulted in net costs in respect of direct transaction costs amounting to £86,421 (2017 – £232,209).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2018

9. AVC INVESTMENTS

The Trustees hold assets invested as part of the Scheme securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights. The value of the AVC funds at 31 October 2018 was £2,671,731 (2017 – £2,824,912).

10. CURRENT ASSETS

	Defined Benefit £	Defined Contribution £	Total 2018 £	Total 2017 £
Employer contributions	-	-	-	143,084
Employee contributions	-	-	-	143,084
Prepayments and accrued income	1,218,101	-	1,218,101	973,874
	1,218,101	-	1,218,101	1,260,042

All contributions are paid by the due date and in line with the Schedule of Contributions.

11. CURRENT LIABILITIES

	Defined Benefit £	Defined Contribution £	Total 2018 £	2017 £
Taxation and social security	292,444	-	292,444	319,966
Accruals and deferred income	463,380	7,266	470,646	371,960
	755,824	7,266	763,090	691,926

12. SELF INVESTMENT

As at the net asset statement date, no investments were held in shares of any of the participating employers (2017 – Nil). Included in investments at the year-end are shares in an employer-related company as disclosed in note 8.

13. RELATED PARTIES

Sir Robert McAlpine Limited provides the day to day administration and other services (including the fees and expenses of the Independent Trustee) to the Scheme. Independent Trustees – Fees payable during this year were £17,500 (2017 – £17,500) of which £11,075 was outstanding at the year-end (2017 – £10,937). The Scheme does not reimburse the company for these expenses as referred to in note 4 to the financial statements. There have been no other related party transactions during the year (2017 – Nil).

Three of the Trustees were members of the Scheme at the year-end (2017 – three). The contributions paid on behalf of these members were in line with the Schedule of Contributions.

Investment transactions with related parties are disclosed in note 8 above.

14. CONTINGENT LIABILITIES

The recent ruling in relation to GMP reconciliation means that there is a contingent liability in terms of uplifting pensions for any differences between the GMP elements of the pensions payable for men and women. Guidance as to how such uplifts should be applied has not yet been issued. As result it is impracticable to estimate the financial effect, timing or probability of such an uplift.

INVESTMENT REPORT FOR THE YEAR TO 31 OCTOBER 2018

Fund Valuation and Performance

As at the 31 October 2018, the value of the Fund, including property, was £532.2m, taking quoted assets at their market value. This represents a decrease of £5.5m over the year.

The return for the Defined Benefit Section for the year to 31 October 2018 was 0.28%. The compound return for the three years ending on this date was 28.59% and the annualised return was 8.74%. The compound return for the five years ending on this date was 46.22% and the annualised return was 7.90%.

The assets of the Defined Contribution Section are invested on a passive basis in a range of pooled funds. Since its inception in 2003, the returns generated by these funds have matched the indices by reference to which they are invested with only fractional deviation.

Investment principles

The Scheme's investments have been made in accordance with the Statement of Investment Principles. This Statement was adopted by the Trustees on 18 February 1997 and amended by them on several subsequent occasions, most recently in October 2018 (DB Section) and May 2019 (DC Section). All of the investments are regarded as marketable by the Trustees.

BLANK

CAPITA

The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme ("the Scheme")

Schedule of contributions

Certification of the Schedule of Contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 October 2015 to be met by the end of the period specified in the Recovery Plan dated September 2017.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated September 2017.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature:	
Name:	Martin West
Date:	28 September 2017
Name of Employer:	Capita Employee Benefits
Address:	65 Gresham Street London EC2V 7NQ
Qualification:	Fellow of the Institute and Faculty of Actuaries

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "can be expected to be met" as being satisfied by consideration of the agreed contributions under the specific economic and demographic scenario set out in the statement of funding principles produced as part of the 31 October 2015 Scheme Funding assessment. In particular, no further allowance has been made for adverse experience that may occur in the future. The opinion given will not necessarily hold in other scenarios.

RIVER AND MERCANTILE
SOLUTIONS

The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme ('the Scheme')

Investment Report for the year ended 31 October 2018

Market Background

Despite the continued unsettled market conditions, the year ended 31 October 2018 saw flat performance for the Scheme's investments.

Most equity markets apart from the US fell heavily over the year as a whole, with significant falls occurring in February, March and October, while return-seeking bonds generally lost money as well.

The period opened while economic fundamentals were making their presence felt, with economic growth synchronised and corporate profits rising across all of the main regions, although policymakers were making waves from time to time.

February, March and October 2018 saw heavy falls in equities, return-seeking bonds and property, temporarily wiping out several months'-worth of gains.. Equities experienced a fitful recovery in April 2018, as patchy economic growth beat back nervousness over interest rates and geo-political tensions.

US companies received a significant boost from tax cuts agreed late in December, and the US economy continued to boom in 2018 – while growth in other economies showed signs of slowing – and US equities gained over the 12 month period.

The US dollar weakened against the major trading currencies until mid-April, but then it reversed course. Emerging market debt and equity had been rising, but declined in the face of a strengthening dollar and US rising interest rates and the gathering prospect of a US/Chinese trade war.

Economic fundamentals were initially improving even more vigorously in Europe, where falls in unemployment were accompanied by strong and rising economic activity, rising inflation and improving economic sentiment. This cooled as the period went on, however, and towards the end of the period leading indicators of economic activity were slowing.

However, the backdrop was positive enough for the European Central Bank to confirm its intention to start tapering the bond-buying programme that has been stimulating the eurozone economy since 2010. The ECB's president, Mario Draghi, announced in June 2018 the bank would halt its bond-buying programme by the end of the year. This, and the slowing economy and the new Italian government's plans for dramatic increases in government spending, cooled investors' enthusiasm for European equities, which ended the period lower than where they had started.

The Japanese yen alternately strengthened and weakened against the other major trading currencies over the course of the year: Japanese monetary policy is expected to remain loose for some time, fostering a trend of yen weakness, but short-term Japanese government bonds are still regarded as a safe haven, causing the yen to strengthen at times of stress.

The currency moves affected Japan's equity market. The country's economic data has been mixed, it had to count the cost of typhoons Jebi and Trami later in the period, and furthermore its equities suffered from a strengthening Japanese yen, a development that dampens the prospects of Japan's many exporters. Japanese equities fell over the 12-month period as a whole.

Gilt yields chopped up and down, with a Brexit-fuelled falling trend occasionally interrupted by the Bank of England, first talking yields up then actually raising the base rate, in November, for the first time in more than a decade, then again in August. As the period went on the uncertainties of Brexit weighed more heavily, and over the course of the 12-month period as a whole longer-term gilt yields slightly fell. Swap yields rose across the maturity curve, however.

As result, although inflation expectations ended the period slightly up, pension schemes with swap-based discount rates may have seen their liabilities fall, while those whose discount rates are based on gilts may have seen theirs rise. Swap-based liability hedges, however, will probably have fallen.

Investment Manager Arrangements

The Trustee has chosen to employ an investment strategy whereby asset allocation and manager selection are delegated for a proportion of the Scheme's assets. The main attraction of a delegated implementation approach is governance simplicity, high levels of asset diversification and asset rotation. The Trustee has appointed River and Mercantile Solutions as their Investment Manager for the Discretionary Investment Fund portfolio that makes up 37.5% and the Matching Fund portfolio that makes up 25% of the Scheme's assets. The Trustee has in place a Fiduciary Management Agreement with River and Mercantile Investments Limited governing this relationship.

The Trustees have chosen to implement part of their investment strategy through River and Mercantile Solutions' Fiduciary Management service, an implemented solution which allows trustees to retain ownership of those decisions which have the greatest importance to the Scheme's investment strategy – framing objectives, allocations to on-risk/off-risk assets, risk tolerance – whilst delegating other decisions to River and Mercantile Solutions.

The remaining return-seeking assets that make up 37.5% of the Scheme's is split between pooled funds and direct holdings assets; comprising the Advisory Investment Fund.

In addition, the Trustees have directly appointed KAS Bank N.V. as custodian for most of the Scheme's assets, with the exception of some of the pooled funds held in the Advisory Investment Fund.

Investment Strategy

The Trustees' long-term objective for the Scheme is to target an investment return objective of approximately 2.25% per annum (net of fees) in excess of the returns on the Benchmark.

The Benchmark is a portfolio of assets which broadly represents the characteristics of the Scheme's liabilities and is defined as follows:

Liability type	Gilt	Nominal*
Fixed Interest	3.75% Treasury Gilt 2020	1,644.45
Fixed Interest	4.75% Treasury Gilt 2030	1,591.03
Fixed Interest	4.25% Treasury Gilt 2040	1,202.26
Fixed Interest	4.25% Treasury Gilt 2049	543.20
Fixed Interest	4% Treasury Gilt 2060	366.38
Inflation-Linked	1.25% Index Linked Gilt 2017	711.95
Inflation-Linked	1.25% Index Linked Gilt 2027	700.03
Inflation-Linked	1.125% Index Linked Gilt 2037	550.76
Inflation-Linked	0.75% Index Linked Gilt 2047	276.17
Inflation-Linked	1.25% Index Linked Gilt 2055	102.91
Inflation-Linked	0.375% Index Linked Gilt 2062	100.00

**The constituent members of the LBP are set out in terms of nominal amounts, the smallest nominal holding rebased to 100 and all other allocations amended accordingly to keep the ratio constant as at the calculation date based on the cash flows as at the latest Actuarial Valuation. The LBP is fixed at this date and therefore the split by market value will change over time due to market movements.*

In addition to framing the investment objective, the Trustees are responsible for setting the split of assets between return-seeking assets (the Discretionary Investment Fund and Advisory Investment Fund) and liability-matching assets (comprising of the Matching Fund and Liability Hedge).

With consideration of the Scheme's liabilities and desired investment objectives, the Trustees have adopted a 75% allocation to return-seeking assets, split equally between the Discretionary and Advisory investment funds, and a 25% allocation to the liability-matching assets. River and Mercantile Solutions has full discretion to implement the Trustees' chosen investment strategy within the Discretionary Investment Fund and liability hedging portfolio only, as described below.

Matching Fund (MF)

The MF is invested in a portfolio of directly held gilts, which form part of the liability hedge. River and Mercantile Solutions may invest the MF assets in Investment Grade Index Linked Bonds, Investment Grade Fixed Interest Bonds and cash.

Liability Hedge (LH)

The Scheme uses a bespoke liability hedging strategy via swaps (contracts between the Scheme and a counterparty bank) which aims to further reduce sensitivity to changes in interest rates and inflation (beyond that provided by the Matching Fund gilts) and hence reduce the impact of movements in these on the Scheme's funding level. The Trustees delegate the ongoing management of the liability hedging levels to River and Mercantile Solutions.

Advisory Investment Fund (AIF)

The AIF currently invests in a more static manner across both traditional equity and bond funds, but also has allocations to more specialist asset classes that are not available or cost effective for larger investors with large asset pools.

The objective for the AIF is to achieve a return of at least 3% per annum in excess of the return of cash, after the deduction of fees, over rolling three year periods.

Discretionary Investment Fund (DIF)

The DIF holds a diverse portfolio of assets that are expected, in the longer term, to exceed the growth in the value of the Scheme's liabilities. River and Mercantile Solutions may invest the DIF assets in a number of different asset classes subject to a number of restrictions.

The objective for the DIF is to achieve a return of at least 3% per annum in excess of the return on cash, after the deduction of fees, over rolling three year periods. The DIF is invested in a diversified portfolio, including equities, global government and emerging market bonds, hedge funds, leveraged loans and other alternative assets.

The asset allocation across the Total Fund at the year-end was as shown in the following table:

Asset Class	31 October 2018 (%)	31 October 2017 (%)
Advisory Fund	**38.1**	**37.7**
Equities	7.5	20.4
Property	4.8	4.6
Alternatives	5.4	5.1
Broad Bonds	2.8	6.0
Commodities	0.0	0.0
Cash*	1.1	1.5
Multi Asset	16.4	0.0
Discretionary Fund	**36.4**	**37.6**
Equities	15.7	20.0
Property	0.0	1.0
Alternatives	8.5	6.7
Broad Bonds	7.1	8.8
Commodities	0.0	0.0
Cash*	5.1	1.2
Liability Hedge Swaps	**0.9**	**1.8**
Matching Fund	**24.6**	**22.9**
IG Index Linked Bonds	9.8	10.5
IG Fixed Interest Bonds	14.7	12.3
Cash*	0.1	0.1
Total Fund	**100.0**	**100.0**

**Cash includes the unrealised profit/(loss) on the forward contracts used for the purpose of currency hedging. Figures are based on clean values and are subject to rounding.*

Investment Risk

Credit Risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustees' policy for managing credit risk is detailed in the Statement of Investment Principles.

The Scheme holds £124.4m in directly held bonds, £2.7m in OTC derivatives and £8.1m in directly held cash balances. The Scheme also holds £38.2m bonds and cash through underlying pooled fund investments.

Credit risk arising on derivatives held directly depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds OTC derivative contracts which are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. Credit risk for OTC derivative contracts is mitigated by placing restrictions on River and Mercantile Solutions which ensure that new contracts are only entered into with counterparties that are investment grade. The credit risk in respect of OTC swaps is further reduced by collateral arrangements.

Credit risk arising on bonds held directly is mitigated by River and Mercantile Solutions choosing to only invest in government bonds, where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Directly held cash balances are at financial institutions which are at least investment grade credit rated. This is the position at the year-end.

In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Indirect credit risk arises in relation to underlying investments held in bond and cash pooled investment vehicles. This risk is mitigated by the Trustees mandating River and Mercantile Solutions that the underlying investment in sub-investment grade debt may not exceed 30% of the DIF.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer. The Trustees monitor the investment strategy adopted by River and Mercantile Solutions to ensure that the arrangement remains diversified.

Direct credit risk arises in respect of pooled investment vehicles. The Scheme's Advisory and Discretionary Investment Funds is invested across a large number of different pooled funds which have various legal structures in various domiciles (e.g. open-ended investment companies, unit trusts, limited partnerships etc.).

The direct credit risk associated with these managers is also mitigated by:

- the regulatory environments in which those managers operate;
- diversification amongst a large number of pooled arrangements; and

- due diligence checks by River and Mercantile Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustees' policy for managing this risk is detailed in the Statement of Investment Principles.

Currency risk is mitigated by delegating management of currency exposures at total portfolio level to River and Mercantile Solutions. River and Mercantile Solutions implement currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of foreign exchange contracts.

Net of currency hedging, c. 14% of the Scheme's holdings were exposed to overseas currencies as at year-end (2017: c. 28%).

Interest rate risk

The Scheme's assets are subject to interest rate risk because some of the Scheme's investments are held in bonds, interest/inflation rate swaps for the purpose of liability hedging. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate. At the year-end, the assets subject to interest rate risk comprised of:

£000	2018	2017
Direct		
Bonds	124,447	118,080
Swaps	4,045	7,993
Indirect		
Bond PIVs	22,076	48,664
Cash PIVs	16,166	1

Please note clean values have been used where applicable.

Other price risk

Other price risk arises principally in relation to the Scheme's Investment Funds which includes directly held alternatives, bonds, equities, investment properties and also which may include various asset classes held in pooled vehicles. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

£000	2018	2017
Direct		
Alternatives	17,568	17,198
Bonds	1,318	1,567
Equity	5,845	5,589
Property	7,000	7,000
Put Equity Option	419	-
Indirect		
Equity PIVs	97,818	174,101
Property PIVs	13,584	17,454
Alternatives PIVs	41,969	35,272
Multi Asset PIVs	70,509	-

Please note clean values have been used where applicable.

Investment Performance

Performance of the Scheme's assets against the objectives is shown below:

Portfolio Section	12 Months (%)	3 Years p.a. (%)	5 Years p.a. (%)
Total Portfolio	0.0	8.9	7.8
Objective	4.4	7.8	8.8
Relative	-4.4	1.1	-1.0

Performance is shown net of fees to the extent that fees are paid from assets.

Past Performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and you may not get back the full amount originally invested.

Concentration of Investments

The following investment(s) represented over 5% of the Scheme's assets invested with River and Mercantile Solutions at the year-end date:

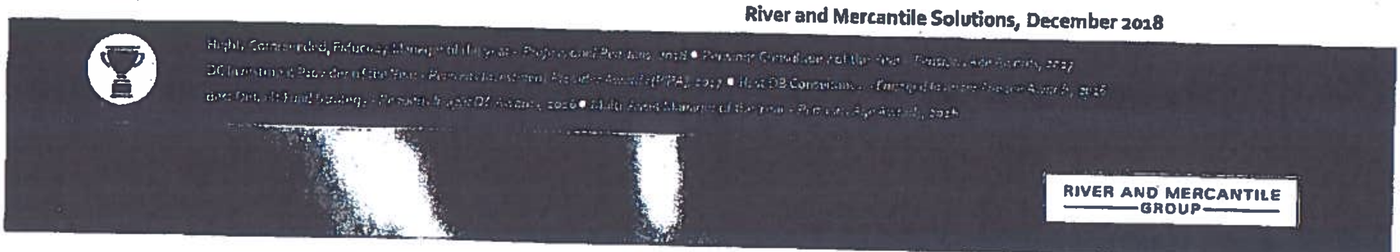
Instrument Name	31 Oct 2018 (%)		31 Oct 2017 (%)	
	£	%	£	%
BlackRock AM Aquila Life Global Developed Fundamental Weighted Index Fund*	26,254,056	6.1	71,553,866	16.1
PineBridge Global DAA Fund Class Y2H	34,402,684	8.0	-	-
Threadneedle Dynamic Real Return Fund S Acc	36,106,315	8.4	-	-

**The fund is held within the Advisory Investment Fund.*

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles, which details the key elements of the investment arrangements of the Scheme. Copies of this document are available on request.

River and Mercantile Solutions, December 2018



Statement of the Chair of the Trustees of the Sir Robert McAlpine Limited Staff Pension & Life Assurance Scheme for the Scheme year ending 31 October 2018

This statement is produced in accordance with section 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the Regulations)

I hereby confirm that I, Cullum McAlpine, am the appointed Chair of the Sir Robert McAlpine Limited Staff Pension & Life Assurance Scheme ('the Scheme'). In accordance with section 23 of the Regulations I hereby confirm, on behalf of the Trustee Board, in relation to the Scheme that:

1. The Defined Contribution ("DC") Statement of Investment Principles ("SIP") is attached (Appendix C). The Trustees carry out a general review of the SIP at least every three years and a separate DC SIP has been issued as at May 2019. The new DC SIP covers policies regarding risk, return, monitoring, fees and responsibilities. The most recent completed review of the SIP was undertaken in November 2017. The Trustees are currently carrying out a review of the objectives and investment strategy which is expected to be implemented before the end of the year.

2. The aims and objectives are noted in the SIP (under Advice and Management) and the Trustees confirm that the returns, which are reviewed quarterly, are consistent with these objectives. As part of the review (noted in 1 above), the details of the objectives may be changed. The current objectives compare the performance of the various funds with a benchmark (details of which are shown in 15 below).

3. The current default investment strategy for the DC Section of the Scheme has been identified and is set out within the SIP. This strategy seeks to de-risk the investments as the Member approaches retirement in order to protect their savings. Funds are initially invested in the Global Equity 60:40 Fixed Weights Fund until a Member is 25 years before their Retirement Age (which a Member can define) after which the funds are then moved over a five-year period into the Diversified Fund. When the Member reaches five years before Retirement Age, these funds are then transferred into the Cash Fund and the Pre-Retirement Fund over a five-year period. As part of the November 2017 SIP review, the Default (Lifestyle) Fund was still considered appropriate to the majority of Members, but this is being reviewed as part of the review (noted in 1 above).

4. The Trustees continue to review the appropriateness of the Investment Strategy in terms of changes to regulatory expectations and the introduction of pension freedoms in April 2015. The review (per item 1) will take into account changes in Member requirements which have resulted from these changes.

5. The Accounts, Chair's Statement and SIP are available on the SRM Company website on srm.com/pensions.

6. The core financial transactions (investment of contributions, transfers in / out and transfers of assets between different funds within the Scheme) have been processed promptly, accurately and in

accordance with the Service Level Agreement with the Service Provider. This is monitored by way of quarterly Administration Reports issued by the Service Provider. During the year, the Scheme changed its Service Provider, but the process for the monitoring of compliance with the Service Level Agreement with the new Provider remains the same. In accordance with the reporting arrangements, controls are in place to monitor and ensure that core financial transactions continue to be processed promptly and accurately. Serious breaches or excessive delays to the Service Level Agreements are monitored by the Pensions Manager and, if they continue unresolved, are brought to the Trustees' attention to consider further action. The processing of Member contributions is reconciled directly by the Pensions Manager in order to ensure timeliness and accuracy. Transfers in and out pass through the Bank Account controlled and monitored directly by the Scheme, which acts as a control over the processing of these transactions by the Service Provider. Further scrutiny of transactions and reporting and controls can be found in the Audit Report which is included in the Scheme's Annual Report & Accounts. There were no significant issues during the year.

7. Some charges applicable to the Scheme are borne by the Employer and therefore have no bearing on Member charging. However, for completeness we have included these as part of our assessment of Value for Members, to be found in Appendix A.

8. All Members pay an Annual Management Charge (AMC), details of which are included in Appendix A item 6. Active DC Scheme Members are also charged a 1.5% deduction from monthly contributions to primarily cover life assurance. Members are informed of this deduction and any changes. This was reviewed in May 2018 as part of the transition of the services to the new Service Provider. A further discussion of this charging structure is included in the Value for Members assessment.

9. The DC section of the Scheme now has a bundled charging structure. The AMC which varies between the various funds ranges from 0.21% to 0.31% of the relevant fund value. More details are provided in Appendix A (below) and examples of the cumulative effects of these charges on the Member's benefits are shown in Appendix B.

10. For the non-default funds, the AMC ranges from 0.21% to 0.30%. The funds which are not part of the default arrangement are listed within the Value for Member assessment (Appendix A) and examples of the cumulative effects of these charges on the Member's benefits are shown in Appendix B.

11. The Trustees have had regard to the relevant statutory guidance when preparing this statement.

12. In addition to the AMC noted above, the investment managers charge for explicit dealing costs (brokerage fees, taxes and levies) and the average for 2017 (calendar year) was 0.13% of total transactions (of £21.1m).

13. The Trustees of the Scheme continue to review the service standards being provided in terms of Scheme administration (including processing core financial transactions, Scheme records and Scheme governance), Member communication and investment returns. The Trustees attach the Value for Members assessment, the cumulative effect of the costs on Member benefits (including additional details on each Fund cost) and the Statement of Investment Principles for the Scheme. The charges borne by Scheme Members are monitored regularly by the Trustees and it is their view

that this represents Value for Members at this time. The Trustees will continue to consider improvements which could be made in terms of the clarity and transparency of the charging structure.

14. As part of a review carried out during 2017, a new Service Provider for the DC Section of the Scheme was chosen as it was felt they offered an improved service and therefore better Member Value for Money. This new Service Provider took over the administration from September 2018. Provision of services for the DB Section of the Scheme remains unaffected.

15. All funds are compared to an objective, which reflects the return on the relevant market index. The variances between the actual return and the objective are reviewed regularly by the Trustees, and suitable action taken if the variances are considered too high. No figures are currently available (as at the year-end) for the fund performances since the transfer to the new Service Provider as this only occurred just before the year-end. The performance of the default funds before the transition date were:

	One year's performance			3 years' performance		
	Actual	Objective	Variance	Actual	Objective	Variance
	%	%	%	%	%	%
Global Equity Fixed Weights (60:40) Index Fund	8.4	8.5	(0.1)	11.6	11.6	-
Diversified Fund	2.8	5.7	(2.9)	9.4	12.2	(2.8)
Over 5 Year Index-Linked Gilts Index Fund	1.9	2.0	(0.1)	8.5	8.5	-
Cash Fund	0.1	0.1	-	0.2	0.3	(0.1)

Performance figures are net of charges

16. Each Trustee of the Scheme is expected to ensure that he or she meets the Trustee knowledge and understanding requirements, including a working knowledge of the Scheme Rules, SIP, documents setting out the Trustees' policies, the law relating to pensions and trusts and the principles relating to funding and investment. Where there is uncertainty, relevant advisors are referred to when necessary. Throughout the Scheme year advisors provide regular and formal updates to the Trustees, either at specific events or as part of Trustee Meetings. Over the year, this has included sessions on Integrated Risk Management, setting long term objectives (Journey Planning), investment valuation and investment strategy (DB and DC). A Skills and Training Log has been developed and is maintained by the Pensions Manager on an on-going basis. Knowledge gaps are expected to be identified on a self-evaluation basis, and where any gaps are considered to be applicable to a number of Trustees, general training is made available as part of, or in addition to, Trustee Meetings.

17. New Trustees are given a general briefing of the Scheme and have introductory meetings with the advisors. They are also expected to complete all relevant sections of The Pensions Regulator's Trustee Toolkit or be in a position to demonstrate they have the necessary skills and knowledge from other sources.

18. FIL Life Insurance Ltd, Capita Employee Benefits, CMS Cameron McKenna Nabarro Olswang LLP and River & Mercantile Solutions Ltd (formerly P-Solve Investments Ltd) provide advice to the Trustees to help ensure that Scheme governance, controls, skills and knowledge are current and meeting the expectations of the Regulators and Scheme members and enable the Trustees to properly exercise their functions.

Signed for and on behalf of the Trustees of the Scheme on ………31 May 2019… by Cullum McAlpine in my capacity as Chair of the Trustees.

…………………………………………………

Cullum McAlpine

Chair of the Trustees of the Scheme

List of evidence represented in appendices:

Appendix A: Value for Members Statement

Appendix B: Statement Regarding DC Governance

Appendix C: Statement of Investment Principles (DC Section), dated May

Appendix D: 2019Statement of Investment Principles (DB Section), dated October 2019

Further evidence available on request:

DC Investment Strategy document, dated September 2013

Minutes of Trustee Board meeting, 25 September 2013 (at which the appropriateness of the default investment strategy was discussed)

DC member booklet

Example quarterly administration report, provided by FIL Life Insurance Ltd

Example quarterly investment report, provided by FIL Life Insurance Ltd

Trustee training log

Risk Register

Appendix A: Value for Members Assessment

To make an assessment of the Scheme in terms of whether and how it represents value for money for Members, the Trustees have considered the following evidence:

- Member Investment Guide available via FIL Life Insurance Ltd's website
- DC Investment Strategy document, dated September 2013 (*)
- Statement of Investment Principles, dated May 2019Quarterly Investment Reports
- DC member booklet

(*) To be amended following the review of strategy

The benefits available to Members from being in the Scheme include:

- A range of fund choices, which are regularly monitored;
- A default strategy to reflect Member suitability and manage risk;
- Member communication;
- Retirement modelling;
- Retirement support;
- Record keeping;
- Carrying out transactions (purchasing, selling, switching);
- Error and complaint handling,
- Governance, taking into account professional advice;
- Secretarial and audit compliance; and
- Life assurance (4 times salary).

The Trustees have taken into account the following considerations and decisions:

1. The costs borne by Scheme members have been assessed and a fee of 1.5% on contributions is deducted monthly. This primarily covers death in service benefits (life assurance) and is clearly presented in the DC member booklet. This deduction was reviewed (in May 2018) as part of the move to a new Service Provider and it was concluded that the costs to be covered by this charge did not materially change as a result of this move.
2. An analysis of the Scheme charges to determine how much of the 1.5% represents pension-specific costs (described in Scheme literature as 'fund administration') shows this to be 0.2% per annum (following the move to the new Service Provider), being the amount required to cover DC specific costs.
3. The Trustees of the Scheme consider that the investments currently offered to Members are appropriate. Following the wider choice of options available at retirement, the closure of the Defined Benefit Scheme to future accrual which resulted in a large increase in DC Member numbers and the recent move to a new administration Service Provider, the Trustees are currently undertaking a review of the objectives and strategy in order to provide Members with the most appropriate options.
4. Investment returns are assessed by Trustees in liaison with their investment advisers on a quarterly basis using performance reports from the provider.

5. The fund administration costs levied to members are monitored over time and assessed alongside investment performance to ensure they remain appropriate. As part of the move to the new administration Service Provider, the Scheme charges and the way they are charged to the Members were reviewed. The existing charging structure was considered appropriate as pension costs not covered by the AMC and life assurance costs remain broadly the same and such costs could not be incorporated within the AMC. Following the change of Service Provider, the Scheme is now bundled. FIL Life Insurance Ltd charge an Annual Management Charge (AMC) which varies by fund.
   For the default DC fund, these charges are:

Global Equity Index Weights (60:40) Fund	0.21%
Diversified Fund	0.31%
Cash Fund	0.23% Pre-Retirement Fund

   The AMC for the other funds ranges from 0.21% to 0.30%.
   The non-default funds consist of UK Equity Index Fund, Ethical UK Equity Index Fund, All Stocks Gilts Index Fund, AAA-AA-A Corporate Bond Over 15 Year Index Fund, Over 5 Year Index Linked Gilts Index Fund and a Pre-Retirement Fund.
   Full details of the AMCs are shown in Appendix B – Illustrative Examples of the Cumulative Effect of Relevant Costs and Charges on the Value of Member's Benefits
   The change of Service Provider did not take place until September 2018, so most of the dealing costs were charged by the former provider Legal & General Investment Management (LGIM). During the year under review (but before the change of Service provider) explicit dealing costs, which include brokerage fees, taxes and levies have been below 0.01% of the value of each of the funds and the average for the period from January 2018 to August 2018 was 0.08% of the value of the transactions. Examples of the cumulative effect of costs on Members' funds (based on the new Service Provider costs) are included in Appendix B.

6. The Scheme benefits from the presence of a full-time Pensions Manager to ensure that it is demonstrably run in the interests of all beneficiaries.

Change of Service Provider

The Trustees decided to change Service Provider during the year. Their review included presentations by a number of potential providers, including the existing Provider. The final decision took into account the quality of the service to be provided as well as the cost to the Members. The decision to change was eventually based on an improvement in the level and expected quality of the service which, the Trustees felt, needed to be improved in light of the pension freedoms now available and the ever growing number of Members joining the Scheme, many of whom will rely on this fund as a significant part of their retirement benefits.

Contribution deductions to provide for pension costs and life assurance/death in service benefits.

Having assessed the way the costs of the Scheme are calculated, the Trustees are satisfied that this charge is fair and broadly represents Value for Members. However, for the sake of clarity and transparency, it is felt appropriate to explain this in further detail.

Members are currently charged 1.5% of contributions on a monthly basis. This deduction covers both fund administration costs (not covered by the AMC) and life assurance (described in the DC Member booklet as "death in service"). This split is approximately 0.2% for administration costs and 1.3% for life assurance. Administration costs cover audit fees, levies and sundry expenses. This analysis is available on request.

The life assurance benefit is self-funded and is based on 4x salary. The Member cost is based on the need to maintain a fund which can be used to make any death-in-service payments when necessary. The pay-out from the Scheme is capped and any excess above the capped value is covered by an insurance policy.

The Trustees have discussed whether or not it would be in the interest of Members to specifically publish the relevant costs for fund administration. A decision was taken that this information would not be published for fear of over-complicating Member communications. Instead, the Trustees and the Pensions Manager regularly review the costs of fund administration on the Members' behalf to ensure this continues to be appropriate.

The Trustees reviewed the charging strategy as part of the change of Service Provider as noted above In addition, the Trustees have started a review of investments and the default strategy. Any implementation of a new investment offering would be accompanied by appropriate member communications

Costs borne by the employer:

1. Cost of running the Trust Board and pensions management support
2. In-house administration costs

Most costs incurred by the employer relate to the costs of employees who work on both the Scheme and for the employer directly. Due to cost restraints, it is difficult to provide a figure of the actual costs borne by the employer on the Scheme's behalf. However, a high*level analysis has been carried out which indicates these costs to be in the region of £100,000 to £200,000 per year, excluding Trustees' time. However, it should be noted that this covers both the DC and DB Schemes.

Value for Members Statement:

The Trustees believe the Scheme represents good value for Scheme Members. The reasons for this are based on the evidence listed above and include, but are not limited to, the following:

- The Scheme costs are regularly monitored by the Trustees and compare well with the guidance for auto-enrolment funds (although note that this is not an auto-enrolment fund);
- The Scheme governance provided by the Pensions Manager and advisers ensure that the running of the Scheme is of a satisfactory quality, both in terms of Good Member Outcomes and regulatory compliance;
- The Trustees of the Scheme carry out regular (at least quarterly) performance monitoring in liaison with investment advisers and investment providers;

- The Trustees give on-going consideration to the appropriateness of investment options and strategies with a view to improve wherever they deem necessary, as reflected in the on-going review of investment strategy; and
- The recent change of Service Provider was made following a robust tendering process and the final decision was based on, what the Trustees considered, to be an improvement in both the level of services available and the quality of the service being offered to the Members.

Appendix B

Statement Regarding DC Governance

For the Twelve Months Ending 31 October 2018

Annual governance statement by the Chair of the Trustees

Charges paid by members

'Charges' means administration charges other than transaction costs (see below). Members bear charges that are deducted from the funds in which their benefits are invested. The charges differ between the investment funds that are available. The Trustees are required to calculate the charges and transaction costs paid by members during the assessment period and assess the extent to which these charges and transaction costs represent good value for members.

Transaction costs are a complicated issue as they are associated with different member, Trustees or manager actions. Transaction costs can be split into three areas:

1. Transaction costs incurred by members as part of changes in the fund range
   There have been no changes to the fund range at a member level. Therefore members in the default or self-selecting their investment options would not have incurred any transaction costs due to changes in the fund range over the year.

2. Transaction costs incurred by members buying and selling funds as part of a lifestyle
   A member in the default lifestyle is required to buy and sell assets when automatically switching between funds within the lifestyle. We estimate that over a member's life, the cost of entering the lifestyle, switching between funds and subsequently redeeming assets upon retirement for each £1 of income invested in the L&G Global Equity Fixed Weights (60:40) Index Fund is c. 1.18% (or 1.18p) in a worst case scenario. This equates to an average of 0.03% per annum, as at 31 December 2018.

   A breakdown of the cost estimate on a worst case basis is provided in the table below. Our calculations do not take account of netting trades within the funds (e.g. cancelling out selling common underlying funds between the blends). It also assumes that a member pays a cost of "bid price – mid price" for any sale of assets and "mid price – offer price" for any purchase of assets (hence the "worse case scenario").

   Members will experience varying levels of cost depending on their position within the lifestyle. Actively contributing members would have experienced at least one source of transition cost on the contributions they made over the year. Deferred members may or may not have experienced transition costs of this nature, depending on if they phased between funds or not. These costs will continue in the future at a level expected to be similar to below.

   Lifestyling is carried out automatically for members who are invested in the default lifestyle. Market conditions are considered in the context of deciding on the composition of the funds in the lifestyle, but not when automatically phasing members between funds. The funds are established and governed in a way which is cognisant of market conditions, therefore it is not necessary (or practical) to consider market conditions for each member each month when lifestyling.

   The funds are priced on a "single swinging basis", meaning they may be priced at bid or offer on any day, depending on the net cashflow (from all investors in/out of the fund) that day. Therefore, in practice, the cost incurred is unlikely to be the full amount above and may even provide an uplift, should fund prices swing favourably. Members will also experience varying levels of costs depending on their position within the lifestyle. Therefore, it is not practical to split out the actual costs incurred by each member.

Movement between funds	Worst case cost
Buy L&G Global Equity Fixed Weights (60:40) Index Fund - GBP Hedged	0.06%
L&G Global Equity Fixed Weights (60:40) Index Fund - GBP Hedged → L&G Diversified Fund	0.50%
L&G Diversified Fund → L&G Pre-Retirement Fund and L&G Cash Fund	0.53%
Sell L&G Pre-Retirement Fund and L&G Cash Fund	0.09%
Total	**1.18%**
Total p.a.	**0.03%**

Source: Underlying fund managers. R&M Solutions calculations.

Assumption: (1) members join the Scheme 40 years from retirement
(2) price swings are all unfavourable to members
(3) no netting of trades occurs

3. "Frictional costs" incurred by members due to funds internally buying and selling underlying assets (e.g. stocks or bonds)

As part of day-to-day trading activities, the funds may incur "frictional costs". Frictional costs are categorised as explicit costs and implicit costs. Explicit costs are directly observable and in most cases managers are in position to report them. Examples of explicit costs include broker fees, transaction taxes and custody fees. Implicit costs cannot be observed in the same way but do have an impact on fund performance. Examples of implicit costs include bid-offer spreads and market impact.

These costs would be incurred every time a fund manager makes a trade within that fund and are intended to improve investment returns, reduce risk, or contribute to the smooth running of a fund. Some costs will be cognisant of market conditions (e.g. some active investment decisions), and some costs are in respect of decisions not linked to market conditions.

The table below sets out the total transaction costs for each fund within the default and self-select range. The total transaction cost has not been split further into explicit and implicit transaction costs due to Fidelity being unable to provide this information. Transaction costs are shown as at 31 December 2018; this is due to the transition of assets into the Fidelity arrangement from L&G during October 2018.

	Fund	Total transaction cost
Default Lifestyle Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	-0.02%
	L&G Diversified Fund	0.25%
	L&G Pre-Retirement Fund	0.20%
	L&G Cash Fund	0.00%
Self-Select Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	-0.02%
	L&G UK Equity Fund	-0.06%
	L&G Diversified Fund	-0.06%
	L&G Ethical UK Equity Fund	0.01%
	L&G Pre-Retirement Fund	-0.03%
	Fidelity Over 5 Year Index Linked Gilt	-0.03%
	L&G All Stock Gilts Index Fund	0.01%
	L&G Corporate Bond Over 15 Years Fund	-0.02%
	L&G Cash Fund	0.00%

Source: Fidelity

The TERs applicable to the funds underlying the default lifestyle, and the self-select options, as at 31 December 2018 are set out in the table below:

	Fund	TER
Default Lifestyle Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	0.21%
	L&G Diversified Fund	0.31%
	L&G Pre-Retirement Fund	0.23%
	L&G Cash Fund	0.23%

Self-Select Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	0.21%
	L&G UK Equity Fund	0.21%
	L&G Diversified Fund	0.31%
	L&G Ethical UK Equity Fund	0.30%
	L&G Pre-Retirement Fund	0.23%
	Fidelity Over 5 Year Index Linked Gilt	0.21%
	L&G All Stock Gilts Index Fund	0.21%
	L&G Corporate Bond Over 15 Years Fund	0.23%
	L&G Cash Fund	0.23%

Source: Fidelity

Below is an illustrative example of the cumulative effect over time of the application of charges and costs on the value of a member's accrued rights. The example outlines the effects of fund charges (the TERs above) and transaction costs (also above) across the Scheme's fund range.

Projected pension pot, in today's terms										
Years	Default Lifestyle		L&G Global Equity Fixed Weights (60:40) Index Fund		L&G UK Equity Fund		L&G Diversified Fund		L&G Cash Fund	
	Gross of all charges	Net of TER and lifestyling costs	Gross of all charges	Net of TER and buy/sell costs	Gross of all charges	Net of TER and buy/sell costs	Gross of all charges	Net of TER and buy/sell costs	Gross of all charges	Net of TER and buy/sell costs
1	£13,500	£13,500	£13,500	£13,500	£13,500	£13,500	£13,500	£13,500	£13,100	£13,100
3	£20,400	£20,300	£20,400	£20,300	£20,400	£20,300	£20,400	£20,200	£18,900	£18,800
5	£27,600	£27,400	£27,600	£27,500	£27,600	£27,500	£27,600	£27,300	£24,600	£24,400
10	£48,000	£47,300	£48,000	£47,400	£48,000	£47,500	£48,000	£47,000	£39,200	£38,600
15	£71,700	£70,300	£71,700	£70,400	£71,700	£70,700	£71,700	£69,800	£53,800	£52,800
20	£100,500	£97,700	£100,500	£98,300	£100,500	£98,700	£100,500	£97,200	£69,900	£68,200
25	£134,200	£128,500	£134,200	£130,600	£134,200	£131,200	£134,200	£129,000	£86,400	£84,000
30	£173,100	£164,400	£173,100	£167,600	£173,100	£168,700	£173,100	£165,300	£103,200	£99,900
35	£218,000	£205,200	£218,000	£210,000	£218,000	£211,600	£218,000	£206,800	£120,300	£115,900
40	£263,500	£245,300	£269,700	£258,300	£269,700	£260,400	£269,700	£253,000	£137,800	£132,200

Projected pension pot, in today's terms										
Years	L&G Ethical UK Equity Fund		L&G Pre-Retirement Fund		Fidelity Over 5 Year Index Linked Gilt		L&G All Stock Gilts Index Fund		L&G Corporate Bond Over 15 Years Fund	
	Gross of all charges	Net of TER and lifestyling costs	Gross of all charges	Net of TER and buy/sell costs	Gross of all charges	Net of TER and buy/sell costs	Gross of all charges	Net of TER and buy/sell costs	Gross of all charges	Net of TER and buy/sell costs
1	£13,500	£13,500	£13,200	£13,200	£13,200	£13,200	£13,200	£13,200	£13,200	£13,100
3	£20,400	£20,200	£19,300	£19,200	£19,300	£19,200	£19,300	£19,100	£19,300	£19,100
5	£27,600	£27,300	£25,400	£25,200	£25,400	£25,200	£25,400	£25,200	£25,400	£25,100
10	£48,000	£47,000	£41,300	£40,800	£41,300	£40,800	£41,300	£40,700	£41,300	£40,500
15	£71,700	£69,700	£58,000	£56,900	£58,000	£57,000	£58,000	£56,800	£58,000	£56,600
20	£100,500	£96,900	£76,700	£75,000	£76,700	£75,200	£76,700	£74,800	£76,700	£74,500
25	£134,200	£128,400	£96,600	£94,000	£96,600	£94,300	£96,600	£93,800	£96,600	£93,500
30	£173,100	£164,300	£117,500	£113,900	£117,500	£114,300	£117,500	£113,500	£117,500	£113,200
35	£218,000	£205,200	£139,400	£134,600	£139,400	£135,100	£139,400	£134,100	£139,400	£133,700
40	£269,700	£251,400	£162,500	£156,000	£162,500	£156,700	£162,500	£155,300	£162,500	£154,300

Notes:

- Values shown are estimates and are not guaranteed;
- Transaction costs are reflected as at 31 December 2018, as data was not available to 31 October 2018 due to the transition of assets to Fidelity in October 2018;

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Assumes inflation of 2.5% per annum;
- Assumes a starting pot size of £10,000;
- Assumes charges in future years are equal to charges today (transaction costs are shown in the table above);
- Assumes a member is aged 23 years old now and stops contributing at age 65;
- Assumes an overall contribution rate of 12% of annual salary, increasing by 1% after 15 years of service, the £ amount of which increases in line with assumed salary inflation;
- Assumes a contribution charge of 1.5% of the value of the overall contribution rate – the additional 1% contribution after 15 years of service is exempt from this charge;
- Assumes the contribution charge applies for both gross and net values in the tables above;
- Assumes a member salary of £25,000 in Year 0, increasing at 1% per annum above inflation;
- The accumulation rates used, as set out below, are those provided by Fidelity. Returns are as follows:

	Fund	Real accumulation rate per annum (gross of charges)
Default Lifestyle Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	2.44%
	L&G Diversified Fund	2.44%
	L&G Pre-Retirement Fund	0.00%
	L&G Cash Fund	-0.88%
Self-Select Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	2.44%
	L&G UK Equity Fund	2.44%
	L&G Diversified Fund	2.44%
	L&G Ethical UK Equity Fund	2.44%
	L&G Pre-Retirement Fund	0.0%
	Fidelity Over 5 Year Index Linked Gilt	0.0%
	L&G All Stock Gilts Index Fund	0.0%
	L&G Corporate Bond Over 15 Years Fund	0.0%
	L&G Cash Fund	-0.88%

Source: Fidelity, R&M calculations

The above illustration has been prepared with due regard to the Department for Work and Pensions' guidance ("Cost and charge reporting: guidance for trustees and managers of occupational schemes"), published in February 2018.

Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme - DC Section

Statement of Investment Principles

May 2019

Version Update

Version	Effective From
1.0	May 2019

Table of Contents

1 Introduction

This document constitutes the Statement of Investment Principles (the "SIP") required under Section 35 of the Pensions Act 1995 for the (the "Scheme"). It describes the investment policy being pursued for the Scheme by the Trustees of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme (DC Section) (the "Trustees" of the "Scheme") and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the "2001 Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Code of Practice in relation to governance of DC pension schemes issued by the Pensions Regulator in July 2016 (as amended).

The Trustees confirm that, before preparing this SIP, they have consulted with Sir Robert McAlpine Limited (the "Employer") and taken appropriate advice from its Advisers. The Investment Adviser is River and Mercantile Investments Limited and the Legal Adviser is CMS Cameron McKenna LLP, collectively termed the "Advisers".

The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge, and experience of the management of the investment arrangements that the Scheme requires. The Trustees also confirm that they will consult with the Employer and take advice from the relevant Advisers as part of any review of this SIP.

The Trustees are responsible for the strategic decisions regarding the investment of the Scheme's assets, but the day-to-day management has been delegated to the Platform Manager (who provide the platform for member investments) and the underlying Managers. Where they are required to make an investment decision, the Trustees receive written advice from the relevant Advisers first in order to achieve an appropriate level of understanding of the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustees set general investment policy, but have delegated the day-to-day investment of the Scheme's assets to professional fund managers (the "Managers") in accordance with Section 34(2) of the Pensions Act 1995. The Managers are authorised under the Financial Services & Markets Act 2000, provide the expertise necessary to manage the investments of the Scheme competently and will comply with the requirements of Section 36 of the Pensions Act 1995.

1.1 Declaration

The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Cullum McAlpine 19th May 2019

Signed ....**Date** ....

For and on behalf of the Trustees of the Sir Robert McAlpine Limited Staff and Life Assurance Scheme – DC Section

2 Scheme Governance

The Trustees are responsible for the governance and investment of the Scheme's assets. They consider that the governance structure set out in this SIP is appropriate for the Scheme, as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Manager or the relevant Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustees maintain a Statement of Investment Implementation ("SII") which sets out the specifics of investment implementation. This document is referred to later in this SIP.

3 Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The Trustees' Scheme objectives are:

- To provide a pension plan which aims to deliver valuable benefits into retirement.
- To help members manage the risks they face as far as possible.
- To provide members with a suitable range of investment options to enable them to tailor investment strategy to their needs.

In aiming to meet these Scheme objectives, the Trustees have specified a number of investment objectives:

- To achieve returns in excess of general price inflation in the long term.
- To achieve a combination of security of capital, low growth/volatility, and protection against annuity rate movements for members closer to retirement.

4 Default Investment Strategy

The Trustees have made available to members a default strategy.

4.1 Aims and Objectives of the default strategy

The Trustees' aims and objectives in relation to the default strategy are to support members' investment needs where members either choose the default option or do not choose any option. The Trustees recognise that these investment needs may change during the course of members' working lives and therefore a key objective for the default strategy is to provide a scheme which is designed to deliver valuable benefits in retirement.

4.2 Trustees' Policies in relation to the default strategy

The kinds of investment to be held

The balance between different kinds of investments

The kinds of investments within the default strategy and balance between them are designed to be adequately diversified and suitable. See sections 5.3, "Diversification" and 5.5, "Suitability" for more details.

Risks (including the ways in which risks are to be measured and managed)

Risks applicable to the Scheme as a whole are shown in section 9, "Risks". All of the risks shown, including how they are measured and managed, are relevant to the default strategy.

Expected return on investments

The Trustees' policy on expected return is considered in section 5.2 "Expected Return", which covers both the default strategy and the investment strategy as a whole.

Realisation of investments

Liquidity is considered in section 5.6, "Liquidity".

Environmental, Social and Governance ("ESG") considerations

The extent to which the Trustees consider ESG issues within the default strategy is shown in Section 10 "Other Risks".

Exercise of rights (including voting rights) attaching to the investments

The extent to which the Trustees consider the exercise of rights within the default strategy is shown in Section 10 "Other Risks".

4.3 Best interests of members and beneficiaries

In designing the default strategy, the Trustees carried out a comprehensive review of the previous investment strategy and alternatives (in conjunction with the Investment Adviser), with a key focus on member needs and outcomes. The Trustees believe the default strategy is in the best interest of members and beneficiaries, and undertake periodic reviews on the suitability of the strategy.

5 Investment Strategy

Having considered advice from the Investment Adviser, and having due regard for the objectives and the members of the Scheme, the Trustees have made available a number of investment options. Members can choose to invest their contributions in one or more of these investment options, detailed in the SII.

The Trustees will instruct the Administrator to invest each member's investments in accordance with the fund options selected by the member.

5.1 Investment Options

A range of funds has been made available to members. These are detailed in the SII.

5.2 Expected Return

The Trustees considered the expected returns of the investment strategy (including the default) in constructing benchmarks to assess performance against. Where applicable, these benchmarks are related to observable market based indices and may change from time to time. More details are set out in the SII.

The choice of investment options for members (including the default strategy) is designed to enable members to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the strategy regularly to satisfy themselves that they are comfortable with the choice of funds offered to members.

5.4 Active and Passive Management

The Trustees have selected a range of both active and passive fund options for Scheme members

5.5 Suitability

The Trustees consider the range of investment options offered to members (including the default) to be suitable. Members are responsible for choosing which of the funds are most appropriate, or may choose to rely on the default arrangement for the investment of their own and their employer's contributions, based on their own individual circumstances.

The suitability of the range of investment options, including the default option, will be reviewed regularly.

5.6 Liquidity

The assets are held in asset classes that are considered sufficiently liquid.

6 Strategy Implementation

The Trustees have decided to delegate the day-to-day investment of the Scheme's assets to professional managers. The details of the Managers' mandates are detailed in the SII.

6.1 Investment Management

The Trustees have appointed a Platform Manager to provide the platform for member investments and carry out investment administration. The Trustees have selected a range of investment options for the members of the Scheme. Full details can be found in the SII.

6.2 Administration

The Platform Manager also carries out the day to day management of member contributions, communications and other member administration.

6.3 Fund Options

The range of funds offered to members was chosen from those offered by the Platform Manager to give members a diversified range of investments from which they can select according to their individual circumstances. The funds available to members are detailed in the SII.

6.4 Investment of Contributions

A member's contributions will be invested in line with their selected choice of funds. Where a member has not made an active selection, their contributions will be invested in the default strategy provided, which is detailed in the SII.

6.5 Performance Objectives

The performance objectives vary depending on the fund in question. A detailed breakdown of the objectives can be found in the SII.

6.6 Transitions

The Trustees will look to mitigate the potential risks and costs to members as a result of any investment transitions to the best of their ability. The Trustees will take advice from their Advisors in relation to different transition methods and other ways in which these potential risks/costs can be mitigated.

7 Monitoring

7.1 Managers

The Trustees, or the Advisers on behalf of the Trustees, will monitor the performance of the Managers against their own or the Trustees' specified benchmarks.

The Trustees, or the Advisers on behalf of the Trustees, will regularly review the activities of the Managers to satisfy themselves that each Manager continues to carry out their work competently and has the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustees will consider:

- Each Manager's performance versus their respective benchmarks
- The level of risk given the specified risk tolerances.
- For funds used in the default arrangement, the extent to which returns are consistent with the aims of the Trustees
- Whether or not each Manager:
    - Has regard to the need for diversification of investment holdings.
    - Has regard to the suitability of each investment and each category of investment.
    - Has been exercising his powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustees are not satisfied with a Manager, it will ask the Manager to take steps to rectify the situation. If the Manager still does not meet the Trustees' requirements, the Trustees will remove the Manager and appoint another.

7.2 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

7.3 Statement of Investment Principles

The Trustees will review this SIP on a triennial basis, or, as soon as practical following any changes to the investment strategy or significant change to member demographics, and modify it with consultation from the relevant Advisers and the Employer if deemed appropriate. There will be no obligation to change any Manager, Platform Manager or Adviser as part of such a review (although strategy changes made will be reflected in this SIP, if appropriate).

7.4 Recordkeeping

The Trustees maintain a record of all investment related decisions it has taken, together with the rationale in each case.

8 Fees

8.1 Managers

Details of the fund charges are set out in the SII and will continue to be reviewed on a regular basis.

8.2 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

8.3 Custodian

There is no custodian appointed directly by the Trustees.

8.4 Value for Members

The Trustees review all sources of fees levied on members' accounts (including management charges, additional expenses, platform charges and administration, as appropriate), and levels of service provided to use best efforts to ensure value for money is present.

9 Risks

The Trustees recognise a number of key risks both to themselves and to the members of the Scheme:

Value for members risk – the risk that the Scheme fails to offer value for money to members. This is addressed through regular value for members reviews.

Inflation risk – the risk that the purchasing power of members' investment accounts is not maintained. To try and manage this risk, the Trustees have offered a range of funds designed to achieve a return above the rate of inflation.

Conversion risk – the risk that the value of pension benefits that can be purchased by or drawn from a given defined contribution amount is not maintained. This risk cannot easily be mitigated as it depends on market conditions ahead of retirement, and each member's retirement income decision. However, the Trustees have offered a range of funds to reflect different retirement income decisions.

Capital risk – the risk that the value of the element to provide a cash sum or income drawdown pot is not maintained. This could be due to the impact of any of the risks above and is addressed where possible in the same ways.

Active Manager risk – the risk that the active investments underlying the Scheme's investment options underperform due to the underperformance of the underlying Managers. The Trustees have mitigated this risk by primarily investing in passively managed funds.

Platform risk – the assets are currently held by the Platform Manager. This risk relates to potential losses that could arise if the Platform Manager ran into financial difficulties. The Trustees monitor the Platform Manager regularly.

Manager risk – the assets are invested in funds managed by the Managers. This risk relates to potential losses that could arise if the Managers ran into financial diff culties. This is addressed through understanding the security of members' assets and protections available.

Communication risk – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from the Advisers and regular monitoring and updates, where appropriate, of member communications.

Inappropriate member decision – the risk that members make inappropriate decisions regarding their investments. This is addressed where possible through communication to members and the recommendation that members seek independent financial advice.

Organisational risk – the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Managers and Advisers

Liquidity risk – the risk that members are not able to realise the value of their funds when required. The Trustees have addressed this risk by not offering funds which are considered illiquid.

ESG risks – the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Managers where applicable, or by requesting information on the ESG policies, adopted by the Managers.

The Trustees recognise that an efficient process for identifying, evaluating, managing and monitoring risk needs to be in place for the Scheme. The Trustees will identify and assess the impact of any risk, what controls can be put in place to manage or identify risk and regularly review both the individual risks and the effectiveness of the risk management process as a whole.

10 Other Risks

10.1 Corporate Governance and Stewardship Policy

The Scheme's investments are made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes or other financially material considerations, is delegated to the Managers. The Trustees have delegated responsibility for monitoring and voting on the Managers' holdings to the Managers.

These considerations which include the above "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as ESG) where relevant. The Trustees delegate consideration of financially material factors to the Managers, who consider these factors for funds that are available to beneficiaries through the default arrangement and as self-select funds, when making funds available on its investment platform. All references to ESG relate to financial factors only All references to ESG also include climate change.

ESG factors and stewardship are considered in the context of long term performance, by the Trustees (in conjunction with its advisors) as part of the manager selection criteria. This review occurs before funds are approved for investment. For invested funds, the Trustees request the Managers monitor ongoing compliance with ESG and other factors, like stewardship, as a part of overall engagement.

Non-financially material investment considerations

The Trustees do not at present take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations. This policy is reviewed periodically.

Appendix A - Responsibilities

Trustees

The main investment related responsibilities of the Trustees of the Scheme include:

Reviewing, at least triennially, or following a change in investment strategy or significant change in member demographics, the content of this SIP and modifying it if deemed appropriate.

Reviewing, at least triennially, or following a change in investment strategy or significant change in member demographics, the content of the SII and modifying it if deemed appropriate.

Assessing the quality of the performance and process of the Managers by means of regular reviews of the investment results and other information, through meetings and written reports.

Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.

Appointing and dismissing Platform Managers and Managers.

Assessing the performance of the Advisers.

Consulting with the Employer when reviewing investment policy issues.

Providing any appointed organisations/individuals with a copy of the SIP or SII, where appropriate

Platform Manager

The main responsibilities of the Platform Manager are:

At their discretion, but within the guidelines agreed with the Trustees, selecting and undertaking transactions in specific investments within each fund.

Acting in accordance (as administrator) with the instructions of the Member

Acting in accordance with the principles set out in the SIP (where appropriate).

Providing the Trustees with sufficient information each quarter to facilitate the review of its activities, including :

- A full valuation of the assets.
- A transaction report.
- Informing the Trustees immediately of any serious breach of internal operating procedures.

Investment Adviser

The main responsibilities of the Investment Adviser are:

Participating with the Trustees in reviews of this SIP.

Advising the Trustees of any changes in the Scheme's Managers or Platform Manager that could affect the interests of the Scheme.

Advising the Trustees of any changes in the investment environment that could present opportunities or problems for the Scheme.

Undertaking reviews of the Scheme's investment arrangements including reviews of the Scheme structure, current Managers, and selection of new managers as appropriate.

Legal Adviser

The Legal Adviser will be responsible for, amongst other things:

Liaising with the Trustees to ensure legal compliance including those in respect of investment matters.

Sir Robert McAlpine Limited Staff Pension & Life Assurance Scheme ("SRM Scheme")

October 2018

Statement of Investment Principles

Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the SRM Scheme. It describes the broad investment policy being pursued by the Trustees. This SIP also reflects the requirements of the Occupational Pension Schemes (Investment) Regulations 2005.

Detail on how the SRM Scheme's investment strategy is implemented is set out in a separate Statement of Investment Implementation ('SII') document (which is maintained by the Trustees).

The Scheme Actuary is Martin West of Capita Employee Benefits Limited, the Investment Adviser is River and Mercantile Solutions ('R&M Solutions') and the Legal Adviser is CMS Cameron McKenna Nabarro Olswang LLP.

The Trustees confirm that, before finalising this SIP, they have consulted with Sir Robert McAlpine Limited ('the Principal Employer') and the Scheme Actuary and have obtained and considered advice from the Investment Adviser. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the SRM Scheme requires.

The Trustees are responsible for the investment of the SRM Scheme assets and arrange administration of the SRM Scheme. Where it is required to make an investment decision, the Trustees always receive advice from the relevant Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustees set general investment policy, but have delegated the day-to-day investment of the SRM Scheme assets, within pre-defined constraints to professional Investment Managers.

Scheme Governance

The Trustees are responsible for the governance and investment of the SRM Scheme assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the SRM Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the Advisers as appropriate. The responsibilities of each of the parties involved in the SRM Scheme governance can be found in the SII.

The Trustees will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Principal Employer if deemed appropriate. There will be no obligation to change this SIP, the Investment Managers or Adviser as part of such a review.

Suitability

The Trustees have defined the investment objective and investment strategy with due regard to the SRM Scheme's liabilities.

The Trustees have taken advice from the Advisers to ensure that the assets held by the SRM Scheme and the investment strategy are suitable given the SRM Scheme's liability profile, the Trustees' objectives, regulatory guidance and specifications in the Trust Deed.

Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustees will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement and Trust Deed.

Investment Objectives

The overall objective of the SRM Scheme is to meet the benefit payments promised as they fall due. The Trustees have set the following qualitative objectives:

> The acquisition of suitable assets, having due regard to the risks, which will generate income and capital growth to pay, together with contributions from the Principal Employer, the benefits which the SRM Scheme provides as they fall due.
>
> To limit the risk of the assets being assessed as failing to meet the liabilities over the long term having regard to any Statutory Funding Requirement.
>
> To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

In quantitative terms, the Trustees' current long-term objective for the SRM Scheme is to target an investment return objective of approximately 2.25% per annum (net of fees) in excess of the Liability Benchmark Portfolio ("LBP"). The LBP represents a reasonable proxy for the SRM Scheme's liabilities and is defined as a portfolio of gilts with similar characteristics to the SRM Scheme's liabilities. Further details on the composition of the LBP can be found in the SII.

General Policies

The Trustees' broad approach to investment strategy is to allocate the assets into two pools – 'Off-risk' and 'On-risk' assets. The investment objective is then translated into the strategy, and assets are allocated to these two components:

- 'Off-risk' assets, defined as the Matching Fund & Liability Hedge, aims to match the SRM Scheme's liabilities. Assets are invested in, but not limited to fixed interest gilts, index-linked gilts and swaps.
- 'On-risk' assets, defined as the Investment Fund, aims for return generation but has the ability to invest in off-risk assets as and when required to defend against falling markets. Assets are invested in, but not limited to, equities, investment grade bonds, high yield bonds, emerging market debt, hedge funds, loans and other alternative asset classes.

The overall level of the Trustees' investment objective influences the split of assets between these two components. To target the investment return objective, the Trustee currently invests 75% of the SRM Scheme assets in the Investment Fund (targeting LBP+3% p.a.) and the remaining 25% in the Matching Portfolio (targeting LBP + 0% p.a.). Note the overall investment return target of LBP + 2.25% reflects the Trustee's expected return for a 75% Investment Fund/25% Matching Portfolio. This will be reviewed over time.

Further information on the implementation of the SRM Scheme's investment strategy, including control ranges within which the Investment Managers may operate, can be found in the SII.

Implementation of investment strategy

The Trustees have delegated a proportion of the investment of the SRM Scheme assets to R&M Solutions, while retaining discretion over the remaining assets. The investment strategy is comprised as outlined below.

Component	Portfolio	Allocation
Off-risk	Matching Fund & Liability Hedge	25%
On-risk	Discretionary Investment Fund	37.5%
	Advisory Investment Fund	37.5%

Matching Fund & Liability Hedge

The Scheme has in place a liability hedge which aims, via a series of swaps contracts and gilt holdings, to control the variation between the Scheme's assets and liabilities that arise due to changes in interest rates and inflation.

R&M Solutions have discretion over the levels of liability hedging within guidelines as set out in the SII and manage the portfolio on a day-to-day basis.

Discretionary Investment Fund

R&M Solutions have discretion to invest the SRM Scheme assets in underlying Investment Managers (within guidelines as set out in the SII) who run the portfolio on a day-to-day basis. The Trustee has acknowledged and considered with sufficient diligence the potential conflict that may arise from R&M Solutions belonging to the same organisation as the Adviser.

Advisory Investment Fund

Asset allocation within this portfolio is determined by the Trustees having considered advice from the Investment Adviser. In providing such advice, the Investment Adviser has considered the full range of suitable investment opportunities that could potentially meet the investment objectives above, paying due regard to the potential risks of investment, as outlined below.

Monitoring

The Trustees, or Advisers on behalf of the Trustees, engage in an integrated approach to the ongoing monitoring of the SRM Scheme. In particular, decisions around the investment strategy are made with regard to the SRM Scheme's funding plan and the covenant of the Sponsor.

The Trustees, or the Investment Advisers on behalf of the Trustees or any other suitably qualified Adviser, monitor the performance of the Investment Managers against the agreed performance objectives and will regularly review the activities of the Investment Managers to satisfy themselves that the Investment Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the SRM Scheme.

As part of this review, the Trustees will consider whether or not the Investment Managers:

- Are carrying out their function competently.
- Have regard to the need for diversification of investments.
- Have regard to the suitability of each investment and each category of investment.
- Have been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustees are not satisfied with an Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees' requirements, the Trustees will remove that Investment Manager and appoint another.

Risks

The Trustee recognises a number of risks involved in the investment of the assets of the SRM Scheme. These risks, and how they are measured and managed, include:

- **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
  - A liability benchmark portfolio or 'LBP' is used as a proxy for the liabilities in order to measure the approximate changes in the liabilities (due to changes interest rates and inflation only). The Trustees monitor this change relative to the change in asset values on a quarterly basis. The LBP is reviewed following each actuarial review.
  - The Trustees also recognise the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed through aiming for a higher overall investment return than implied by the liabilities.
  - When setting and reviewing investment strategy, the Trustees examine how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LBP and is also assessed as part of the quarterly review process.
  - This risk is also monitored through regular actuarial and investment reviews.
- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustees. This risk is minimised using the following techniques:
  - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
  - The use of instruments and strategies designed to control the extent of downside exposure
  - The use of passive management for asset classes where the downside risk of active management is considered too high.
  - Regular monitoring of the active managers' performance, processes and capabilities with respect to their mandate, and by use of more than one manager to avoid over exposure to one organisation.
- **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
- **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.
- **Mismanagement risk** – the risk of unsuitable investment activity by the Investment Managers. This is addressed in the agreements with the Investment Managers which contain a series of restrictions.
- **Default risk** – the risk of income from assets not being paid when promised. This is addressed through restrictions for the Investment Managers e.g. a minimum credit rating of the bonds they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.
- **Organisational risk** – the risk of inadequate internal processes leading to problems for the SRM Scheme. This is addressed through regular monitoring of the Investment Managers and Advisers.
- **Counterparty risk** – the risk of a counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.
- **Cash flow risk** – addressed through the monitoring of the cash flow requirement of the SRM Scheme to control the timing of any investment/disinvestment of assets.

- **Sponsor risk** – the risk of the Principal Employer ceasing to exist which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustees regularly review the covenant of the Principal Employer.

The Trustees will keep these risks and how they are measured and managed under regular review.

Corporate Governance

The SRM Scheme's investments are generally made via pooled investment funds, in which the investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes or social, ethical or environmental factors, is delegated to the manager of the underlying pooled investment funds.

Realisation of Assets

The majority of assets are held in underlying pooled funds, most of which can be realised easily if the Trustee so requires.

Manager Agreements

The Trustees and Investment Managers have agreed, and will maintain, formal agreements setting out the scope of their activities, charging basis and other relevant matters. The Investment Managers have been provided with a copy of this SIP and are required to exercise their powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995. Further information can be found in the SII.

Custody

The Trustees are required to ensure that adequate custody arrangements are in place.

The majority of the assets are held on behalf of the Trustees by a Custodian, currently KAS Bank N.V. Although the Trustees have a direct contractual relationship with the Custodian, the appointment and monitoring of the Custodian is delegated to R&M Solutions. For the assets not held with KAS Bank N.V., the Trustees have delegated the custody of the investments of the Scheme to the Investment Managers.

Additional Voluntary Contributions

The Trustees terminated the facility for SRM Scheme members to pay additional voluntary contributions (AVCs) whereby such AVC investments were invested in line with the main scheme assets. Current AVC contributions now purchase investments in line with the Defined Contribution Scheme.

Corporate Governance

Where the SRM Scheme's assets are held in pooled investments, the Trustees accept that it is the operator of the pooled funds that exercises the rights attaching to the underlying investments on behalf of all the participants in the pooled funds. The Trustees consider this to be an advantage.

Social, Environmental and Ethical Issues

The Trustees' primary objective is to maximise overall investment returns subject to an acceptable level of risk. Within this framework, decisions on social, environmental or ethical considerations are delegated to the underlying managers who take these issues into account as part of their investment process, particularly from a risk management perspective.

Cullum McAlpine
Signed:..

25th October 2018
Date:...................................

For and on behalf of the Trustees of the Sir Robert McAlpine Limited Staff Pension & Life Assurance Scheme