THE SIR ROBERT M^{C}ALPINE LIMITED
STAFF PENSION AND LIFE ASSURANCE SCHEME

ANNUAL REPORT

For the year ended 31 October 2019

The Sir Robert M^{c}Alpine 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)	-	
Gillian Bush (member-nominated)		
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 Hyman Robertson LLP	-	appointed 1 May 2019

Independent Auditor

Deloitte LLP

Investment Managers

FIL Life Insurance Limited
River and Mercantile Solutions Limited
Pimco Shareholder Services
BlackRock Investment Management (UK) Limited
Threadneedle Investment Services Limited
Pinebridge Investment Europe Limited

Independent Financial Advisor

CS Financial Solutions Limited (life assurance arrangements only)

Banker

Lloyds Bank plc

Custodians

KAS Bank N.V.
Bank of New York Mellon (International) Limited

Solicitors

CMS Cameron McKenna LLP
Geldards LLP
Pinsent Masons LLP

Administrator

Capita Employee Benefits Limited (to 13 October 2019)
FIL Life Investments Limited
Hymans Robertson LLP (from 14 October 2019)

TRUSTEES' REPORT

The Trustees of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme (the "Scheme") present the Annual Report together with the audited financial statements for the year ended 31 October 2019.

The Scheme was established by a trust deed dated 21 October 1946. The Scheme aims to provide pensions related to members' earnings and 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 and to deal with any discretionary matters regarding benefits, such as early retirement and payment of death benefits. The power of appointment and removal of Trustees is invested in Sir Robert M^{c}Alpine 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 M^{c}Alpine 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 6.

The defined benefit section was closed to new members in 2002. 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 former independent actuary to the Scheme, conducted his actuarial valuation based on the value of the Scheme at 31 October 2015. 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 at the end of this Annual Report.

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

TRUSTEES' REPORT (continued)

Recovery plan

The 2018 valuation and related Recovery Plan are on-going and the Pensions Regulator ("tPR") has been informed. An initial, minor delay in concluding the Valuation was agreed with tPR but this has now been extended further due to the coronavirus outbreak.

A Recovery Plan was 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 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 2016 the pensions in payment were increased in line with the guaranteed annual escalation of 2.5% per annum. A discretionary increase of 2.5% was applied to pre-1988 GMP pension tranches. 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 full 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 6 and the monetary values involved on page 12 of the financial statements. In order to reflect the current scheme deficit, a discount of 7% is applied to any transfers (previously 19%).

Compliance statement

A statement containing additional information about the Scheme is attached on page 7.

Financial review

The 31 October 2019 audited financial statements, set out on pages 12 to 27, 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, BlackRock Investment Management (UK) Limited, Threadneedle Investment Services Limited and Pinebridge Investment Europe Limited act as investment managers on a non-discretionary basis. FIL Life Insurance Limited manage the assets of the defined contribution section on a passive basis. The Trustees review these guidelines from time to time.

The Trustees receive quarterly reports from their investment advisors and these are compared to pre-determined benchmarks. The defined benefit investment manager reports at least quarterly to the Trustee Board. The defined contribution investment manager reports on a regular basis to the Trustee Board, dependent on the performance of the investments. Details of the investment returns over 1, 3 and 5 years are included in the "Investment Report for the year to 31st October" included at the end of this Report,

The Trustees have delegated management of investments to professional investment managers, as noted above. These managers are regulated by the Financial Conduct Authority in the U.K. and manage the investments within the

TRUSTEES' REPORT (continued)

parameters set out in Investment Management Agreements, which are designed to ensure compliance with the objectives and policies set out in the respective SIPs. The mandates put in place by the Trustees specify how rights attaching to the Scheme's investments are acted upon and include a requirement to consider social, ethical and environmental factors.

A copy of the investment report prepared by River and Mercantile Solutions Limited is included 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 copies are available from them on request.

Custody of assets

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

Employer-related investment

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

Change of Scheme Actuary

On 30 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

The Summary of Contributions below has been prepared by, and is the responsibility of, the Trustees. It sets out the Employer and Member contributions payable to the Scheme under the Schedule of Contributions (the "Schedule") as certified by the Scheme Actuary on 28 September 2017 in respect of the year ended 31 October 2019. The Scheme Auditor reports on the contributions payable under the Schedule in the Auditor's Statement about Contributions and this Report can be found on page 11.

		Defined Benefit 2019 £000	Defined Contribution 2019 £000	Total 2019 £000
Employer	- Normal	-	13,606	13,606
	- Deficit	8,000	-	8,000
Employee	- Normal	-	133	133
Total contribution required by the Schedule of Contributions and reported on by the Scheme auditors		**8,000**	**13,739**	**21,739**
Members' additional voluntary contributions		6	1,225	1,231
Total contributions reported in the financial statements		8,006	14,964	22,970

TRUSTEES' REPORT (continued)

Coronavirus

The Trustees are aware of the coronavirus outbreak which escalated in the early part of 2020 and remains on-going. The Scheme's assets are linked to the global economy and the outbreak resulted in unprecedented levels of volatility in the investment markets during the first quarter of 2020. The impact, both in the short-term and long-term remain uncertain. If the outbreak leads to higher mortality in the UK, then this could impact the liabilities. Action has either been taken by the Trustees or was already in place, to mitigate any negative impact. The Trustees, and their Advisors, continue to monitor the Scheme as appropriate.

GMP Equalisation

The Trustees are aware that GMP Equalisation will have an impact on the Scheme's liability and the Scheme Actuary has been engaged to assess the extent of the impact. A final calculation of the adjustment to future benefits and payment arrears has not yet been completed.

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	-	1,312
Add: New members joining the scheme during the year	-	331
Less: Leavers - retaining an entitlement -	-	(155)
Leavers - not retaining an entitlement	-	(12)
Leavers - retirement	-	(8)
Active members at the end of the year	-	1,468
Deferred Members		
Deferred members at the beginning of the year	881	683
Adjustment to previously reported figures	(5)	-
Add: Leavers - retaining an entitlement	-	155
Less: Retirements	(26)	(6)
Deaths	(1)	-
Transfers out	(11)	(71)
Deferred members at the end of the year	838	761
Pensioner Members		
Pensioner members at the beginning of the year	1,144	
Adjustment to previously reported figures	1	-
Add: New pensioners (including surviving spouses of active and deferred members)	10	-
Retirements	26	-
Less: Pensions discontinued	(45)	-
Pensioner members at the end of the year	1,136	-
Total membership	1,974	2,229

Adjustments to previously reported figures arise from timing differences in the processing of member movements. The same Member may be included within both the Defined Benefit and Defined Contribution Sections of the Scheme, and some may have more than one period of service and so are included more than once.

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.

Complaint Resolution

Most formal complaints are expected to be resolved under the Disputes Resolution Procedure. Complainants may wish to contact the Pension Ombudsman to assist in the process and they can be contacted at 10 South Colonnade, Canary Wharf, London, E14 4PU.
In addition, the Pensions Regulator can become involved if the Trustees, Employer or any of the Scheme's Advisors are considered to not be correctly carrying out their duties. They can be contacted at Napier House, Trafalgar Place, Brighton, BN1 4DW.

Signed on behalf of the Trustees

CULLUM McALPINE

Date: 23 January 2021

STATEMENT OF TRUSTEES' 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 preparing 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.

This Report will be available on the Employer's website and the Trustees are responsible for ensuring that the maintenance and integrity of the website is upheld.

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 2019 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 15.

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 Financial Reporting Council's ('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 FRC'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
Birmingham, United Kingdom

Date 26 January 2021

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 2019 as set out on page 4.

In our opinion contributions for the scheme year ended 31 October 2019 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid for the period 1 November 2018 to 31 October 2019 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 summary of contributions on page 4 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 statement 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
Birmingham, United Kingdom
[Date] 26 January 2021

FUND ACCOUNT
For the year ended 31 October 2019

		Notes	Defined Benefit 2019 £000	Defined Contribution 2019 £000	Total 2019 £000	Total 2018 £000
CONTRIBUTIONS AND BENEFITS						
Contributions:		2(d)				
Members'	- normal		-	133	133	289
	- additional voluntary		6	1,225	1,231	1,357
Employers'	- normal		-	13,606	13,606	11,927
	- deficit		8,000	-	8,000	8,000
Total Contributions		3	8,006	14,964	22,970	21,573
Individual transfers in from other schemes			-	892	892	231
			8,006	15,856	23,862	21,804
Benefits paid and payable						
Pensions			18,118	-	18,118	17,329
Provision for pension back payments		11	8,000	-	8,000	-
Annual and lifetime allowance tax deductions			6	-	6	-
			26,124	-	26,124	17,329
Payments to and on account of leavers						
Commutations and lump sum retirement benefits		2(e)	2,772	885	3,657	3,825
Lump sum death benefits		2(f)	-	-	-	515
Contributions repaid - normal			-	-	-	10
Individual transfers out to other schemes		2(g)	4,261	4,608	8,869	4,110
			7,033	5,493	12,526	8,460
Life assurance premiums			-	44	44	54
Administration expenses		4	2,100	18	2,118	1,152
			35,257	5,555	40,812	26,995
Net (withdrawals)/additions from dealings with members			(27,251)	10,301	(16,950)	(5,191)
RETURNS ON INVESTMENTS						
Investment income		2(a),6	5,674	17	5,691	6,755
Change in market value of investments		8	74,067	9,713	83,780	(5,911)
Investment management expenses		7	(1,650)	-	(1,650)	(1,166)
Net Returns on Investments			78,091	9,730	87,821	(323)
Net increase / (decrease) in the fund during the year			50,840	20,031	70,871	(5,513)
NET ASSETS OF THE SCHEME						
At Beginning of Year			438,720	93,466	532,186	537,699
At End of Year			489,560	113,497	603,057	532,186

The accompanying notes on pages 14 to 27 are an integral part of these financial statements.

NET ASSETS STATEMENT AVAILABLE FOR BENEFITS
As at 31 October 2019

	Notes	Defined Benefit 2019 £000	Defined Contribution 2019 £000	Total 2019 £000	Total 2018 £000
Investment Assets					
Equities		27,477	-	27,477	31,254
Fixed interest securities		121,247	-	121,247	126,162
Pooled investment vehicles					
- designated to members		9,338	110,395	119,733	99,532
- not designated to members		282,349	-	282,349	253,886
Property		7,000	-	7,000	7,000
Derivatives – gross assets		66,391	-	66,391	15,324
Funds with brokers		3,303	-	3,303	3,384
Cash		4,691	3,119	7,810	7,769
		521,796	113,514	635,310	544,311
Investment Liabilities					
Derivatives – gross liability		(26,537)	-	(26,537)	(12,580)
Total Net Investments	8	495,259	113,514	608,773	531,731
Current assets	10	3,402	20	3,422	1,218
Current liabilities	11	(9,101)	(37)	(9,138)	(763)
Net assets of the scheme		489,560	113,497	603,057	532,186

The accompanying notes on pages 14 to 27 are an integral part of these financial statements.

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. Defined Contribution assets are allocated to provide benefits to the individuals on whose behalf the contributions were paid.

The financial statements on pages 12 to 26 were approved by the Trustees on

Signed on behalf of the Trustees

CULLUM M^C^ALPINE .... 23 January 2021
(Trustee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

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 following accounting policies have been applied consistently in the current and preceding years.

(a) Investment income

Investment income is recognised on the following bases:

Interest and dividends on securities declared on or before 31 October 2019.

Interest on 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 2019

2. ACCOUNTING POLICIES (continued)

(b) Investments (continued)

Investment properties have been valued at least every three years at open market value by an appropriately qualified professional valuer. The only investment property held was valued as at 31 October 2017 and was revalued internally as at 31 October 2019.

(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.

(e) Benefits payable

Benefits payable are payable monthly in advance and include all valid benefit claims notified to the Trustees during the Scheme year. A Member may choose to take part of their pension benefits as a lump sum (current legislation allows up to 25% to be taken tax free) at the commencement of the benefits being paid.

(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.

(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 2019

3. CONTRIBUTIONS RECEIVABLE

	Defined Benefit 2019 £000	Defined Contribution 2019 £000	Total 2019 £000	Total 2018 £000
Employers' normal contributions	-	13,606	13,606	11,927
Members' normal contributions	-	133	133	289
Deficit contributions	8,000	-	8,000	8,000
	8,000	13,739	21,739	20,216
Additional contributions:				
Members' additional voluntary contributions	6	1,225	1,231	1,356
Total included in the financial statements	8,006	14,964	22,970	21,573

The contributions receivable by the Scheme during the year have been paid in accordance with the relevant Schedule of Contributions. Employers' normal contributions include salary sacrifice contributions. Members' contributions to the Defined Benefit section of the Scheme are no longer permitted, other than payments made to correct an error.

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.

All contributions outstanding at the year end were received on or before 19 November 2019 as required by the Schedule of Contributions.

4. ADMINISTRATION EXPENSES

	Defined Benefit 2019 £000	Defined Contribution 2019 £000	Total 2019 £000	Total 2018 £000
Actuarial and administrative fees	390	-	390	294
Legal and other professional fees	318	2	320	25
Audit	15	13	28	30
Statutory levy	1,373	3	1,376	781
Other costs	4	-	4	22
	2,100	18	2,118	1,152

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 2019

6. INVESTMENT INCOME

	Defined Benefit 2019 £000	Defined Contribution 2019 £000	Total 2019 £000	Total 2018 £000
Income from fixed interest securities	1,644	-	1,644	2,144
Dividends from equities	2,441	-	2,441	2,134
Income from pooled investment vehicles	1,943	-	1,942	2,337
Net income from property	(441)	-	(441)	32
Interest on cash deposits	33	17	50	36
Management fees	54	-	54	72
	5,674	17	5,691	6,755

Income from Property is net of costs, which include refurbishment costs not capitalised.

7. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit 2019 £000	Defined Contribution 2019 £000	Total 2019 £000	Total 2018 £000
Bank and interest charges	2	-	2	1
Investment management costs	1,648	-	1,648	1,165
	1,650	-	1,650	1,166

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

8. INVESTMENTS

	Market Value at 31.10.18 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in Market Value £000	Market Value at 31.10.19 £000
Defined Benefit Section					
(*not designated to members other than where stated*)					
Equities	31,254	1,254	(7,546)	2,515	27,477
Fixed interest securities	126,162	14,339	(35,577)	16,323	121,247
Pooled investment vehicles					
- designated to members	9,160	1,088	(1,626)	716	9,338
- not designated to members	253,886	133,577	(117,980)	12,866	282,349
Property	7,000	-	-	-	7,000
Derivatives	2,744	4,149	(8,577)	41,538	39,854
	430,206	154,407	(171,306)	73,958	487,265
Funds with brokers	3,384			37	3,303
Cash accounts	4,668			72	4,691
	438,258			74,067	495,259
Defined Contribution Section					
Pooled investment vehicles (*designated to members*)	90,372	19,970	(9,660)	9,713	110,395
Cash deposits	3,101			-	3,119
	93,473			9,713	113,514
	531,731			83,780	608,773

Pooled Investment Vehicles

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

Defined Benefit Section	2019 £000	2018 £000
Equity	256,268	240,908
Bonds	35,387	22,076
Property	32	62
	291,687	263,046

Pooled Investment Vehicles designated to Members within the Defined Benefit Section relate to contributions (Employer and Member) invested into Defined Contribution investment funds, while Members remained within the Defined Benefit Section of the Scheme.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

8. INVESTMENTS (continued)

Defined Contribution Section

	2019 £000	2018 £000
Diversified growth funds	110,395	90,372
	110,395	90,372

Investment Transaction Costs

Direct transaction costs during the year were as follows:

Defined Benefit Section

	2019 £000	2018 £000
Custody fees	51	37
Custody transaction fees	3	6
Fees	3	17
	57	60

In addition to the costs noted above, indirect costs were also incurred such as 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 (2018 - £7,000,000). The most recent independent valuation was carried out by Knight Frank LLP at 31 October 2017 and valued the property at £6,350,000.

Forward Foreign Exchange Contracts and Interest and Inflation Rate Swaps

The Trustees have authorised the use of derivatives by their Investment Manager as part of their overall investment strategy for the Scheme.

	2019 Assets £000	2019 Liabilities £000	2018 Assets £000	2018 Liabilities £000
Forward FX Contracts	54	18	16	1,736
Interest Rate Swaps	65,307	24,700	12,566	10,746
Inflation Rate Swaps	576	840	1,605	52
Total Return Swaps	454	979	719	46
Put Option	-	-	419	-
	66,391	26,537	15,325	12,580

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

8. INVESTMENTS (continued)

Swaps Nature

The Scheme held the following Over The Counter ("OTC") swaps:

	Notional Amount £000	Asset value £000	Liability value £000
Interest Rate Swaps			
0-10 Years (13 contracts)	385,341	3,112	24,700
11-20 Years (12 contracts)	133,600	44,767	-
21-30 Years (9 contracts)	62,220	10,903	-
31-40 Years (4 contracts)	24,430	3,296	-
41-50 Years (4 contracts)	18,140	2,491	-
51-60 Years (1 contract)	4,500	738	-
	628,231	65,307	24,700

	Notional Amount £000	Asset value £000	Liability value £000
Inflation Swaps			
0-10 Years (7 contracts)	43,109	274	230
11-20 Years (6 contracts)	29,544	302	610
	72,653	576	840
Total Return Swaps			
0-10 Years (8 contracts)	39,148	454	979
Total Swap Contracts 2019	740,032	66,337	26,519
Total Swap Contracts 2018	452,159	15,308	10,844

The notional amounts shown above are the amounts on which interest is payable/receivable as described in the nature of the swap. At the end of the year, the Scheme held the following collateral in respect of the OTC Swaps.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

8. INVESTMENTS (continued)

	2019 Nominal £000	2019 Fair Value £000	2018 Nominal £000	2018 Fair Value £000
Barclays Bank:				
Gilts	9,073	32,190	5,561	7,258
Citi Bank:				
Cash	640	640	-	-
Lloyds Bank:				
Bonds	17	33	-	-
		32,863		7,258

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

	2019 Nominal £000	2019 Fair Value £000	2018 Nominal £000	2018 Fair Value £000
In favour of Citi Bank:				
Gilts	-	-	370	620
In favour of Lloyds Bank:				
Gilts	-	-	899	1,415
		-		2,035

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

8. INVESTMENTS (continued)

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 £000	Aggregate Liability £000
Forward OTC	27/01/2020	USD	50,547,400	-	18
Forward OTC	27/01/2020	EUR	10,007,000	50	-
Forward OTC	27/01/2020	JPY	452,530,000	4	-
Total 2019				54	18
Total 2018				16	1,736

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 2019 was £13,294,403 being 2.5% of total investments (2018 – £13,229,326 being 2.5% 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.

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

Defined Benefit As at 31 October 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	116	8,963	18,398	27,477
Fixed Interest Securities	-	119,810	1,437	121,247
Pooled investment vehicles	-	291,687	-	291,687
Property	-	-	7,000	7,000
Derivatives	-	39,854	-	39,854
Funds with brokers	3,303	-	-	3,303
Cash Deposits	4,691	-	-	4,691
	8,110	460,314	26,835	495,259

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

8. INVESTMENTS (continued)

Defined Benefit As at 31 October 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	164	13,522	17,568	31,254
Fixed Interest Securities	-	124,447	1,715	126,162
Pooled investment vehicles	-	263,046	-	263,046
Property	-	-	7,000	7,000
Derivatives	-	2,744	-	2,744
Funds with brokers	3,384	-	-	3,384
Cash Deposits	4,668	-	-	4,668
	8,216	403,760	26,282	438,258

Defined Contribution As at 31 October 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled investment vehicles	-	110,395	-	110,395
Cash Deposits	3,119	-	-	3,119
	3,119	110,395	-	113,514

Defined Contribution As at 31 October 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled investment vehicles	-	90,372	-	90,372
Cash Deposits	3,101	-	-	3,101
	3,101	90,372	-	93,473

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 of 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

8. INVESTMENTS (continued)

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).

Risk Exposures

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

		Market Risk			2019	2018
	Credit Risk	Currency	Interest Rates	Other	%	%
Defined Benefits						
Equities	-	○	-	●	5.63	7.13
Fixed interest securities	○	-	●	-	24.44	28.79
Pooled investment vehicles	○	○	○	○	58.85	60.02
Property	○	-	-	●	1.41	1.60
Derivatives	○	-	○	○	8.05	0.63
Funds with brokers	○	○	-	-	0.67	0.77
Cash	○	-	○	-	0.95	1.06
					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.

8. INVESTMENTS (continued)

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer.

To achieve 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.

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 and Mercantile Solutions Limited 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 2019:

	Market Value at 31 October 2019 £000	2019 %	Market Value at 31 October 2018 £000	2018 %
L&G Diversified Fund (*)	50,563	8.3	39,462	7.4
Threadneedle Dynamic Real Return Fund	42,894	7.0	36,106	6.8
Fidelity L&G Global Equity Fixed Weights 60/40 Fund (*)	39,684	6.5	34,829	6.5
PineBridge Global Dynamic Asset Alloc Fund	35,385	5.8	34,403	6.5

(*) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

8. INVESTMENTS (continued)

Direct Transaction Costs

The purchase and sale of investments during the year resulted in net costs in respect of direct transaction costs amounting to £62,174 (2018 – £86,421).

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 2019 was £2,629,874 (2018 – £2,671,731) and is included in the Defined Benefit Section of the Scheme assets.

10. CURRENT ASSETS

	Defined Benefit £000	Defined Contribution £000	Total 2019 £000	Total 2018 £000
Prepayments and accrued income	3,402	20	3,422	1,218
	3,402	20	3,422	1,218

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

11. CURRENT LIABILITIES

	Defined Benefit £000	Defined Contribution £000	Total 2019 £000	2018 £000
Taxation and social security	277	-	277	292
Accruals and deferred income	824	37	861	471
Provision for pension back payments	8,000	-	8,000	-
	9,101	37	9,138	763

Provision for pension back payments
During the year it was identified that some benefit calculations in relation to non-GMP Equalisation for pre-1988 male members were incorrect. The detailed corrections are ongoing, but a prudent estimate of the required back-pay has been included. It is assumed that once finalised, this will be paid out within one year, so is included within Current Liabilities. This charge has been included as an expense during the year and is shown as a separate item on the Fund Account, under Contributions and Benefits.

12. SELF INVESTMENT

As at the net asset statement date, no investments were held in shares of any of the participating employers (2018 – Nil). Included in investments at the year end are shares in an employer-related company as disclosed in note 8.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2019

13. RELATED PARTIES

Sir Robert M^{c}Alpine Limited provides the day to day administration and other services (including the fees and expenses of two of the Trustees) to the Scheme. Fees payable to the Independent Trustees during this year were £17,500 (2018 – £17,500) of which £28,575 was outstanding at the year-end (2018 – £11,075). In addition, fees payable to another Trustee during the year were £7,600 (2018 - Nil) of which £7,600 (2018 - Nil) was outstanding at year end. The Scheme does not reimburse the company for these expenses (as referred to in note 4). There have been no other related party transactions during the year (2018 – Nil).

Four of the Trustees were members of the Scheme at the year-end (2018 – 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 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 pension payable for men and women. Guidance as to how such uplifts should be applied has not yet been issued. As a result it is impracticable to estimate the financial effect, timing or probability of such an uplift.

15. POST BALANCE SHEET EVENT

The coronavirus outbreak has had a significant impact on the global economy in 2020 and remains on-going. The Scheme's assets are linked to the global economy and the initial outbreak resulted in unprecedented levels of volatility in the investment markets during the first quarter of 2020, although many sectors rebounded thereafter. The impact, both in the short-term and long-term on the investment market and the global economy as a whole, remain uncertain.
Action has either been taken by the Trustees or was already in place, to mitigate any negative impact. Hedging has ensured that the increase in Scheme liabilities due to falling interest rates has been limited, although if the outbreak leads to higher mortality in the UK, then this could impact the liabilities. The Scheme assets have not been materially affected by the volatility in the investment markets during the earlier part of 2020.

The Trustees, and their Advisors, continue to monitor the Scheme as appropriate.

INVESTMENT REPORT FOR THE YEAR TO 31 OCTOBER 2019

Fund Valuation and Performance

As at the 31 October 2019, the value of the Fund, including property, was £610.8m, taking quoted assets at their market value. This represents an increase of £7.9m over the year.

The return for the Defined Benefit Section for the year to 31 October 2019 was 18.15%. The compound return for the three years ending on this date was 23.74% and the annualised return was 7.36%. The compound return for the five years ending on this date was 59.20% and the annualised return was 9.75%. A full investment report from the Investment Manager is included within the Appendix to this Annual Report.

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 generally matched the indices by reference to which they are invested with only insignificant deviation. Where any differences are not considered insignificant, then the Trustees have sought explanations from the investment manager. To 31 October 2019, the returns have varied between 0.5% and 20.5% (for 1 year), between 0.2% p.a. and 8.3% p.a. (over 3 years) and between 0.2% p.a. and 10.5% p.a. (over 5 years) depending on the fund invested.

Investment principles

The Scheme's investments have been made in accordance with the Statement of Investment Principles ("SIP"). This Statement was adopted by the Trustees on 18 February 1997 and subsequently amended by them. The most recent amendments separated the SIPs between the Defined Benefit and the Defined Contribution sections. The SIPs currently adopted were amended in May 2019 (Defined Contribution) and September 2019 (Defined Benefit). All of the investments are regarded as marketable by the Trustees.

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 2019

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 was issued in May 2019. The DC SIP covers policies regarding risk, return, monitoring, fees and responsibilities. No review of the default investment strategy, which is contained within the SIP, was completed in the year to 31st October 2019. The most recent completed review of the SIP was undertaken in November 2017. During 2019, the Trustees commenced a review of the objectives and investment strategy which were expected to be implemented in the first half of 2020, but this has been delayed due to the Covid-19 outbreak.

2. The aims and objectives are noted in the SIP (under Advice and Management) and the Trustees confirm that the returns, which are reviewed at least 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 14 below).

3. The current default investment 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 Scheme 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. 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 are monitored by the Pensions Manager and this 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 5. Active DC Scheme Members are also charged a 1.5% deduction from monthly contributions primarily to 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 has a bundled charging structure. The AMCs vary between the various funds and range 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, including the cumulative examples shown in Appendix B.

12. In addition to the AMC noted above, the investment managers charge for explicit dealing costs (brokerage fees, taxes and levies). These average charges (by fund) range between 0.00% and 0.07% of the total transactions for the particular fund.

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 SIP 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. 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. The performance of the default funds were:

	One year's performance			3 years' performance		
	Actual	Objective	Variance	Actual	Objective	Variance
	%	%	%	%	%	%
Global Equity Fixed Weights (60:40) Index Fund	1.5	2.2	(0.7)	8.3	8.4	(0.1)
Diversified Fund	9.1	8.9	0.2	7.0	11.5	(4.5)
Over 5 Year Index-Linked Gilts Index Fund	20.5	20.7	(0.2)	4.2	4.3	(0.1)
Cash Fund	0.5	0.4	0.1	0.2	0.4	(0.2)

Performance figures are net of charges

15. 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, sufficient knowledge and understanding of 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 included sessions on Integrated Risk Management, setting long term objectives (Journey Planning), investment valuation and investment strategy (Defined Benefit ("DB") and DC) as well as training on Environmental, Social and Governance updates and risk considerations. 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.

16. 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.

17. FIL Life Insurance Ltd, Hymans Robertson LLP (who replaced Capita Employee Benefits as Scheme Actuary and DB Service Provider during the year), Lincoln Pensions Ltd, CMS Cameron McKenna Nabarro Olswang LLP and River & Mercantile Solutions Ltd provide advice to the Trustees to help ensure that Scheme governance, controls, skills and knowledge are current and meeting the expectations of the Pensions Regulator and Scheme Members and enable the Trustees to properly exercise their functions.

Signed for and on behalf of the Trustees of the Scheme on **29th May 2020** 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 2019

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

Further evidence available on request:

DC Investment Strategy document, dated September 2013

Extracts from the 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 on the FIL Life Insurance Ltd ("Fidelity") website
- DC Investment Strategy document, dated September 2013 (*)
- Statement of Investment Principles DC Section, dated May 2019
- Quarterly Investment Reports
- DC member booklet

(*) To be amended following the review of strategy. Implementation delayed due to Covid-19 outbreak.

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 0.13% per annum , being the amount required to cover DC specific costs. The remaining charges cover costs relating to the life assurance cover – both internally funded and an insurance stop-loss premium.
3. The Trustees of the Scheme had considered that the investments offered to Members were appropriate. Following the wider choice of options available at retirement, the closure of the DB Section of the Scheme to future accrual which resulted in a large increase in DC Member numbers and the move to a new administration Service Provider in 2018, the Trustees, along with their Advisors, undertook a review of the objectives and strategy in order to provide Members with the most appropriate options. This was due to be implemented during the first quarter of 2020 but has been delayed as a result of the Covid-19 outbreak.

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 Fidelity in 2018, the Scheme charges and the way they were charged to the Members were reviewed. The existing charging structure was considered appropriate as life assurance costs and pension costs not covered by the AMC remain broadly the same and such costs could not be incorporated within the AMC. The Scheme operates a bundled investment portfolio which is managed by Fidelity who charge an 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%
Pre-Retirement Fund	0.23%
Cash Fund	0.23%

   The AMCs for the other funds range 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

   During the year, explicit dealing costs, which include brokerage fees, taxes and levies range between 0.00% and 0.07% on average depending on the fund.

   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.

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 0.13% for administration costs and 1.37% for life assurance (covering both internal funding and the premium). 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 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 in 2018. In addition, the Trustees have, following a review by their Advisors, agreed to amend some of the investment options and the default strategy. As noted above, implementation of this has been delayed by the Coronavirus outbreak. Any implementation of a new investment offering would be accompanied by appropriate member communications.

Costs borne by the Employer:

1. Cost of running the Trustee 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 Sections of the Scheme.

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 it should be noted 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; and
- 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 change of investment options and default strategy about to be implemented.

Statement Regarding DC Governance

For the Twelve Months Ending 31 October 2019

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. 1.68% (or 1.68p) in a worst case scenario. This equates to an average of 0.04% per annum, as at 31 December 2019.

   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	0.42%
L&G Global Equity Fixed Weights (60:40) Index Fund - GBP Hedged → L&G Diversified Fund	0.54%
L&G Diversified Fund → L&G Pre-Retirement Fund and L&G Cash Fund	0.47%
Sell L&G Pre-Retirement Fund and L&G Cash Fund	0.25%
Total	**1.68%**
Total p.a.	**0.04%**

Source: L&G (data, as at 31 December 2019), R&M Solutions (calculations, as at May 2020).

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. Transaction costs are shown as at 31 December 2019; this is due to transaction cost data being produced on a quarterly basis.

	Fund	Frictional transaction costs 1 January 2019 to 31 December 2019
Default Lifestyle Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	0.00%
	L&G Diversified Fund	-0.04%
	L&G Pre-Retirement Fund	0.00%
	L&G Cash Fund	0.00%
Self-Select Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	0.00%
	L&G UK Equity Fund	-0.03%
	L&G Diversified Fund	-0.04%
	L&G Ethical UK Equity Fund	0.01%
	L&G Pre-Retirement Fund	0.00%
	Fidelity Over 5 Year Index Linked Gilt	0.07%
	L&G All Stock Gilts Index Fund	0.01%
	L&G Corporate Bond Over 15 Years Fund	0.01%
	L&G Cash Fund	0.00%

Source: Fidelity (data, as at 31 December 2019).

The Total Expense Ratios (TERs) applicable to the funds underlying the default lifestyle, and the self-select options, as at 31 December 2019 are set out in the table below:

	Fund	Total Expense Ratio p.a.
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 (data, as at 31 December 2019).

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 frictional transaction costs	Gross of all charges	Net of TER and frictional transaction costs	Gross of all charges	Net of TER and frictional transaction costs	Gross of all charges	Net of TER and frictional transaction costs	Gross of all charges	Net of TER and frictional transaction costs
1	£13,500	£13,500	£13,500	£13,500	£13,500	£13,500	£13,500	£13,500	£13,200	£13,200
3	£20,400	£20,300	£20,400	£20,300	£20,400	£20,300	£20,400	£20,300	£19,000	£18,900
5	£27,600	£27,500	£27,600	£27,500	£27,600	£27,500	£27,600	£27,400	£25,000	£24,800
10	£48,000	£47,400	£48,000	£47,400	£48,000	£47,500	£48,000	£47,200	£40,100	£39,500
15	£71,700	£70,400	£71,700	£70,400	£71,700	£70,700	£71,700	£70,100	£55,600	£54,600
20	£100,800	£98,400	£100,800	£98,500	£100,800	£98,900	£100,800	£97,900	£73,100	£71,300
25	£134,500	£130,300	£134,500	£130,800	£134,500	£131,400	£134,500	£129,700	£91,000	£88,400
30	£173,500	£166,800	£173,500	£167,800	£173,500	£168,800	£173,500	£166,200	£109,500	£105,900
35	£218,500	£208,500	£218,500	£210,200	£218,500	£211,600	£218,500	£207,800	£128,600	£123,800
40	£252,100	£239,100	£269,300	£257,600	£269,300	£259,600	£269,300	£254,300	£148,000	£141,800

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 frictional transaction costs	Gross of all charges	Net of TER and frictional transaction costs	Gross of all charges	Net of TER and frictional transaction costs	Gross of all charges	Net of TER and frictional transaction costs	Gross of all charges	Net of TER and frictional transaction costs
1	£13,500	£13,500	£13,200	£13,200	£13,200	£13,200	£13,200	£13,200	£13,200	£13,200
3	£20,400	£20,200	£19,100	£19,000	£19,100	£19,000	£19,100	£19,000	£19,100	£19,000
5	£27,600	£27,400	£25,100	£24,900	£25,100	£24,900	£25,100	£24,900	£25,100	£24,900
10	£48,000	£47,100	£40,300	£39,800	£40,300	£39,800	£40,300	£39,800	£40,300	£39,800
15	£71,700	£69,800	£56,100	£55,100	£56,100	£55,000	£56,100	£55,100	£56,100	£55,100
20	£100,800	£97,300	£73,800	£72,200	£73,800	£72,100	£73,800	£72,200	£73,800	£72,100
25	£134,500	£128,800	£92,200	£89,700	£92,200	£89,500	£92,200	£89,600	£92,200	£89,600
30	£173,500	£164,800	£111,100	£107,700	£111,100	£107,400	£111,100	£107,600	£111,100	£107,500
35	£218,500	£205,800	£130,800	£126,200	£130,800	£125,800	£130,800	£126,100	£130,800	£126,000
40	£269,300	£251,500	£150,800	£144,900	£150,800	£144,500	£150,800	£144,700	£150,800	£144,600

Notes:

- Values shown are estimates and are not guaranteed;
- Transaction costs used are an average of previous years' transaction costs (up to 5 years, but in this case 2 years of data has been used based on availability of consistent data)
- 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;
- Assumes a member is aged 25 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	2.4%
	L&G Diversified Fund	2.4%
	L&G Pre-Retirement Fund	-0.4%
	L&G Cash Fund	-0.5%
Self-Select Funds	L&G Global Equity Fixed Weights (60:40) Index Fund	2.4%
	L&G UK Equity Fund	2.4%
	L&G Diversified Fund	2.4%
	L&G Ethical UK Equity Fund	2.4%
	L&G Pre-Retirement Fund	-0.4%
	Fidelity Over 5 Year Index Linked Gilt	-0.4%
	L&G All Stock Gilts Index Fund	-0.4%
	L&G Corporate Bond Over 15 Years Fund	-0.4%
	L&G Cash Fund	-0.5%

Source: Fidelity (data, as at 31 March 2020).

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.

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 2019

Market Background

Despite the continued unsettled market conditions, the year ended 31 October 2019 saw positive absolute performance for the Scheme's investments.

Over the year to 31 October 2019 most return-seeking asset classes performed positively. Sovereign bond prices rose sharply with unprecedented high returns on these safe haven assets.

The 12-month period saw a reversal in monetary policy by central banks, resulting in a global trend of rate cuts. The US/China trade talks oscillated between escalating and easing tensions. UK extended the Brexit deadline from March to end of October.

Q4 2018 was overshadowed by fears. There was a general nervousness about central banks withdrawing their support for the markets – the global transition from quantitative easing to quantitative tightening – with a specific fear of the US Federal Reserve stalling the US economy by hiking interest rates too quickly or too far. Mixed in with this were fears of a global economic slowdown, with economic indicators trending downwards.

Over the later course of 2018 the prospect of a serious US/China trade war and a Chinese slowdown had come to the fore. The Chinese slowdown was at least in part the result of government attempts to regulate borrowing It had been making attempts at reinvigoration since spring, but these were not obviously working and many investors doubted the stimulus was sufficient. Meanwhile the nascent Trump-led trade war against China steadily darkened in words and actions, and grew in scale, ultimately with tariffs threatened on hundreds of billions of dollars worth of trade.

In early October, sparked by 2018's second spike in US rates, these various fears combined to send developed market equities markets tumbling. By now US equity prices had become very expensive, and economic trends were looking even worse, underlined by a striking fall in the price of oil. The tumble lasted until Christmas.

But by early January the picture had dramatically improved. The US Federal Reserve had started to change its mind on raising interest rates any further, in effect putting its programme on pause. The Chinese government's attempts to re-stimulate its economy started to show signs of working, while progress was being made in US/China trade negotiations.

Equity markets responded with a strong rebound. The rally carried on through to the end of September 2019. But it was not without a reversal of its own, in May and August due to escalating tensions between US and Chinese governments. The fall out in August, sparked by the US denouncing China as a "currency manipulator", led to significant equity market falls that month, but by September negotiations were perceived as being back on track and equity markets made a modest recovery.

Towards the end of the period there was further momentum towards the global trend of loose monetary policy. The Bank of England kept the base rate at 0.75%, but said it was giving serious consideration to cutting rates in light of continued Brexit-related uncertainty. The US Federal Reserve cut the Federal Funds target rate in July and September, while the European Central Bank resumed asset purchases as well as cutting its short-term rates, falling further into the negative territory, amid falling economic sentiment. The continued stance towards monetary easing has resulted in positive returns for most return seeking asset classes.

The global trend of interest rate cuts and the flight by investors to safe haven assets resulted in an extreme decrease in gilt yields in September. This would mean higher liability values for the typical UK pension scheme, although this would have been offset to the extent they have liability hedging. However, UK gilts yields rose over October, bouncing back from their sharp falls, as the prospect of a no deal Brexit receded following a meeting between the Irish Taoiseach Leo Varadkar and UK prime minister Boris Johnson. Sterling appreciated against the euro but weakened against the US dollar over the course of the 12-month period.

The year was a challenging period for emerging market equities with trade tensions between US and China weighing down on performance.

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 Liability Hedging assets 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 (known as the Liability Hedging assets).

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.

Liability Hedging Assets (LHA)

The LHA is invested in a portfolio of directly held gilts. The LHA also comprises the 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 directly held 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 Oct 2019 (%)	31 Oct 2018 (%)
Advisory Fund	**35.1**	**38.1**
Equities	7.2	7.5
Property	3.3	4.8
Alternatives	5.0	5.4
Return Seeking Credit	2.6	2.8
Commodities	0.0	0.0
Cash & Sovereign Bonds*	0.9	1.1
Multi Asset	16.1	16.4
Discretionary Fund	**31.9**	**36.4**
Equities	16.3	15.7
Property	0.0	0.0
Alternatives	5.1	7.6
Return Seeking Credit	7.3	3.5
Commodities	0.0	0.0
Cash & Sovereign Bonds*	3.2	9.6
Liability Hedging Assets	**33.1**	**25.5**
IG Index Linked Bonds	9.7	9.8
IG Fixed Interest Bonds	15.0	14.7
Swaps	8.2	0.9
Cash*	0.2	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.*

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 £119.8m in directly held bonds, £39.9m in OTC derivatives and £7.6m in directly held cash balances. The Scheme also holds £51.0m 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 FX forward contracts.

Net of currency hedging, 6.8% of the Scheme's holdings were exposed to overseas currencies as at year-end (2018: 14.0%).

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	2019	2018
Direct		
Bonds	119,810	124,447
Swaps	39,717	4,045
Indirect		
Bond PIVs	43,943	22,076
Cash PIVs	7,048	16,166

Please note clean values have been used where applicable.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which may include various asset classes (i.e. alternatives, bonds, equities, cash and investment properties) 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	2019	2018
Direct		
Alternatives	18,957	17,568
Bonds	1,318	1,318
Equity	6,635	5,845
Property	7,000	7,000
Put Equity Options	103	419
Indirect		
Equity PIVs	113,609	97,818
Property PIVs	8,994	13,584
Alternatives PIVs	32,919	41,969
Multi Asset PIVs	78,279	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	18.7	7.4	9.7
Objective	11.6	6.1	8.8
Relative	7.1	1.3	0.9

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 2019 (%)		31 Oct 2018 (%)	
	£	%	£	%
BlackRock AM Aquila Life Global Developed Fundamental Weighted Index Fund*	28,323,959	5.8	26,254,056	6.1
PineBridge Global DAA Fund Class Y2H	35,384,661	7.3	34,402,684	8.0
Threadneedle Dynamic Real Return Fund S Acc	42,894,189	8.8	36,106,315	8.4

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, January 2020

Important Notice

September 2020

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 and Disclosure)(Amendment and Modification) Regulations 2018.

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 Shireen Anisuddin of Hymans Robertson LLP, 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. This is through the fiduciary management service of R&M Solutions, hereafter referred to as the 'Fiduciary Manager', or other Investment Managers (including those appointed by the Fiduciary Manager).

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 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, Fiduciary Manager 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:

1. 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.
2. 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.
3. 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 Growth Assets, 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 Growth Assets (targeting Cash+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 Trustees' expected return for a 75% Growth Assets/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 Fiduciary Manager 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 As Fiduciary Manager, 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 ('DIF')

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 ('AIF')

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.

Corporate Governance and Stewardship

The Fiduciary Manager and Investment Managers held in the AIF 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.

The Trustees periodically review the overall value-for-money of using the Investment Adviser (as specified in the Scheme's Investment Consulting objectives) and Investment Managers and information in relation to costs associated with investing is included in the quarterly monitoring report.

Many of 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 the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to the investment managers held within the AIF and DIF.

The Trustees acknowledge the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. R&M Solutions' (Investment Adviser and Fiduciary Manager) Conflict of Interest policy is available publicly here:
https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

As an FCA regulated firm, the Fiduciary Manager is required to prevent or manage conflicts of interest. Where Investment Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Fiduciary Manager directly monitors these as part of their regulatory filings (where available), the Trustees, Investment Adviser and Fiduciary Manager also monitors this as part of ongoing review.

Advisory Investment Fund ('AIF')

As part of the appointment of the investment managers held within the AIF, the Trustees have entered formal manager agreements and/or accepted the terms of pooled investment vehicles, setting out the scope of each investment manager's and/or pooled investment vehicle's activities, their charging basis and other relevant matters. The appointment of the investment managers is ongoing.

Within the AIF, the investment managers (where appropriate) adopt an active approach to corporate governance. The Trustees would prefer to engage with companies rather than boycott particular shares or companies. The Trustees are aware of the policy of the investment managers concerned regarding corporate governance and have delegated the responsibility for activity in this area to the investment managers.

The Trustees have retained the use of voting (and other) rights attached to their mandates within the AIF; however the respective managers of the mandates retain responsibility for voting on their underlying holdings. The Trustees will monitor investment managers' voting records, and will seek explanations and discussions as appropriate.

The Trustees and Investment Adviser undertake regular reviews of the investment managers held within the AIF. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance). The Investment Adviser and Trustees review the governance structures of the investment managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Trustees and Investment Adviser assess whether the investment managers (held within the Advisory Investment Fund) remuneration arrangements are aligned with the Trustees' objectives. The Trustees expect the investment managers (within the AIF):

- to align their investment strategy and decisions with the Trustees' investment policies, such as their return target and the restrictions detailed in the relevant investment documentation, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with the issuers to improve this medium- to long -term performance. The success of such engagement will contribute to the Scheme's performance, which are reflected and measured relative to the Trustees' long-term performance objectives.

The Trustees oversee the turnover costs (where available) incurred by the investment managers as part of their ongoing monitoring process and evaluate such costs to determine if they are in line with peer groups and the Investment Adviser's expectations. Where there are material deviations the Trustees engage with investment managers to understand the rationale for such deviations and take appropriate action.

Discretionary Investment Fund ('DIF')

The Trustees have appointed a Fiduciary Manager to implement this part of the Scheme's investment strategy. The Fiduciary Manager manages assets directly on behalf of the Trustees as well as having delegated authority to appoint, monitor and change the underlying Investment Managers within the DIF (the 'Underlying Managers'). The Trustees and Fiduciary Manager have agreed, and will maintain, formal agreements setting out the scope of the Fiduciary Manager's activities, charging basis and other relevant matters. The Fiduciary Manager is appointed to carry out its role on an ongoing basis.

The Fiduciary Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Fiduciary Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

The Trustees periodically review the overall value-for-money of using R&M Solutions (as Fiduciary Manager), and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustees are satisfied that these arrangements incentivise the Fiduciary Manager:

- to align its investment strategy and decisions with the Trustees' investment policies, such as their return target and the restrictions detailed in the Fiduciary Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustees' long-term performance objectives.

Where it can be determined, the Fiduciary Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustees' objectives The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Fiduciary Manager, as detailed above.

The Fiduciary Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Fiduciary Manager's expectations. Where there are material deviations the Fiduciary Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

The Trustees have delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Fiduciary Manager. The Fiduciary Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the Fiduciary Manager are subject to additional sign-off by the appropriate representative from the Fiduciary Manager.

Financially material investment considerations

These considerations which include the below "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' policy is to delegate the day to day consideration of financially material factors to the investment managers who considers these when constructing their portfolios. All references to ESG relate to financial factors only, and also include climate change.

ESG factors and stewardship are considered, in the context of long term performance, by:

- the Fiduciary Manager (R&M Solutions) as part of the manager selection criteria within the DIF. This is undertaken on behalf of the Trustees under the discretionary mandate and managers are evaluated before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the Fiduciary Manager monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

As part of their ongoing monitoring, the Trustees review some key metrics on a regular basis that are provided by the Fiduciary Manager covering ESG which enable them to engage and understand the impact of ESG on the portfolio.

- the Trustees, as part of the investment manager selection criteria within the AIF. This review occurs before investment managers are approved for investment in the portfolio. Once an investment manager is appointed, the Investment Adviser and Trustees will monitor the investment manager for ongoing compliance with the expected standards at appointment and with other factors, such as stewardship, as a part of overall governance and engagement.

Risks

The Trustees recognise 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.
- **ESG risk –** the risk of adverse performance due to ESG related factors including climate change. This is addressed by the ESG assessment at the point of investment with the investment managers and as part of the ongoing

investment manager monitoring process. A summary of the overall ESG characteristics in the portfolio is set out in the quarterly governance report.

- **Organisational risk** – the risk of inadequate internal processes leading to problems for the SRM Scheme. This is addressed through regular monitoring of the Fiduciary Manager, 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.
  - The Trustees have also put in place a dedicated cashflow matching portfolio that is intended to mitigate the risk caused by significantly high levels of benefit payments.
- **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.

Realisation of Assets

A sufficient proportion of the Scheme's assets can be realised easily if the Trustees so require.

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 CACEIS Bank 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 CACEIS Bank, 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 (covered under a separate SIP).

Non-financial matters

The Trustees do not at present take into account non-financial matters(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 there is no likely common view on any ethical matters which members are likely to hold.

Signed:………………………………………………… **Date:……………………………**

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

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

Statement of Investment Principles

September 2020

Version Update

Version	Effective From
1.0	May 2019
2.0	September 2020

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.

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

i. **The kinds of investment to be held**

ii. **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.

iii. **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.

iv. **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.

v. **Realisation of investments**

Liquidity is considered in section 5.6, "Liquidity".

vi. **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".

vii. **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.

5.3 Diversification

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:

i. **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.

ii. **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.

iii. **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.

iv. **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.

v. **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.

vi. **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.

vii. **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 difficulties. This is addressed through understanding the security of members' assets and protections available.

viii. **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.

ix. **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.

x. **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.

xi. **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

As part of the appointment of the Investment Managers to the Scheme, the Trustees have accepted the terms of pooled investment vehicles, setting out the scope of each pooled fund vehicle's activities, their charging basis and other relevant matters. The Trustees periodically review the overall value-for-money of using the Investment Adviser (as specified in the Scheme's Investment Consultant objectives) and Investment Managers.

The Scheme's investments are made via pooled investment funds via the Platform Manager, 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 the underlying 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 decisions relating to its Underlying Manager holdings to the Platform Manager, which implements its fund voting policy.

The Trustees and Investment Adviser undertake regular reviews of the Investment Managers. These reviews incorporate benchmarking of performance and fees as well as performance reviews (including understanding key drivers of performance). The Trustees and Investment Adviser review the governance structures of the Investment Managers, as well as assessing whether their fees, expenses and any other charges are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Trustees and Investment Adviser assess whether the Investment Managers' remuneration arrangements are aligned with the Trustees' objectives. The Trustees expect the Investment Managers':

- to align their investment strategy and decisions with the Trustees investment policies, such as its return target and any restrictions detailed in the Trustees' policy documentation with the Platform Manager.
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with the issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is reflected and measured relative to the Trustees' long-term performance objectives.

The Trustees acknowledge the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. Where investment managers are regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Trustees and Investment Adviser monitor this as part of ongoing review. As an FCA regulated firm, the Investment Adviser is required to prevent or manage conflicts of interest. The Investment Adviser's Conflicts of Interest policy is available publicly here:

https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

The Trustees oversee the transaction costs, including turnover costs (where available) incurred by the Investment Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Adviser's expectations. Where there are material deviations the Trustees and Investment Adviser engage with Investment Managers to understand the rationale for such deviations and take appropriate action.

10.2 Financially material investment considerations

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.

10.3 Non-financial matters

The Trustees do not at present take into account non-financial matters (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:

i. 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.

ii. 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.

iii. 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.

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

v. Appointing and dismissing Platform Managers and Managers.

vi. Assessing the performance of the Advisers.

vii. Consulting with the Employer when reviewing investment policy issues.

viii. 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:

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

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

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

iv. 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:

i. Participating with the Trustees in reviews of this SIP.

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

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

iv. 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:

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

The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme

Statement of Implementation

The Trustees have followed their Statement of Investment Principles approach to voting and engagement over the year to 31 October 2019 and expects this to have positively contributed to the Scheme's performance. Within the Advisory Investment Fund ("AIF"), the Trustees have appointed River and Mercantile Investments Limited ("RAMIL") as investment advisor; within the Discretionary Investment Fund ("DIF") the Trustees have appointed RAMIL as fiduciary manager to manage the Scheme's assets. We refer to the AIF and DIF collectively as the Growth Portfolio within this document. River and Mercantile Group, of which RAMIL are a division, are a PRI signatory and were rated A+ by the PRI in 2019 for their Strategy and Governance. To ensure all relevant voting and engagement is covered, this statement includes information on both the fiduciary manager's voting and engagement record as well as those of the underlying managers. Where proxy voting agents have been used, this has been included in the voting information.

This statement of implementation has been completed over the one-month period to 31 October 2019.

Growth Portfolio:

There are c.40 managers in the Growth Portfolio, RAMIL have only included allocations which are c.5% of Total Assets of higher which is equivalent to c.6.7% of Growth assets as at 31 October 2019. RAMIL have listed the funds considered within this threshold in the table below:

Asset class	Manager and Fund name	Allocation (% of Total Assets)
Equity	BlackRock Asset Management Aquila Life Global Developed Fundamental Weighted Index	5.8%
DAA	PineBridge Global Dynamic Asset Allocation Fund	7.3%
DAA	Threadneedle Investments Dynamic Real Return Fund	8.8%

No voting record or significant engagement were provided by the managers above over the one-month period to 31 October 2019.

Liability hedging

Engagement is relevant when considering trading counterparties and we regularly monitor counterparty ESG scores. At an industry level, we engage with relevant industry consultations (for example RPI reform and LIBOR reform).