THE SIR ROBERT MCALPINE LIMITED
STAFF PENSION AND LIFE ASSURANCE SCHEME

ANNUAL REPORT

For the year ended 31 October 2021

The Sir Robert M^{c}Alpine Limited
Staff Pension and Life Assurance Scheme
Eaton Court
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TR

Registration Number: 10118733

Contents

TRUSTEES, EXECUTIVES AND PROFESSIONAL ADVISERS

Trustees
Cullum McAlpine
Michael B Anderson (member-nominated) (p)
Andrew R Bolt (member-nominated) (d)
Gillian Bush (member-nominated) (a)
Katherine A Jarvis (i)
Miles C Shelley (d)

(a) Active Member
(d) Deferred Member
(p) Pensioner
(i) Independent Trustee

Scheme Secretary

Kevin J Pearson BSc, ACA

Scheme Actuary

Shireen Anisuddin (FIA) of Hymans Robertson LLP

Independent Auditor

Deloitte LLP

Investment Managers

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

Independent Financial Advisor

Broadstone Risk & Healthcare Ltd (life assurance arrangements only)

Banker

Lloyds Bank plc

Custodians

KAS Bank N.V.

Solicitors

CMS Cameron McKenna LLP
Geldards LLP

Administrator

FIL Life Investments Limited (Defined Contribution section)
Hymans Robertson LLP (Defined Benefit section)

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 2021.

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 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 McAlpine Limited, the principal employer. Three of the six Trustees are nominated by the members in accordance with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006.

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

There were 8 Trustee Meetings during the year and the Trustees' attendance is as:

Cullum McAlpine	7
Michael B Anderson	6
Andrew R Bolt	8
Gillian Bush	8
Katherine A Jarvis	8
Miles C Shelley	8

Each Trustee is expected to ensure that he or she meets the Trustee knowledge and understanding requirements, including a working knowledge of the Scheme Rules, the Statement of Investment Principles ("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. A Skills and Training Log has been developed and is maintained by the Secretary to the Pension Trustees. General training is made available as part of, or in addition to, Trustee Meetings.

Membership

A statement showing the number of Scheme members appears below.

The Defined Benefit ("DB") section was closed to new members in 2002 and thereafter, new members joined the Defined Contribution ("DC") section of the Scheme. The DB section ceased accruing future benefits as at 30 November 2017 and all remaining active members were transferred to the DC section.

The same member may be included within both the DB and DC sections of the Scheme, and some may have more than one period of service and so are included more than once.

Members retiring from the DC section of the Scheme have to transfer their funds out of the Scheme in order to access their benefits.

TRUSTEES' REPORT (continued)

Membership (continued)

Membership Statistics

	Defined Benefit	Defined Contribution
Active Members		
At the beginning of the year	-	1,615
Adjustments*	-	(29)
Revised at the beginning of the year	-	1,586
New members joining	-	314
Refunds	-	(1)
Members retiring	-	(9)
Members leaving - retaining an entitlement	-	(190)
Members leaving - not retaining an entitlement	-	(25)
Deaths	-	-
At the end of the year	-	1,675
Deferred Members		
At the beginning of the year	792	853
Adjustments*	-	28
Revised at the beginning of the year	792	881
Members retiring	(28)	(7)
Members leaving - retaining an entitlement	-	190
Members leaving - not retaining an entitlement	(8)	(59)
Deaths	(4)	(1)
At the end of the year	752	1,004
Pensioners		
At the beginning of the year	850	-
Members retiring	28	-
Deaths	(47)	-
At the end of the year	831	-
Pension Beneficiaries		
At the beginning of the year	293	-
Adjustments*	(2)	-
New spouse and dependents' pension	17	-
Cessation of dependents' pension	(21)	-
At the end of the year	287	-
Total membership	**1,870**	**2,679**

* These are late adjustments due to timing.

TRUSTEES' REPORT (continued)

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 to which members are entitled, 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.

The 2018 valuation and related Recovery Plan was completed and submitted to the Pensions Regulator ("TPR") in August 2021. An initial, minor delay in concluding the Valuation was agreed with TPR but this was extended further due to COVID-19, by the finalisation of the documentation supporting the Recovery Plan. TPR was informed of this delay.

Shireen Anisuddin (FIA) of Hymans Robertson LLP, conducted his actuarial valuation based on the value of the Scheme at 31 October 2018. The report revealed that the Scheme's assets covered 71% of the future liabilities and a Recovery Plan was implemented (see below). The actuarial statement as at 31 October 2018 and the actuary's certificate in relation to the Schedule of Contributions are attached at the end of these Financial Statements.

	2018
Pre-retirement rate and Post-retirement rate - Market implied gilt yield curve plus 2% tapering to 0.5% p.a. by 2035	
Pensionable salary increases	CPI
Price inflation (RPI)	Market implied gilt yield curve
Price inflation (CPI)	Market implied gilt yield curve - 1.0%
Deferred pension increases	CPI
Pension in payment increases	2.5% - 5.0%

Summary funding statement

	£m
Value of assets per 31 October 2018 valuation	438.7
Value of future liabilities per 31 October 2018 valuation	621.1
Deficit as at 31 October 2018	(182.4)
Funding level	71%

Recovery plan

A Recovery Plan was implemented following the 2018 valuation and this resulted in the employers agreeing to make initial additional contributions of £11.5m p.a. which increase over time to an annual equivalent of £18.4m by 2033.

These contributions were planned to cover the future accrual of benefits and the shortfall in funding. A further £2.0m p.a. is payable by the employers to cover expenses and the Pension Protection Fund (PPF) levy. These contributions are expected to eliminate the shortfall by 31 August 2033, which represents a 15 year recovery plan.

Although the Recovery Plan was not submitted to TPR until August 2021, the Employer increased its contributions in line with this Recovery Plan from January 2021.

In addition to the increased contributions, the employers also agreed to a distribution sharing mechanism, whereby any dividends (or other forms of distributions) above an agreed limit will require a matching additional payment into the Scheme up to a predetermined cap. The Scheme has also obtained security, to the value of £28.0m, over a number of assets which can be accessed if the employer defaults on its quarterly contributions.

TRUSTEES' REPORT (continued)

Pension increases

The table below provides the recent increases applied to both Pensions in Payment and Deferred Pensions.

Pensions in Payment
Increases to Pensions in Payment are dependent upon when the benefits were accrued and are defined in the Scheme Rules. Some Pensions in Payment have in the past included a discretionary increase of 2.5%.

	Minimum %	Maximum %	Average %
2019	2.5	3.8	2.8
2020	2.5	3.3	2.6
2021	2.5	2.5	2.5

Deferred Pensions
Deferred pensions are increased in one of two ways, dependent upon the levels of contributions chosen by the Member before the Section of the Scheme closed to future accrual in November 2017. Members who chose the lower level of contributions have their pensions increased in line with CPI. All Deferred Members for 2017 received increases in line with CPI. Those who chose the higher level are noted below:

	CPI %	Minimum %	Maximum %	Average %
2019	2.4	2.4	3.3	2.9
2020	1.7	1.7	2.4	2.2
2021	0.5	0.5	1.1	0.6

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 below and the monetary values are included within the fund account within the financial statements.

DB transfers out were temporarily suspended during 2019-20 due to the market volatility resulting from COVID-19, however the right to such transfers has since been reinstated.

A discount of 28% had been applied to transfer values to reflect the deficit. Following completion of the 2018 Valuation, the discount was reviewed and reduced to 15% from 1 August 2021.

Compliance statement

A statement containing additional information about the Scheme is attached on page 8.

Financial review

The 31 October 2021 audited financial statements, set out on pages 14 to 29, 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.

TRUSTEES' REPORT (continued)

Investment policy and performance

River and Mercantile Solutions Limited acts as investment manager within guidelines set out by the Trustees. River and Mercantile Solutions Limited have been taken over by Schroders Investment Solutions Ltd (Schroders Solutions) since the year end. Pimco Shareholder Services, BlackRock Investment Management (UK) Limited, Threadneedle Investment Services Limited, Pinebridge Investment Europe Limited and Patrizia Peripheral Europe Limited Partnership act as investment managers on a non-discretionary basis. FIL Life Insurance Limited manage the assets of the DC section on a passive basis. The Trustees review these guidelines from time to time.

The Trustees receive quarterly reports from their investment advisors, for both the DB and DC sections and these are compared to pre-determined benchmarks.

The DB investment manager reports at least quarterly to the Trustee Board. A copy of the investment report prepared by River and Mercantile Solutions Limited (Schroders Solutions) is included at the end of this Report. This includes the breakdown of the different asset classes of the Scheme, the risks attached to these investments and investment performance.

The DC 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 31 October 2021" 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 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.

The Trustees have issued a SIP as required by Section 35 of the Pensions Act 1995 and copies are available online at https://www.srm.com/pensions/

The DB investments have, on occasion, moved outside of the parameters set within the Statement of Investment Principles. These deviations were fully explained by the Investment Manager to the Trustees, who were satisfied that the departures were due to timing and were not considered sufficiently material to require immediate action.

Summary of contributions

The Summary of Contributions is detailed in Note 4 to the Financial Statements.

Required by the Schedule of Contributions

		DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Contributions:							
Members'	- ordinary	-	105	105	-	123	123
Employers'	- ordinary	-	16,033	16,033	-	14,275	14,275
	- deficit	9,375	-	9,375	8,000	-	8,000
Additional contributions		8,500	-	8,500	-	-	-
Total contribution required by the Schedule of Contributions and reported on by the Scheme auditor		17,875	16,138	34,013	8,000	14,398	22,398
Members' additional voluntary contributions		5	1,534	1,539	3	1,349	1,352
Total contributions received as shown in the financial statements		17,880	17,672	35,552	8,003	15,747	23,750

TRUSTEES' REPORT (continued)

Custody of assets

The assets of the Scheme are placed for safe-keeping with custodians and legal representatives as appointed by the Trustees. Details of these can be found on page 21.

Employer-related investments

Details of Employer-related investments are disclosed in Note 11 to these Financial Statements on page 23.

COVID-19

The Trustees, and their Advisers, have continually monitored the impact of COVID-19. 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. Although much of this volatility appears to have diminished, and the peak of the outbreak appears to have passed, there still remain uncertainties in the short term and long term, and action has either been taken by the Trustees or was already in place, to mitigate any negative impact.

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. This has however progressed in the year, and a more up to date provisional figure has been provided.

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.

Conflict in Ukraine

The Trustees have considered their exposure to Russia following the conflict in the Ukraine and subsequent sanctions by the UK and Worldwide governments. The Scheme does not have any material exposure to Russian, Belarusian or Ukrainian investments and no members have been impacted. Therefore, the direct impact of the conflict on the Scheme, is currently considered minimal. The Trustees are aware of the heightened risks around cyber security and continue to monitor this accordingly. As with Covid-19 considerations the Scheme assets are linked to the global economy and the resulting volatility is being closely monitored.

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 DB section of the Scheme were, until 5 April 2016, contracted out of the State Second Pension whereas members of the DC section are not. From 6 April 2016, members of the DB 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 (tel: 0800 917 4487) or at enquiries@pensions-ombudsman.org.uk or www.pensions-ombudsman.org.uk.

In addition, the Pensions Regulator can become involved if the Trustees, Employer or any of the Scheme's advisors are considered not to be correctly carrying out their duties. They can be contacted at Napier House, Trafalgar Place, Brighton, BN1 4DW (tel: 0345 600 1011) or at customersupport@tpr.gov.uk or www.thepensionsregulator.gov.uk.

Signed on behalf of the Trustees

CULLUM McALPINE

Date: 31 May 2022.

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

Trustees' Responsibilities in Respect of Contributions

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

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and to 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 2021 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 (available for benefits); and
- the related notes 1 to 18.

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 (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

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

Report on the audit of the financial statements (Continued)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, 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 are 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Scheme's industry and its control environment, and reviewed the Scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included the Pensions Regulator.

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

Report on the audit of the financial statements (Continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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
Statutory Auditor
Birmingham, United Kingdom
31 May 2022

Independent auditor's report

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 2021 as set out on page 6.

In our opinion contributions for the scheme year ended 31 October 2021 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 2020 to 31 July 2021 in accordance with the schedule of contributions certified by the Scheme actuary on 28 September 2017 and for the period 1 August to 31 October 2021 in accordance with the schedule of contributions certified by the Scheme actuary 31 August 2021.

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 6 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
Statutory Auditor
Birmingham, United Kingdom
31 May 2022

FUND ACCOUNT
For the year ended 31 October 2021

	Notes	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
CONTRIBUTIONS AND BENEFITS							
Contributions:	3(d), 4						
Employers - normal		-	16,033	16,033	-	14,275	14,275
- deficit		9,375	-	9,375	8,000	-	8,000
Additional contributions		8,500	-	8,500	-	-	-
Members - normal		-	105	105	-	123	123
- additional voluntary		5	1,534	1,539	3	1,349	1,352
Total Contributions		17,880	17,672	35,552	8,003	15,747	23,750
Transfers in		-	2,120	2,120	-	1,355	1,355
		17,880	19,792	37,672	8,003	17,102	25,105
Benefits paid and payable	5	21,448	1,127	22,575	22,807	808	23,615
Payments to and on account of leavers	6	3,415	7,361	10,776	643	4,465	5,108
Provision for pension back payments	14	(1,400)	-	(1,400)	-	-	-
Life assurance premiums		-	78	78	-	68	68
Administration expenses	7	1,696	46	1,742	2,487	85	2,572
		25,159	8,612	33,771	25,937	5,426	31,363
Net (withdrawals)/additions from dealings with members		(7,279)	11,180	3,901	(17,934)	11,676	(6,258)
NET RETURNS ON INVESTMENTS							
Investment income	3(a), 9	12,683	-	12,683	5,715	8	5,723
Change in market value of investments	11	26,350	22,799	49,149	23,601	(7,091)	16,510
Foreign exchange differences on cash		(86)	-	(86)	(29)	-	(29)
Investment management expenses	10	(808)	-	(808)	(832)	-	(832)
Net Returns on Investments		38,139	22,799	60,938	28,455	(7,083)	21,372
Net increase in the fund during the year		30,860	33,979	64,839	10,521	4,593	15,114
NET ASSETS OF THE SCHEME At Beginning of Year		500,081	118,090	618,171	489,560	113,497	603,057
At End of Year		530,941	152,069	683,010	500,081	118,090	618,171

The accompanying notes on pages 16 to 29 are an integral part of these financial statements.

NET ASSETS STATEMENT (AVAILABLE FOR BENEFITS)
As at 31 October 2021

	Notes	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Investment Assets	11						
Equities		26,642	-	26,642	26,272	-	26,272
Bonds		171,927	-	171,927	132,241	-	132,241
Pooled investment vehicles							
- designated to members		8,881	149,410	158,291	8,076	114,917	122,993
- not designated to members		294,428	-	294,428	307,007	-	307,007
Property		7,000	-	7,000	7,000	-	7,000
Derivatives – gross assets		37,854	-	37,854	50,319	-	50,319
Funds with brokers		10,155	-	10,155	-	-	-
		556.887	149.410	706.297	530.915	114.917	645,832
Investment Liabilities	11						
Derivatives - gross liability		(23,102)	-	(23,102)	(26,623)	-	(26,623)
Funds with brokers		-	-	-	(1,089)	-	(1,089)
Total Investments	11	533,785	149,410	683,195	503,203	114,917	618,120
Current assets	13	5,522	2,711	8,233	5,780	3,514	9,294
Current liabilities	14	(8,366)	(52)	(8,418)	(8,902)	(341)	(9,243)
Net assets (available for benefits)		530,941	152,069	683,010	500,081	118,090	618,171

The accompanying notes on pages 16 to 29 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 Actuarial Liabilities disclosed in the Trustees' Report on page 4 and these financial statements should be read in conjunction with it. DC assets are allocated to provide benefits to the individuals on whose behalf the contributions were paid.

The financial statements on pages 14 to 29 were approved by the Trustees on 31 May 2022.

Signed on behalf of the Trustees

CULLUM McALPINE ....
(Trustee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

1. IDENTIFICATION OF FINANCIAL STATEMENTS

The Scheme is established under English Trust Law. The address for any enquiries is:

The Secretary to the Trustees, Sir Robert McAlpine Limited Staff and Life Assurance Scheme, Eaton Court, Maylands Avenue, Hemel Hempstead, Herts, HP2 7TR

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004 and therefore contributions made by the employers and employees are normally eligible for tax relief, and any income or capital gains earned by the Scheme receive preferential tax treatment.

There are two sections within the Scheme – a defined benefit ("DB") section, which is closed to both new entrants and any future accrual (other than those applicable to deferred members) and a defined contribution ("DC") section, which is open to new members.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Scheme (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 ("FRS 102") The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice ("SORP") (revised 2018).

3. 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 2021 and;
- Interest on deposits on a day-to-day basis and;
- Investment income is recognised in the accounts net of associated tax credits which are not recoverable by the Scheme and;
- 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 are included at the closing bid price. Bonds are included at clean price excluding interest.
- Accrued interest is shown separately.
- 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

3. ACCOUNTING POLICIES (continued)

(b) Investments (continued)

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 such swaps 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 11. 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.

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 2021 by an independent and appropriately qualified professional valuer.

(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 (AVCs)

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 2021

4. CONTRIBUTIONS RECEIVABLE

	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Employer Contributions						
Employers' normal contributions	-	16,033	16,033	-	14,275	14,275
Deficit contributions	9,375	-	9,375	8,000	-	8,000
Additional contributions	8,500	-	8,500	-	-	-
	17,875	16,033	33,908	8,000	14,275	22,275
Employee contributions						
Members' normal contributions	-	105	105	-	123	123
Members' additional voluntary contributions	5	1,534	1,539	3	1,349	1,352
	5	1,639	1,644	3	1,472	1,475
Total	17,880	17,672	35,552	8,003	15,747	23,750

Employers' normal contributions include salary sacrifice contributions. Members' contributions to the DB section of the Scheme are no longer permitted, other than payments made to correct an error.

During the year, total payments were made by the employers of £17,875,000, comprising £9,375,000 of Deficit Reduction Contributions, which are due by 31 August 2033 per the Schedule of Contributions, and a further £8,500,000 being additional contributions.

DC payments into the Scheme were paid on a timely basis.

All contributions outstanding at the year-end were received on or before 19 November 2021 as required by the Schedule of Contributions.

5. BENEFITS PAID AND PAYABLE

	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Pensions	18,983	-	18,983	18,674	-	18,674
Annual and lifetime allowance tax deductions	-	24	24	74	19	93
Commutations and lump sum retirement benefits	2,465	274	2,739	4,045	532	4,577
Lump sum death benefits	-	829	829	14	257	271
Total	21,448	1,127	22,575	22,807	808	23,615

6. PAYMENTS TO AND ACCOUNT OF LEAVERS

	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Transfer out	3,415	7,361	10,776	643	4,465	5,108

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

7. ADMINISTRATION EXPENSES

	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Actuarial and administrative fees	307	-	307	396	-	396
Legal and other professional fees	306	4	310	282	64	346
Audit	25	34	59	16	15	31
Statutory levy	1,042	6	1,048	1,768	4	1,772
Other costs	16	2	18	25	2	27
	1,696	46	1,742	2,487	85	2,572

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.

8. 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 or capital gains tax.

9. INVESTMENT INCOME

	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Income from bonds	1,787	-	1,787	1,932	-	1,932
Dividends from equities	1,850	-	1,850	2,655	-	2,655
Income from pooled investment vehicles	9,564	-	9,564	1,612	-	1,612
Net income from property	(586)	-	(586)	(567)	-	(567)
Interest on cash deposits	2	-	2	17	8	25
Management fees	66	-	66	66	-	66
	12,683	-	12,683	5,715	8	5,723

Income from property is net of costs, which include refurbishment costs not capitalised and dilapidation recoveries.

10. INVESTMENT MANAGEMENT EXPENSES

	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Bank and interest charges	1	-	1	2	-	2
Investment management costs	807	-	807	830	-	830
	808	-	808	832	-	832

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

11. INVESTMENTS

Reconciliation of net investments

	Market value at 31.10.20 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Market value at 31.10.21 £000
Defined Benefit Section					
(*not designated to members other than where stated*)					
Equities	26,272	-	-	370	26,642
Fixed interest securities	132,241	140,527	(95,705)	(5,136)	171,927
Pooled investment vehicles					
- designated to members	8,076	7,334	(8,081)	1,552	8,881
- not designated to members	307,007	140,762	(190,260)	36,919	294,428
Property	7,000	-	-	-	7,000
Derivatives	23,696	6,457	(8,062)	(7,339)	14,752
	504,292	295,080	(302,108)	26,366	523,630
Funds with brokers	(1,089)			(16)	10,155
	503,203			26,350	533,785
Defined Contribution Section					
Pooled investment vehicles (*designated to members*)	114,917	132,294	(120,600)	22,799	149,410
	618,120			49,149	683,195

Pooled Investment Vehicles

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

Defined Benefit Section	2021 £000	2020 £000
Equity	232,223	231,878
Bonds	71,055	79,422
Commodities	-	3,750
Property	31	33
	303,309	315,083

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

11. INVESTMENTS (continued)

Defined Contribution Section	2021 £000	2020 £000
Diversified growth funds	149,410	114,917

Investment Transaction Costs

Direct transaction costs during the year were as follows:

Defined Benefit Section

	2021 £000	2020 £000
Custody fees	27	58
Custody transaction fees	3	7
	30	65

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 has been internally valued, based on market value, at £7,000,000. In 2020, the most recent independent valuation was carried out by a Knight Frank LLP (RICS Registered) Valuer and was based on the market value. This valued the property at £7,000,000 and assumed a market rent of £15 per sq ft and a yield of 7.75%.

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.

	2021 Assets £000	2021 Liabilities £000	2020 Assets £000	2020 Liabilities £000
Forward FX Contracts	4	93	7	159
Interest Rate Swaps	19,517	23,302	46,162	22,851
Inflation Rate Swaps	13,611	-	2,468	2,151
Total Return Swaps	4,405	201	965	829
Swaptions	-	-	-	633
Derivative options	571	-	717	-
	38,108	23,596	50,319	26,623

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

11. 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 (12 contracts)	451,610	2,179	23,302
11-20 Years (6 contracts)	97,240	13,677	-
21-30 Years (3 contracts)	32,700	2,316	-
31-40 Years (1 contract)	9,600	1,345	-
	591,150	19,517	23,302
Inflation Rate Swaps			
0-10 Years (5 contracts)	116,397	9,654	-
11-20 Years (4 contracts)	32,395	3,957	-
	148,792	13,611	-
Total Return Swaps			
0-10 Years (10 contracts)	109,825	4,405	201
Derivative Options			
0-10 Years (4 contracts)	-	571	-
Total Swap Contracts 2021	**849,767**	**38,104**	**23,503**
Total Swap Contracts 2020	964,250	50,312	26,464

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 2021

11. INVESTMENTS (continued)

Gilt Valuation

	2021 Nominal £000	2021 Fair Value £000	2020 Nominal £000	2020 Fair Value £000
Barclays Bank:				
Bonds	8,758	16,101	14,898	24,110
Citi Bank:				
Cash	-	760	2,110	2,110
Lloyds Bank:				
Bonds	1,267	3,023	769	1,282
		19,884		27,502

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 from the year end.

Contract	Settlement Date	Currency Bought	Currency Value	Aggregate Asset £000	Aggregate Liability £000
Forward OTC	27/01/2022	USD	16,527,500	-	89
Forward OTC	27/01/2022	EUR	1,120,100	4	-
Forward OTC	27/01/2022	JPY	317,440,000	-	4
Total 2021				4	93
Total 2020				7	159

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 58.0% of the share capital of Paget Health Services (Holdings) Limited. The value of this investment at 31 October 2021 was £12,098,377 being 2.1% of total investments (2020 – £12,964,615 being 2.1% of total investments).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

11. INVESTMENTS (continued)

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.

A fair value measurement is based upon the lowest level input which is significant to the fair value measurement of the entire asset.

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

Defined Benefit As at 31 October 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	-	10,173	16,469	26,642
Bonds	-	171,542	385	171,927
Pooled investment vehicles	-	303,309	-	303,309
Property	-	-	7,000	7,000
Derivatives	-	14,752	-	14,752
	-	499,776	23,854	523,630
Funds with brokers				10,155
				533,785

Defined Benefit As at 31 October 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	119	8,344	17,809	26,272
Bonds	-	131,510	731	132,241
Pooled investment vehicles	-	315,083	-	315,083
Property	-	-	7,000	7,000
Derivatives	-	23,696	-	23,696
	119	478,633	25,540	504,292
Funds with brokers				(1,089)
				503,203

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

11. INVESTMENTS (continued)

Defined Contribution As at 31 October 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled investment vehicles	-	149,410	-	149,410

Defined Contribution As at 31 October 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled investment vehicles	-	114,917	-	114,917

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 of 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 objectives of the Scheme are:

- 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 Scheme provides as they fall due;
- To limit the risk of the assets being assessed as failing to meet the liabilities over the long term, having regard to any Statutory Funding requirement; and
- To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

11. 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 SIP.

The DB strategy as at 31 October 2021 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:

	Credit Risk	Market Risk Currency	Market Risk Interest Rates	Market Risk Other	2021 %	2020 %
Defined Benefits						
Equities	-	○	-	●	5.02	5.18
Fixed interest securities	○	-	●	-	29.52	19.50
Index linked securities	○	-	●	-	2.84	6.55
Pooled investment vehicles	○	○	○	○	57.09	62.06
Property	○	-	-	●	1.32	1.38
Derivatives	○	-	○	○	2.78	4.67
Funds with brokers	○	○	-	-	0.62	(0.21)
Cash	○	-	○	-	0.81	0.87
					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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

11. 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. Currency 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 DC section, and assets within the DB 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).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

11. INVESTMENTS (continued)

Concentration of Investments

The following investments account for more than 5% of the Scheme's net assets as at 31 October 2021:

	Market Value at 31 October 2021 £000	2021 %	Market Value at 31 October 2020 £000	2020 %
L&G Diversified Fund (*)	-	-	56,904	9.2
Insight Invnt Maturing Buy & Mntn Fnd 21-25 Cl B GBP	43,142	6.3	51,304	8.3
BNY Mellon Global Equity Fund	81,436	12.0	45,287	7.3
Threadneedle Dynamic Real Return Fund	43,801	6.4	44,508	7.2
Fidelity L&G Global Equity Fixed Weights 60/40 Fund (*)	-	-	37,303	6.0
PineBridge Global Dynamic Asset Alloc Fund	-	-	36,137	5.8
Stable Growth	43,149	6.4	-	-

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

Direct Transaction Costs

The purchase and sale of investments during the year resulted in net direct transaction costs amounting to £12,219 (2020 – £14,117).

12. AVC INVESTMENTS

The Trustees hold assets invested as part of the Scheme to secure 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 2021 was £2,420,359 (2020 – £2,514,181) and is included in the DB section of the Scheme assets.

13. CURRENT ASSETS

	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Taxation	5	-	5	30	-	30
Cash	4,801	2,677	7,478	4,399	3,480	7,879
Other debtors	716	34	750	1,351	34	1,385
	5,522	2,711	8,233	5,780	3,514	9,294

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2021

14. CURRENT LIABILITIES

	DB 2021 £000	DC 2021 £000	**Total 2021 £000**	DB 2020 £000	DC 2020 £000	**Total 2020 £000**
Taxation and social security	320	-	320	300	-	300
Unpaid benefits	788	9	797	58	285	343
Accrued expenses	588	34	622	522	22	544
Other creditors	70	9	79	22	34	56
Provision for pension back payments	6,600	-	6,600	8,000	-	8,000
	8,366	52	8,418	8,902	341	9,243

Provision for pension back payments
In 2019, a number of benefit calculations in relation to non-GMP Equalisation for pre-1988 male members were identified as being 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 2019 and was updated in 2021 following further investigative work, scheme specific legal guidance and the recent ruling in relation to the correction of GMP benefits (see Note 17). The provision shown is considered a prudent estimate.

15. SELF INVESTMENT

As at the Net Asset Statement date, no investments were held in shares of any of the participating employers (2020 – Nil). Included in investments at the year end are shares in an employer-related company as disclosed in note 11.

16. 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. Total fees due to the independent Trustee amount to £63,575 of which £17,500 relates to the current period (2020: £17,500). In addition, total fees due to another Trustee amount to £14,843 of which £7,600 relates to the current period (2020: £7,600). The Scheme does not reimburse the company for these expenses (as referred to in note 7). There have been no other related party transactions during the year (2020: Nil).

Four of the Trustees were members of the Scheme at the year-end (2020 – four). The contributions paid on behalf of these members were in line with the Schedule of Contributions.

Investment transactions with related parties are disclosed in “Employer related Investments” within Note 11 above.

17. CONTINGENT LIABILITIES

The recent ruling in relation to addressing past transfers during the GMP Reconciliation exercise means that past transfers (including payments made on a member’s death) need to be topped up by the transferring scheme. This ruling will increase the eventual liability, and also adds to the complexity of the calculations, so it remains impracticable to estimate the financial effect, timing or probability of such an uplift for GMP Reconciliation purposes. This same ruling applies to the correction of errors identified in relation to non-GMP Equalisation (see Note 14) but a prudent estimate of the effect has been included within the Provision for pension back payments.

18. POST BALANCE SHEET EVENT

The Scheme received £21m in additional contributions from RES on 28 March 2022 as per the agreed distribution matching mechanism. This together with the £3m received during the financial year means that RES has reached its cap in terms of distribution matching.

INVESTMENT REPORT FOR THE YEAR TO 31 OCTOBER 2021

Fund Valuation and Performance

As at 31 October 2021, the value of the Fund, was £681.6m, taking quoted assets at their market value. This represents an increase of £63.4m over the year.

The return for the Defined Benefit Section for the year to 31 October 2021 was 7.81%. The compound return for the three years ending on this date was 34.99% and the annualised return was 10.52%. The compound return for the five years ending on this date was 41.38% and the annualised return was 7.17%. A full investment report from the Investment Manager is included within the Appendix to these financial statements.

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 2021, the returns have varied between (5.5%) p.a. and 26.47% p.a. (for 1 year), between 0.1% p.a. and 9.7% p.a. (over 3 years) and between 0.2% p.a. and 6.9% 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. Separate SIPs are now issued for the Defined Benefit and the Defined Contribution sections, copies of which are available online at https://www.srm.com/pensions/.

The SIPs adopted in the year were amended in September 2020 for both sections of the Scheme. There have since been amendments made to the DB SIP in January 2022. 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 2021

This statement is produced in accordance with regulation 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 D). The Trustees carry out a general review of the SIP at least every three years and the latest DC SIP was issued in September 2020. The DC SIP covers policies regarding risk, return, monitoring, fees and responsibilities.

2. The DC Investment Strategy was reviewed in 2020 and new funds and a new default strategy were subsequently implemented. The new funds introduced either replaced existing funds and were considered more appropriate to the objectives of the Scheme or were in addition to other funds in order to provide Members with a wider choice. A new default strategy was also introduced as this was felt to be more in line with the wider flexibility available to Members when they start to access their benefits. In view of the implementation in 2020, no review of the default strategy has taken place during the Scheme year ending 31 October 2021.

3. 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 16 below).

4. The 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 a Long-Term Growth Fund until a Member is 28 years before their Retirement Age (which a Member can define) after which the funds are gradually moved over a five-year period into the Stable Growth Fund. When the Member reaches 16 years before Retirement Age, these funds are then transferred over a five-year period into the Cautious Growth Fund. When a Member reaches 3 years before Retirement Age, the funds are then gradually moved into the Retirement Focus Fund, so at the point of retirement all funds are invested in this Fund.

5. 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.

6. The Scheme Accounts (including the Chair's Statement) and SIPs are available on the SRM Company website on srm.com/pensions.

7. During the year, the roles of Secretary to the Trustees and Pensions Manager were separated in order to limit any conflicts of interest and utilise more appropriate resources. The Pensions Manager's role is now undertaken by the "Pensions Dept", being a Pensions Accountant who is overseen by the Head of Finance. Some of the processing has also been delegated to other pension-specific accountants.

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 2021 (Continued)

8. 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 Dept and reported quarterly to the Trustees. If an issue remains unresolved, then details are presented to the Trustees to consider further action. The processing of Member contributions is reconciled directly by the Pensions Dept in order to ensure timeliness and accuracy. Transfers in and out are monitored by the Pensions Dept 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.

9. 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.

10. 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 last reviewed in May2021 and concluded that this deduction remains appropriate. A further discussion of this charging structure is included in the Value for Members assessment.

11. The DC section of the Scheme has a bundled charging structure. The AMCs for the default strategy range between 0.29% and 0.37%. 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.

12. For the non-default funds, the AMCs range from 0.21% to 0.45% 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.

13. The Trustees have had regard to the relevant statutory guidance when preparing this statement, including the cumulative examples shown in Appendix B.

14. In addition to the AMCs noted above, the investment managers charge for explicit dealing costs (brokerage fees, taxes and levies). These average charges (by fund) range between 0.021% and 0.042% of the fund value for the default strategy funds and 0.00% and 0.300% for the non-strategy funds.

15. 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.

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 2021 (Continued)

16. 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 (as at 30th September 2021) were:

	One year's performance		
	Actual	Objective	Variance
	%	%	%
Retirement Focus	2.0	1.6	0.4
Cautious Growth Fund	6.8	5.3	1.5
Stable Growth Fund	13.3	6.3	7.0
Long-Term Growth Fund	18.2	7.3	10.9

The funds used do not have three-year performance histories as all were only established in September 2020. The one-year performance figures therefore also reflect the performance since inception.

The Variances for the Stable Growth Fund and Long-Term Growth Funds are being considered by the Trustees as the benchmarks initially established may require amendment. The Trustees continue to consider these funds as appropriate in terms of achieving the aims as outlined in 2 and 4 above.

17. 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 has included sessions on ESG and Triennial Valuation considerations. A Skills and Training Log has been developed and is maintained by the Secretary to the Trustees 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.

18. 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.

19. FIL Life Insurance Ltd, Hymans Robertson, Cardano Advisory Ltd (formerly Lincoln Pensions Ltd), CMS Cameron McKenna Nabarro Olswang LLP and River & Mercantile Solutions Ltd (post year-end: Schroders Investment 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. Note that in both cases above, the name changes follow a rebranding and do not reflect a change of advisor.

Signed for and on behalf of the Trustees of the Scheme on 31 May 2022 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: Implementation Statement
Appendix D: Statement of Investment Principles (DC Section), dated September 2020
Appendix E: Statement of Investment Principles (DB Section), dated January 2022

Further evidence available on request:

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

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
- Statement of Investment Principles DC Section, dated September 2020
- Quarterly Investment Reports
- DC member booklet

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. The deduction is constantly monitored, with the most recent formal review being in May 2021 and it was concluded that the costs to be covered by this charge were appropriate.

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 0.3% per annum, being the amount required to cover DC specific costs. The remaining charges (i.e. 1.2%) cover costs relating to the life assurance cover – both internally funded and an insurance stop-loss premium.

3. The Trustees, along with their Advisors, undertook a review of the objectives and strategy in order to provide Members with a wider and more appropriate options. This was implemented in 2020.

4. Investment returns are assessed by Trustees in liaison with their investment advisors 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. The most recent review of these charges (in May 2021) concluded that these remained appropriate. The Scheme operates a bundled investment portfolio which is managed by Fidelity who charge an AMC which varies by fund.
   During the year, some funds also charge explicit dealing costs, which include brokerage fees, taxes and levies and these range between 0.00% and 0.042% of the fund value.

   For the default DC funds, these charges are:

	AMC	Total (incl explicit costs)
Long Term Growth Fund	0.34%	0.36%
Stable Growth Fund	0.37%	0.41%
Cautious Growth Fund	0.36%	0.40%
Retirement Focus Fund	0.29%	0.31%

The AMCs for the remaining funds range from 0.21% to 0.45% (from 0.21% to 0.75% when including explicit costs).

Value for Members Assessment (continued)

The non-default funds consist of Annuity Focus Fund, Corporate Bond Fund, Ethical Fund, Global Equity Fund, Inflation Linked Annuity Focus Fund, UK Equity Fund, Cash Fund, Shariah Fund and Diversified Fund.

Some funds which were available prior to the 2020 review are only available to Members of the default strategy who decided not to transfer to the new default strategy. These funds will be withdrawn in 5 years.

For the old default DC funds, which as noted above, are still available for some Members, these charges (as at 31st October 2021) are:

Global Equity Index Weights (60:40) Fund	0.21%
Diversified Fund	0.30%
Pre-Retirement Fund	0.23%
Cash Fund	0.23%

The AMCs for the other funds range from 0.21% to 0.30% (from 0.21% to 0.31% when including explicit costs). 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
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 Secretary to the Trustees and a Pensions Dept 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"). For 2021, this split is approximately 0.30% for administration costs and 1.2% 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 in 2021 and concluded that the percentage charges remain appropriate.

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 Dept, Secretary to the Trustees and advisors 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 introduced in 2020.

Statement Regarding DC Governance

For the Twelve Months Ending 31 October 2021

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 those members invested in the default lifestyle 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 the default lifestyle option**

   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 option, switching between funds and subsequently redeeming assets upon retirement for each £1 of income invested is c.0.62% in a worst case scenario. This equates to an average of 0.02% per annum, as at 31 December 2021.

   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 "worst 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.

Statement Regarding DC Governance (continued)

The table below sets out the total "worst-case" transaction costs for each fund within the default lifestyle. Transaction costs are shown over the 12 months to 31 December 2021 and have been sourced from the Scheme's investment platform provider, Fidelity.

Movement between funds	Worst case cost
Buy Long Term Growth Fund	0.10%
Sell Long Term Growth Fund -> Buy Stable Growth Fund	0.16%
Sell Stable Growth Fund -> Buy Cautious Growth Fund	0.18%
Sell Cautious Growth Fund -> Buy Retirement Focus Fund	0.16%
Sell Retirement Focus Fund	0.02%
Total:	**0.62%**
Total (p.a.)	**0.02%**

Source: L&G (data, as at 31 December 2021), R&M Solutions (calculations, as at March 2022).
Assumption: (1) members join the Scheme 40 years from retirement
(2) price swings are all unfavourable to members
(3) no netting of trades occurs
(4) no investment return (i.e., the only effect on the amount invested is from transaction costs)

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.

	Fund	Frictional transaction costs 1 October 2020 to 30 September 2021[1]
Default Lifestyle Funds	Long Term Growth	0.05%
	Stable Growth	0.06%
	Cautious Growth	0.04%
	Retirement Focus	0.03%
Self-Select Funds	Annuity Focus Fund	0.01%
	Inflation-Linked Annuity Focus Fund	0.00%
	Cash Fund	0.01%
	Corporate Bond	-0.02%
	Ethical Fund	0.00%
	Global Equity	0.01%
	Shariah Fund	0.03%
	UK Equity Fund	0.01%
	L&G Global Equity Fixed Weights (60:40) Index Fund[2]	0.02%
	L&G Pre-Retirement[2]	0.01%
	L&G Diversified Fund[2]	-0.02%

Source: Fidelity (data for Long Term Growth, Stable Growth, Cautious Growth and at-retirement as at 31 December 2021, data for other funds as at 30 September 2021).

[1] Transaction costs are shown as at 31 December 2021 for the lifestyle funds and as at 30 September 2021 for the self-select funds. This is due to transaction cost data being produced on a quarterly basis and data availability at the time of reporting.

Statement Regarding DC Governance (continued)

The Total Expense Ratios (TERs) applicable to the funds underlying the default lifestyle, and the self-select options, as at 30 September 2021 are set out in the table below:

	Fund	Total Expense Ratio (TER) p.a.
Default Lifestyle Funds	Long Term Growth	0.36%
	Stable Growth	0.41%
	Cautious Growth	0.40%
	Retirement Focus	0.31%
Self-Select Funds	Annuity Focus Fund	0.23%
	Inflation-Linked Annuity Focus Fund	0.26%
	Cash Fund	0.23%
	Corporate Bond	0.23%
	Ethical Fund	0.35%
	Global Equity	0.21%
	Shariah Fund	0.75%
	UK Equity Fund	0.21%
	L&G Global Equity Fixed Weights (60:40) Index Fund[2]	0.21%
	L&G Pre-Retirement[2]	0.23%
	L&G Diversified Fund[2]	0.31%

Source: Fidelity (TERs for Long Term Growth, Stable Growth, Cautious Growth and at retirement as at 31 December 2021, TERs for other funds as at 30 September 2021).

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										
	Default Lifestyle Fund		**Cash Fund**		**UK Equity Fund**		**Global Equity Fund**		**Annuity Focus Fund**	
Years	*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	£13,400	£13,300	£13,100	£13,000	£13,500	£13,500	£13,500	£13,500	£13,100	£13,100
3	£19,800	£19,600	£18,600	£18,500	£20,400	£20,300	£20,400	£20,300	£18,900	£18,800
5	£26,400	£26,000	£24,100	£23,900	£27,600	£27,500	£27,600	£27,400	£24,600	£24,400
10	£44,200	£43,100	£37,600	£37,000	£48,000	£47,400	£48,000	£47,300	£39,200	£38,600
15	£63,500	£61,300	£50,900	£49,900	£71,700	£70,500	£71,700	£70,200	£53,800	£52,800
20	£84,900	£80,900	£65,400	£63,800	£100,800	£98,600	£100,800	£98,100	£70,100	£68,500
25	£107,600	£101,400	£79,700	£77,400	£134,500	£130,900	£134,500	£130,200	£86,700	£84,200
30	£130,400	£121,500	£93,900	£90,800	£173,500	£168,000	£173,500	£166,900	£103,500	£100,100
35	£153,800	£141,900	£108,100	£104,100	£218,500	£210,500	£218,500	£208,800	£120,600	£116,100
40	£175,800	£160,900	£122,100	£117,000	£269,300	£258,100	£269,300	£255,700	£137,700	£132,100

[2] As part of the changes implemented in 2020, the fund is no longer available for members to invest.

Statement Regarding DC Governance (continued)

Projected pension pot, in today's terms										
	Corporate Bond Fund		**Inflation-Linked Annuity Focus Fund**		**Shariah Fund**		**Ethical Fund**		**Diversified Fund**	
Years	*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	£13,100	£13,100	£13,100	£13,100	£13,500	£13,500	£13,500	£13,500	£13,500	£13,500
3	£18,900	£18,800	£18,900	£18,800	£20,400	£20,000	£20,400	£20,200	£20,400	£20,200
5	£24,600	£24,500	£24,600	£24,400	£27,600	£26,900	£27,600	£27,300	£27,600	£27,400
10	£39,200	£38,600	£39,200	£38,500	£48,000	£45,700	£48,000	£46,900	£48,000	£47,100
15	£53,800	£52,800	£53,800	£52,600	£71,700	£66,900	£71,700	£69,500	£71,700	£69,900
20	£70,100	£68,500	£70,100	£68,200	£100,800	£92,200	£100,800	£96,800	£100,800	£97,600
25	£86,700	£84,300	£86,700	£83,800	£134,500	£120,700	£134,500	£128,000	£134,500	£129,400
30	£103,500	£100,200	£103,500	£99,500	£173,500	£152,500	£173,500	£163,600	£173,500	£165,600
35	£120,600	£116,200	£120,600	£115,300	£218,500	£188,100	£218,500	£204,000	£218,500	£207,000
40	£137,700	£132,300	£137,700	£131,100	£269,300	£227,100	£269,300	£249,100	£269,300	£253,200

Projected pension pot, in today's terms										
	Long Term Growth Fund		**Stable Growth Fund**		**Cautious Growth Fund**		**Retirement Focus Fund**		**Old Default Lifestyle Fund***	
Years	*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	£13,400	£13,300	£13,300	£13,300	£13,300	£13,200	£13,200	£13,100	£13,500	£13,500
3	£19,800	£19,600	£19,500	£19,300	£19,400	£19,200	£18,900	£18,800	£20,400	£20,300
5	£26,400	£26,000	£26,000	£25,500	£25,600	£25,200	£24,800	£24,500	£27,600	£27,400
10	£44,200	£43,100	£42,900	£41,600	£41,800	£40,700	£39,500	£38,700	£48,000	£47,300
15	£63,800	£61,600	£61,100	£58,700	£59,000	£56,800	£54,600	£53,000	£71,700	£70,300
20	£86,900	£83,000	£82,200	£78,100	£78,700	£75,000	£71,300	£68,900	£100,800	£98,200
25	£112,100	£106,100	£105,000	£98,600	£99,500	£93,900	£88,400	£84,800	£134,500	£130,000
30	£139,800	£131,000	£129,400	£120,300	£121,500	£113,500	£105,900	£100,900	£173,500	£166,300
35	£170,100	£157,900	£155,600	£143,100	£144,700	£134,000	£123,800	£117,100	£218,500	£207,700
40	£202,700	£186,200	£183,200	£166,800	£168,900	£154,900	£141,900	£133,400	£248,400	£234,500

***The old Default lifestyle fund (closing December 2025)**

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 for the funds implemented in 2020 and 4 years of data for the legacy funds 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:

Statement Regarding DC Governance (continued)

	Fund	Real accumulation rate per annum (gross of charges)
Default Lifestyle Funds	Long Term Growth	1.1%
	Stable Growth	0.6%
	Cautious Growth	0.2%
	Retirement Focus	-0.7%
Self-Select Funds	Annuity Focus Fund	-0.9%
	Inflation-Linked Annuity Focus Fund	-0.9%
	Cash Fund	-1.6%
	Corporate Bond	-0.9%
	Ethical Fund	2.4%
	Global Equity	2.4%
	Shariah Fund	2.4%
	UK Equity Fund	2.4%
	L&G Global Equity Fixed Weights (60:40) Index Fund[3]	2.4%
	L&G Pre-Retirement[3]	-0.9%
	L&G Diversified Fund[3]	2.4%

Source: Fidelity (data, as at 31 December 2021), R&M Solutions (calculations, as at March 2022).

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.

Net investment returns

From 1 October 2021, the Trustees are required to calculate and state the return on investments from the Scheme's default and self-select funds, net of transaction costs and charges. The Trustees should include as a minimum the net return for the scheme year or longer where possible.

The information set out below shows the net performance for the funds in which members were invested or have been able to invest during the scheme year. The performance has been calculated using the method provided in the Department for Work and Pensions' guidance ("The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations'), published in June 2021.

Default strategy

Age of member in 2021 (years)	2 years (p.a.) (1 Oct 2019 - 31 Oct 2021)	1 year (1 Oct 2020 31 Oct 2021)
25	16.4%	21.4%
45	12.5%	15.4%
55	7.6%	8.3%

Old Default strategy*

Age of member in 2021 (years)	2 years (p.a.) (1 Oct 2019 - 31 Oct 2021)	1 year (1 Oct 2020 31 Oct 2021)
25	7.9%	32.8%
45	6.9%	14.7%
55	6.9%	14.7%

***The old Default lifestyle fund (closing December 2025)**

[3] As part of the changes implemented in 2020, the fund is no longer available for members to invest.

Statement Regarding DC Governance (continued)

Self-select funds

Self-select Funds	2 years (p.a.)	1 year
Annuity Focus Fund	1.8%	-2.9%
Inflation-Linked Annuity Focus Fund	2.1%	1.6%
Cash Fund	0.0%	-0.2%
Corporate Bond	2.8%	-2.9%
Ethical Fund	18.5%	32.8%
Global Equity	22.7%	31.5%
Shariah Fund	17.0%	25.9%
UK Equity Fund	4.4%	35.6%
L&G Global Equity Fixed Weights (60:40) Index Fund[4]	7.9%	32.8%
L&G Pre-Retirement[4]	1.8%	-2.9%
L&G Diversified Fund[4]	6.9%	14.7%

The scheme was transferred to Fidelity in late 2018 and therefore the net performance data is available from the date of transition onwards.

[4] As part of the changes implemented in 2020, the fund is no longer available for members to invest.

Schroders solutions

Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme (‘Scheme’)

Implementation Statement
31 October 2021

March 2022

1. Introduction

The Trustees are required to make publicly available online a statement ("the Implementation Statement") covering both the Defined Contribution ("DC") and Defined Benefit ("DB") sections of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme (the 'Scheme') in relation to the Scheme's Statement of Investment Principles (the "DB SIP", the "DC SIP").

The DB SIP was reviewed in September 2020, November 2021 and January 2022 with no further changes occurring during the year ending 31 October 2021. The DC SIP was reviewed and updated in March 2021 to account for the Scheme investment changes implemented in late 2020.

The DB Section SIP and DC Section SIP therefore fulfil the commitment to review them at least every 3 years.

A copy of the current DB SIP signed and dated January 2022 and DC SIP signed and dated September 2020 can be found on www.srm.com/pensions.

This Implementation Statement covers the Scheme year from 1 November 2020 to 31 October 2021 (the "Scheme Year"). It sets out:

- how, and the extent to which, in the opinion of the Trustees, the Scheme's SIPs have been followed over the Scheme Year;
- details of any review of and/or changes made to the SIP over the Scheme Year as a result of such a review, explaining the reasons for those changes;
- how the Trustees' policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- the voting by or on behalf of the Trustees during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A copy of this Implementation Statement is available on the following website: www.srm.com/pensions

Defined Benefit Section

The Trustees are ultimately responsible for the investment of the DB Section's assets. Where they are required to make an investment decision, the Trustees always receive advice from the relevant advisers first and the Trustees believe that this ensures that they are appropriately familiar with the issues concerned. The Trustees also set the investment strategy and general investment policy but have delegated the day-to-day investment of the Scheme's assets, within pre-defined constraints to professional investment managers.

The Trustees have appointed Schroders Investment Solutions ("Schroders IS") Limited (formerly: River and Mercantile Investments Limited), as its Investment Manager, delegating a proportion of the DB Section's assets to its Fiduciary Management service (and is referred to as the "Fiduciary Manager" in this Implementation Statement) while retaining discretion over the remaining assets.

As set out in the DB SIP, the Trustees' approach to investment strategy is to allocate the assets into three pools – Liability Hedging Assets, Growth Assets and Cashflow Matching Credit Assets. The investment objective is then translated into the strategy and assets are allocated to these three components:

- Liability Hedging assets, which aim to match the DB Section's liabilities. Assets are invested in, but not limited to fixed interest gilts, index-linked gilts and swaps. Ongoing management and levels of liability hedging have also been delegated to Schroders IS, within the parameters agreed with the Trustees.
- Growth Assets, which aim for return generation but have 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 Growth Assets are held in two separate portfolios. Asset allocation and ongoing management of the Discretionary Investment Fund are largely delegated to Schroders IS, whereas the asset allocation within the Advisory Investment Fund is retained by the Trustees under advice from Schroders IS.
- A Cashflow Matching Portfolio that is intended to manage the DB Section's need to generate cash over time to pay pensioners. This allocation invests in global investment grade corporate bonds that will pay coupon and maturity proceeds at a broadly appropriate time in the future. This is expected to reduce the need to sell other assets over the short to medium term.

The overall level of the Trustees' investment objective influences the split of assets between these three components. To target the investment return objective, the Trustees allocate to each portfolio in varying degrees and these splits are reviewed over time.

Defined Contribution Section

The Trustees delegate the day-to-day management of the assets to various investment managers and are accessed through the Fidelity Life platform. The platform manager's key responsibilities are listed within the DC SIP.

Over the Scheme Year, the Trustees have not been made aware of any breaches of internal operating procedures and remain comfortable with the appointment of Fidelity as platform manager. Aspects of implementation related to administration, investment of contributions and transitions are reviewed annually by the Trustees in their Value for Members assessment. This was carried out in full during the Scheme Year and details of this are set out in the Chair's Statement corresponding to this Scheme year end.

2. Trustees' review of the SIP and summary of changes to the SIP during the Scheme Year

The DB SIP was reviewed in September 2020 (additional policy wording on corporate governance and stewardship), November 2021 (addition of detail on the Cashflow Matching Portfolio) and January 2022 (to describe liability hedging more accurately) with no further changes occurring during the Scheme Year ending 31 October 2021.

The Trustees last reviewed and updated the DC SIP in March 2021 to account for the Scheme investment changes implemented in late 2020.

As such the Trustees have fulfilled their obligation to review the Scheme's SIPs at least every 3 years. The review process involved consideration of the SIP with the Trustees' advisers as well as having consulted with the Sponsoring Employer.

There were no other changes to the SIPs during the 2021 Scheme Year.

3. Implementation of the Trustees’ SIPs during the Scheme Year

In this section, we summarise the most significant activities undertaken in relation to the SIP, as amended through the Scheme Year, and in turn describe the actions and decisions taken by the Trustees over the period and the extent to which these align with the beliefs and policies stated within the SIP.

Policies relating to the Scheme which the Trustees considered the most material in the Scheme Year

Policy	Trustees actions over the Scheme Year
Investment objectives	**DB Section:** The Trustees have set a series of qualitative and quantitative objectives for the DB Scheme in the DB SIP primarily relating to the actuarial funding of the DB Scheme. The Trustees have previously reviewed performance metrics and updated actuarial information from the Scheme Actuary each quarter and is satisfied with the performance of the strategy versus its objectives over the year, primarily focusing on continuing to improve the DB Scheme’s funding level on the Technical Provisions basis. **DC Section:** The Trustees’ Scheme objectives set out in the SIP are to: ▪ provide a pension plan which aims to deliver valuable benefits into retirement. ▪ help members manage the risks they face as far as possible. ▪ provide members with a suitable range of investment options to enable them to tailor investment strategy to their needs. The Trustees concluded the most recent review of the default strategy and the self-select fund range in March 2020. The self-select fund range changes were implemented in August 2020, with changes to the default lifestyle implemented in December 2020. The Trustees are comfortable that the investment strategy is in the best interests of the DC Section membership and the objectives as set out in the DC SIP.
Investment governance	The Trustees have governed the Scheme in line with the SIPs and have complied with the requirement to review these SIPS at least once every 3 years (as outlined in Section 2). **DB Section:** The Trustees met 4 times over the year to discuss investment matters. This has allowed the Trustees to make the important decisions on investment policies, while delegating the day-to-day aspects to the appointed Fiduciary Manager and the Underlying Investment Managers, as appropriate. There have been no changes to the Scheme’s investment governance policy over the Scheme Year as a result of these meetings. **DC Section:** The day-to-day management has been delegated to the Platform Manager, Fidelity (who provide the platform for member investments) and the Underlying Investment Managers. Where they are required to make an investment decision, the Trustees receive written advice from the relevant advisers and all decisions are recorded in meeting minutes.
Corporate Governance	The SIP sets out how the Trustees delegate responsibility around corporate governance and stewardship to the Fiduciary Manager. The Trustees believe

and Stewardship	that the specific policies set out in the SIPs have been complied with this year based on the below (and see also section 4 on Engagement). **DB Section:** Schroders IS, as investment adviser and fiduciary manager, reviews underlying managers on a regular basis and at least every 3 years. These reviews incorporate benchmarking of performance and fees, as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. Operational due diligence reviews, along with many areas, include review of the governance structure, portfolio turnover, conflicts of interest, ESG and stewardship policies (including engagement and voting policies). Over the Scheme Year, there were no significant issues with any of the Scheme's Investment Managers following these reviews. The Trustees have set their investment adviser a set of objectives in relation to their services. These objectives cover: demonstration of value added (including integration of ESG to achieve this), delivery of specialist services, proactivity of advice, scheme management and compliance and service standards. The Trustees reviewed Schroders IS performance against these objectives and were satisfied with the performance of the investment adviser over the Scheme Year. For the DB Section, the Investment Managers were reviewed quarterly over the Scheme Year with regard to performance against objectives. **DC Section:** Fidelity provides quarterly investment reports which show investment performance over a number of periods and comparisons against a benchmark, together with a market review. A summary of these results is reviewed by the Trustees at their quarterly meetings.
Financially material factors specifically ESG and climate change	The Trustees attribute appropriate weight to ESG factors (and stewardship) when considering changes to the investment strategy and in appointing and reviewing investment managers. The Trustees' expectations for any current or future investment manager depends on the asset class involved, the degree of discretion given to the investment manager, and the time horizon over which the Trustees expect to hold the investment. The SIPs were updated in 2019 and 2020 to reflect new regulatory requirements relating to financially material factors (including ESG and climate change). The Trustees are satisfied it has complied with this policy through the year. **DB Section:** The Trustees include these factors in all investment decisions and did so for the changes to the DB investment strategy (detail set out in the following DB section). The Fiduciary Manager who takes investment decisions on behalf of the Trustees is expected to follow the Trustees' SIP in respect of financially material factors specifically ESG and climate change. The Trustees receive and review quarterly monitoring reports which include a matrix of ESG scores of the Scheme's Discretionary Investment Fund including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio. The Fiduciary Manager considers the impact on the ESG characteristics and climate change at a total portfolio level and implications for risk and return on investments.

	When the Fiduciary Manager invests the Scheme's assets in equities, it typically uses a mandate where it can directly invest to take account of relevant factors such as ESG. For example, in its primary equity mandate with BNYM, an Underlying Investment Manager, the Fiduciary Manager seeks to avoid investing in companies with poor or worsening ESG credentials, where ESG represents a risk to the value of the investment and seeks to invest in those companies with good or improving ESG credentials, where ESG represents an opportunity for investment growth. As examples, the Fiduciary Manager excluded a United States Healthcare provider due to poor safety issues and excluded a European pharmaceutical firm over poor corporate governance. The Trustees have reviewed examples of such avoidance and inclusion within ESG training sessions over the Scheme Year and are satisfied that their policies in the SIP are being adhered to. Another ESG focused credit fund was introduced into the Scheme's portfolio over the Scheme Year. Where Schroders IS selects or advises on Underlying Investment Managers and it cannot directly allow ESG factors, how an Underlying Investment Manager evaluates ESG factors and mitigates ESG risks forms an important part of its evaluation at both investment and operational due-diligence stages. This may lead to the exclusion of potential Underlying Investment Managers (as explained above). In November 2021 (post Scheme year-end), the Trustees attended a Schroders IS training session on how the ESG policies in the SIP are implemented in practice from both Fiduciary Manager and Underlying Investment Manager perspectives. Voting and engagement examples were provided and discussed with the Trustees. The Trustees were satisfied with the approach taken by the Fiduciary Manager and Underlying Investment Managers and will review again in the next Scheme Year. ESG factors are fully integrated into the Discretionary Investment Fund assets and the Trustees have set Schroders IS specific investment consultant objectives that include an objective on integrating ESG (including climate change) and stewardship factors in the appointment of managers. The Trustees review ESG analysis, including ESG scores and carbon emissions data as part of the quarterly monitoring report (in relation to the DIF) for the DB Section. The Trustees received formal ESG and climate change training in 2021 for both the DB and DC sections. **DC Section:** The Trustees delegate the day-to-day consideration of financially material factors to the Investment Managers who consider these when constructing their portfolios. The Investment Manager, who takes investment decisions on behalf of the Trustees, is expected to follow the Trustees' SIP in respect of financially material factors, specifically ESG and climate change. ESG factors and stewardship are considered in the context of long-term performance, by the Trustees as part of the Investment Manager selection criteria. 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.

	As part of the formal ESG and climate change training in 2021, the Trustees are undertaking ongoing discussion to introduce a suitable ESG option within the self-select fund range
Monitoring	**DB Section:** The Trustees monitored the overall strategy and funding level at least quarterly over the year along with the performance of the underlying managers. The Trustees with their advisers take an integrated approach to the ongoing monitoring and consider the Scheme's funding level and sponsor covenant. The Trustees, with Schroders IS, monitor the performance of the Investment Managers against the agreed performance objectives and regularly review the activities of the Investment Managers to satisfy themselves that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the DB Section. Monitoring is provided in the DB quarterly investment governance reports or property assets monitoring reports presented at each quarterly Trustee meeting. **DC Section:** For the DC Section the Trustees monitored the underlying managers within the default strategy and the full self-select fund range. Fidelity provides quarterly investment reports which show investment performance over a number of periods and comparisons against a benchmark, together with a market review. A summary of these results is reviewed by the Trustees at their quarterly meetings.
Risk management	The Trustees manage risk in aggregate through a Risk Register, which is reviewed quarterly in detail by the relevant sub-committee. The full Trustee board is informed of any material issues but also review in detail different sections of the Risk Register on a cyclical basis. This ensures that all sections are covered in any 12-month period and this was the case over the Scheme Year to 31 October 2021. **DB Section:** For example, the Trustees addressed risks related to cashflow requirements by investing in a cashflow matching strategy in 2020. The Value at Risk measure was used to determine the level of risk before and after, the change to the strategy reduced overall Value at Risk and reduced the strain on disinvesting from invested assets to cover benefit outgoings. The Trustees continue to hold a segregated liability hedging portfolio to manage interest rate and inflation risks. In April 2020 and January 2022, the Trustees reviewed these risks and increased the liability hedging ratios to reduce risk to the funding level. **DC Section:** The DC SIP sets out how risks are monitored and managed. The Trustees are satisfied that risks are monitored in line with the SIP on the basis set out below. The Trustees set investment guidelines for the Investment Adviser which cover a range of risks to manage which are mitigated by minimum or maximum amounts of diversification, liquidity and counterparties. The Investment Adviser has operated within these restrictions throughout the Scheme Year. The Trustees have monitored the Investment Adviser against the investment guidelines on a quarterly basis through quarterly

	monitoring reports provided by Fidelity and are satisfied that the guidelines have been adhered to on the basis of those reports.
Non-financially material factors	The Trustees do not at present take into account non-financial material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold.
Investment strategy and Strategy Implementation	**DB Section:** During the Scheme Year the Trustees reviewed various aspects of the DB investment strategy. As a result of the review and with advice from Schroders IS, the Trustees took the following steps: • Changes to the composition of the Advisory Investment Fund in November 2020 and July 2021 • Reduction in allocation to growth assets from 70% to 60% to reduce risk and the return target from Gilts+2.25% p.a. to Gilts+2% p.a. in conjunction with the conclusion of the 2018 Valuation process. In making these decisions the Trustees paid particular attention to the balance between different kinds of investment, overall expected return and investment risks, including liability matching and cash flow risk specifically. The Trustees also formally reviewed the liquidity of the investment portfolio during the Scheme Year. **DC Section:** The Trustees concluded the most recent review of the default strategy and the self-select fund range in March 2020. The self-select fund range changes were implemented in August 2020, with changes to the default lifestyle being implemented in December 2020. The Trustees are satisfied that the changes will: ▪ improve the balance of risk and return ▪ maintain sufficient diversification ▪ enhance the ESG characteristics of the overall strategy ▪ maintain the balance of active vs passive management ▪ maintain sufficient liquidity ▪ improve the likely outcomes for members overall The Trustees are comfortable that the investment strategy reflects the needs and is in the best interests of the DC Section membership and the objectives as set out in the DC SIP.

4. How the Trustees' policies on exercising voting rights and engagements have been followed over the Scheme Year

The Trustees made no changes to the voting and engagement policies contained in the SIP during the year but keep this under review.

For the DB sections, the Trustees have appointed Schroders IS, as its Investment Adviser and, for a proportion of the DB assets, its Investment Manager using its Fiduciary Management service (and is referred to as the "Fiduciary Manager" in the Implementation Statement). Within this section of the DB portfolio, the Fiduciary Manager can appoint other investment managers in respect of underlying investments (referred to as “Underlying Investment Managers”).

As part of the last DC strategy review carried out in 2020, the review included consideration of suitable managers for which Schroders IS carries out monitoring of voting and engagement. The Trustees believe that through the oversight Fidelity currently provide of those managers during the year to 31 October 2021, they have followed their policy on voting and engagement as set out in the Statement of Investment Principles.

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Underlying Investment Managers where the Scheme’s investments are pooled with other investors. Therefore, direct control of the process of engaging with the companies that issue the underlying securities is delegated to those Underlying Investment Managers.

Defined Benefit Section

A copy of the SIP has been provided to Schroder IS (in their capacity as Investment Adviser and Fiduciary Manager) and it is expected to adopt that approach to corporate governance and to other financially material considerations when providing Fiduciary Management services and/or in selecting Underlying Investment Managers.

The Trustees require that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (“ESG”) factors including climate change when choosing new or monitoring existing Underlying Investment Managers. The Trustees believe it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. The Trustees have therefore not sought to influence voting behaviours and do not intend to change their position at this time.

During the Scheme Year the Trustees have carried out the following activities in relation to these policies:

- The Fiduciary Manager provided the Trustees with monitoring of the ESG characteristics including TCFD (“Taskforce for climate-related financial disclosures”) carbon metrics on the Discretionary Investment Fund on a quarterly basis. The Trustees are satisfied with the Fiduciary Manager’s activity in this area.

- On behalf of the Trustees, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustees with the help of the Fiduciary Manager, monitor the performance of the Underlying Investment Managers against the agreed performance objectives at quarterly Trustee meetings. The Scheme held 4 Trustee meetings during the Scheme Year which included this monitoring.

- The Trustees also conducted an ESG beliefs survey during the Scheme Year. This highlighted the Trustees desire for more training on some of the more specific areas of ESG, including Climate

Change, consideration of more bespoke additional reporting and to schedule at least one session per year dedicated to ESG.

- Subsequently, the Trustees received additional training on Climate Risk/TCFD regulations in November 2021 (post Scheme year-end). While these exercises did not result in a change in the Trustees' policies on voting rights and engagements, they allow the Trustees to better understand the beliefs of the group and the requirements to update governance documentation for climate-related regulation in the coming years.

Defined Contribution Section

The DC Section of the Scheme's investments is made via pooled investment funds via the Platform Manager, Fidelity, 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, monitoring and voting, whether for corporate governance purposes or other financially material considerations, is delegated to the Underlying Investment Managers.

The Trustees have delegated responsibility for monitoring and voting on decisions relating to their underlying manager holdings to Fidelity, which implements its fund voting policy i.e. at the fund manager level Fidelity hold voting rights, at the underlying company/stock level the Underlying Fund Manager holds the voting and engagement rights.

This statement includes information on Fidelity's voting and engagement record (with respect to the DC Section and voting on at the fund manager level) as well as those of the underlying managers. Where proxy voting agents have been used, this has been included in the voting information. This summary has been completed over the year to 31 October 2021.

The Trustees have reviewed the voting and engagement activity carried out by its Fiduciary Manager (DB only) and Underlying Investment Managers (DB and DC) during the Scheme Year, and a summary is provided in the next section.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustees believe that it has acted in accordance with each Statement of Investment Principles over the Scheme Year.

5. Voting and Engagement Summary

The Scheme's investments are predominantly made via pooled investment funds, in which the assets 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.

Defined Benefit Section

Within the Advisory Investment Fund (30% of total assets), the Trustees have set out their intent that, where appropriate, they require their managers to adopt an active approach to corporate governance. 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. Where there is no investment manager, the Trustees vote and engage directly where applicable, for example with regard to the direct holdings and PFI/property-related assets held in the Advisory Investment Fund.

The Trustees have also appointed Schroders IS as Fiduciary Manager to manage half of the Scheme's growth assets (30% of Total Assets) in the Discretionary Investment Fund. This statement includes information on both the Fiduciary Manager's voting and engagement record as well as those of the underlying managers (across both the Advisory and Discretionary Investment Funds).

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

   The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustees in line with a voting policy that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund.

2) The Underlying Investment Managers exercise voting rights in the underlying securities and engage with the company issuing the security manager in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, BNYM, uses a proxy voting company called Institutional Shareholder Services ("ISS") to exercise these rights on its behalf and monitors ISS's activities accordingly. Similarly, Vanguard and BlackRock also use the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

   The Trustees have considered the voting behaviour (details from the largest holdings is provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth, cashflow matching credit and the liability hedging portfolios and are pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustees noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment manager showed they carried out a good level of engagement activities over the Scheme Year.

- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The most common themes of the voting and engagement activity were in relation to environmental issues, climate strategy in particular. Executive pay, board diversity and improving social outcomes were the other main themes identified.
- Within the BNYM Global Equity Fund, which makes up the majority of the Scheme's investments in return-seeking assets in the Discretionary Investment Fund, the Trustees noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with an insurance company. The discussion focused largely on executive compensation and environmental efforts. This engagement with the company allowed BNYM to explain their rationale for voting against its compensation proposal and outlined their expectations for improvements going forward. In addition, the meeting also provided BNYM with a better understanding of the company's environmental goals. Other examples are included in the Appendix.
- For the largest mandate within the return-seeking credit assets, engagement on improving social outcomes was noted as a significant example. The manager engaged with a leading manufacturer and distributor of blood testing equipment. They worked with senior management to encourage the company to develop social targets in addition to its existing environmental focus and to increase product distribution to at risk/at-need populations globally through donations of refurbished equipment. The manager also worked with the company to understand the impact the COVID-19 crisis would have on its long-term business strategy. They viewed the company's ability to deliver these solutions and products globally as a positive for society that would also boost the company's credit profile.
- For the Cashflow Matching Credit mandate, an example of the Scheme's manager Insight's engagement with a car manufacturer was noted. Insight has been in close contact with the company and has been monitoring the numerous steps the company has taken to improve product quality, governance and corporate structure, in particular the ESG topics. Insight engaged with the company during its ESG roadshow. The meeting was extremely thorough with the discussion covering a broad array of ESG topics. This engagement confirmed that the company is making genuine efforts towards improving their ESG profile. Other examples are included in the Appendix.
- In relation to the liability hedging, the Trustees noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored. The liability hedging manager also invested on Scheme's behalf in green gilts and this is seen as a vote in favour of the UK Government's commitments to achieving the Paris Agreement goals.
- River and Mercantile Investment Limited ("RAMIL") which was the legal entity of the Fiduciary Manager applicable over the Scheme Year, is a signatory to the UK Stewardship code 2020. RAMIL has since been acquired by Schroders from 1 February 2022 – who are also a signatory to the UK Stewardship Code.

Defined Contribution Section

The key areas the Trustees note from voting and engagement activity across their underlying managers are set out below. Voting activity is set out in the Appendix and engagement activity over the year has been collated separately with a summary provided here:

- Most managers were able to provide evidence of high levels of engagement activity.
- The general theme over the Scheme Year was on environmental issues and climate strategy. Executive pay and board diversity were the other main themes identified.
- Each relevant manager demonstrated very high levels of voting rights being acted on.
- Challenges to management were demonstrated through votes against them.
- Significant votes provided were typically in relation to board remuneration.
- Fidelity (DC platform) did not vote on behalf of the Trustees. This is due to their policy not to vote at the fund level as they cannot represent all their underlying investors that way. This is common practice in the industry.
- LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.

The Trustees are satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers are in line with the Trustees' policies contained in the SIPs and that no changes are required to these policies at this time. The Trustees will keep the position under review.

Appendix 1 – DB Voting statistics

1. Voting by the Fiduciary Manager in relation to underlying pooled funds held on behalf of the Trustees in the DB Section

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment through pooled funds managed by Underlying Investment Managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustees and we cover these here.

Over the year to 30 September 2021, The Fiduciary Manager voted on 174 resolutions across 48 meetings. The Fiduciary Manager voted against management on 10 resolutions which was 6% of total resolutions and abstained on 5 resolutions (3% of the total resolutions).

The Schroders IS Investment Research team engaged with Underlying Investment Managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

The following provides an ongoing engagement example where the Fiduciary Manager voted against the reappointing of the fund board due to independence concerns and details how the Fiduciary Manager progressed the engagement over time to reach a point where they are able to support the Company's board.

The engagement related to an umbrella company domiciled in Luxembourg, run by a large global investment manager. Schroders IS first raised concern on the lack of independent fund board members in the Operational Due Diligence onsite visit in October 2018. In April 2019 and 2020, Schroders IS voted against a resolution reappointing 100% non-independent directors. In 2020 a non-executive director was nominated for appointment; however, Schroders IS again felt unable to support the resolution as they had been engaging on the basis of a minimum of 2 independent directors and the non-executive was also not fully independent as a partner at the legal advisor to the fund. The 2021 Annual General Meeting notice included a resolution to appoint an independent director with significant regulatory experience, Schroders IS felt it appropriate to conclude that the fund had reached Schroders IS's minimum threshold of two independent directors and to support the board resolutions.

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustees

There are c.50 Underlying Managers within the DB Section's portfolio. Set out below are the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity (DIF), BlackRock Aquila Life Global Developed Fundamental Weighted Index Fund (AIF), BlackRock Asset Management Aquila Life World Fund (AIF) and the Threadneedle Dynamic Real Return Fund (AIF).

Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio are outlined below in section 3 and have been noted by the Trustees.

Mandates consisting of over 2.5% of Total Assets at year-end are as follows:

Asset Class	Portfolio	Fund	% of Scheme (as at 31 Oct 21)
Equity	Discretionary IF	BNY Mellon - Global Equity Fund (bespoke)	15.4
Equity	Advisory IF	BlackRock - Aquila Life Global Developed Fundamental Weighted Index Fund	4.2
Multi Asset	Advisory IF	Threadneedle Dynamic Real Return Fund	8.8
Credit	Cashflow Matching	Insight Investment Maturing Buy & Maintain Bond Fund 2021-2025	8.2
Equity	Advisory IF	BlackRock - Aquila Life Global Developed Fundamental Weighted Index Fund	4.2
Equity	Advisory IF	BlackRock Asset Management Aquila Life World Fund	4.3

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund (DIF)	BlackRock - Aquila Life Global Developed Fundamental Weighted Index Fund (AIF)	Threadneedle Dynamic Real Return Fund (AIF)	BlackRock Asset Management Aquila Life World Fund (AIF)
Total meetings eligible to vote	1,007	642	368	1,055
Total resolutions eligible to vote	13,438	9,681	4,694	14,903
% of resolutions did you vote on for which you were eligible?	88%	90%	100%	88%
% voted with management?	89%	91%	91%	90%
% voted against management?	7%	8%	7%	9%

% abstained	0%	1%	3%	1%
% of resolutions, on which you did vote, voted contrary to proxy adviser? (if applicable)	2%	n/a	n/a	n/a

Note:

- BNYM and BlackRock use Institutional Shareholder Services, "ISS", for proxy voting services.
- Data covers the period the year to 30 September 2021, with the exception of Threadneedle covering the period from January 2021 to December 2021.

3. Examples of most significant votes and engagement carried out by the Underlying Investment Managers

BNYM Global Equity Fund

VUZIX CORPORATION

As of September 2020, women hold 22.6% of the board seats of the companies held in the Russell 3000. However, there are no female directors currently serving on Vuzix's board. BNYM believe the Nominating and Governance Committee Chair is responsible for ensuring board diversity. As such, BNYM withheld our vote for the director due to the board's lack of gender diversity.

WALMART, INC.

BNYM voted for a shareholder proposal requesting that Walmart publish a report on the impact of single-use plastic bags. In terms of phasing out plastic bags, in BNYM's view Walmart does not lag its peers in the retail industry, but it lags its peers in the grocery sector. BNYM hold companies to a high environmental standard and believe this proposal will result in Walmart acknowledging the positive impact it can have through the elimination or reduction of single-use plastic bags.

THE PROCTER & GAMBLE COMPANY

BNYM believe that Procter & Gamble lags its peers in terms of deforestation commitments and policies that monitor supplier actions. The company has been accused of contributing to the destruction of forests that have high wildlife and climate change value. The lack of information presents potential competitive and reputational risks to the company. As a result, BNYM voted for a shareholder proposal requesting the company report on efforts to eliminate deforestation. BNYM will continue to engage with the company to ensure that the lack of reporting is adequately addressed.

SCANDINAVIAN TOBACOO GROUP A/S

In April 2021, BNYM voted against a proposal approving a remuneration report. The report although is broadly in line with Danish best practice in terms of disclosure and content, however, given the CEO receives significant payments from the abolishment of an early-retirement scheme related to a prior contract, BNYM considered the remuneration inappropriate and voted against it.

CASSIOPEA SPA

In April 2021, BNYM voted against a proposal to fix the number of directors and approval of remuneration of directors. BNYM believe it is beneficial for directors to be elected each year. BNYM maintain that a board that is refreshed annually is often best equipped with fresh viewpoints and counsel.

ORACLE CORPORATION

BNYM withheld their vote for a director because the nominee owns a large stake in the company and pledged what BNYM believe is a disproportionate number of shares against that stake. Stock pledging can have a negative impact on the company. Should market conditions deteriorate, sudden forced selling could create an inordinate amount of technical pressure on a company's stock.

ORCHID ISLAND CAPITAL INC.

BNYM voted against a director because the nominee was the CFO and Secretary but held less than 1% voting power. BNYM's policy does not support any company employee occupying a board seat unless that employee is the CEO or holds at least 1% voting power. The role of the board of directors is to ensure that the company is managed in accordance with the best interests of shareholders. The interests of a non-CEO employee who does not have a significant ownership stake may not always fully align with shareholder interests. Thus, BNYM believe in the separation of non-CEO employees without a significant ownership stake from company boards.

Insight Investment Maturing Buy & Maintain Bond Fund Range

HSBC

Background - HSBC has an Insight Prime ESG score of 2 and a climate risk rating of 3. Both ESG score and climate risk rating are scored from 1 to 5 with 1 being the strongest against peers (and 5 being the weakest). Given their global reach, there is a lot of potential for them to have an impact in some of the 'dirtier' parts of the global economy. HSBC have recently introduced a target to reach net zero carbon financing by 2050 and net zero of their own scope 1 & 2 and supply chain emissions by 2030. Although this sounds acceptable, this is slower than their peer group. A large percent of their real estate is in Hong Kong which is reliant on coal for electricity.

Engagement - Although HSBC see reaching net zero by 2050 as a minimum, Insight analyst engaged with them on introducing intermediate targets. There are currently no business level targets around emissions, but this is something that they recognise they need to put in place.

Results - HSBC are reviewing the introduction of intermediate targets for net zero. Given the Senior management have incentives linked to ESG metrics Insight are expecting to see continued improvement. Insight continues to hold HSBC's bonds within portfolios with a further review undertaken by September 2022 at the latest.

TRANSPORT FOR LONDON (TfL)

Background - TfL expanded the Ultra-Low Emission Zone in 2021 which is expected to reduce traffic further in central London. The Underground is fully electric and the focus for TfL is how they can explore lower carbon electricity sources like offshore wind.

Engagement - Insight engaged with TfL to discuss their overall carbon transition plans and their overall ESG strategy. Discussions started with asking about their transition plans for their bus fleet. They have the largest bus fleet in the world and are targeting a fully electric fleet by 2037. The rationale for the long transition period is the £1bn cost to scrap the bus fleet earlier and have 7 to 14 year private lease contracts. TfL also pointed out they are trialling hybrid buses and electric buses already.

Results - The engagement confirmed that TfL are making convincing strides to transition to a lower carbon footprint. Covid has hit TfL hard to near term plans to issue a green bond to help with this transition has been temporarily shelved.

DNO

Insight questioned gas flaring with DNO several years ago. DNO has now become the first company in Kurdistan to reinject gas into reservoirs and continues to invest in gas reinjection despite initial Kurdish Government objections due to cost. Insight's active engagement meant that DNO has set an ambitious target to cap its Scope 1 and Scope 2 carbon intensity at one half of the Oil and Gas Climate Initiative (OGCI)'s figure on a five-year moving average basis through 2030.

BlackRock - Aquila Life World Fund/Aquila Life Global Developed Fundamental Weighted Index Fund

These BlackRock passive funds hold thousands of companies and engage with a large proportion of them on an annual basis. Engagements over the year are summarised in the table.

BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform their voting decision.

	BlackRock Asset Management Aquila Life World Fund (AIF)	BlackRock - Aquila Life Global Developed Fundamental Weighted Index Fund (AIF)
Total companies in portfolio	**1,529**	**1,080**
Total company engagements	**1,750**	**1,573**
Number of individual companies engaged	**916**	**785**
Number of companies with multiple engagements	**446**	**411**
Engagement themes*		
Governance	1476	1328
Social	658	617
Environmental	1253	1180

*Engagements include multiple company meetings during the year with the same company. Most engagement conversations cover multiple topics and are based on our vote guidelines and our engagement priorities found here: https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-priorities

A couple of more detailed examples are provided below:

CHEVRON CORPORATION:

Voted to reduce Scope 3 emissions and voted against the resolution to mandate reporting on Lobbying payments and Policy. This voting is deemed significant as it is related to climate change

The rationale of the voting decision was:

- BlackRock supported this shareholder proposal, while recognizing the company's efforts to date, because it is consistent with what they expect of large companies like Chevron and its peers. The shareholder proposal requested that Chevron “substantially reduce the greenhouse gas (GHG) emissions of their energy products (scope 3) in the medium- and long- term future.” Importantly, the proposal states that “to allow maximum flexibility, nothing in this resolution shall serve to micromanage the Company by seeking to impose methods for implementing complex policies in place of the ongoing judgement of management as overseen by its board of directors.”
- BlackRock believes that companies in carbon intensive industries should aim to set scope 3 emissions reduction targets. It is particularly important to assume responsibility, where reasonable, for the complete emissions profile of the company as the world transitions to a low carbon economy. BlackRock understand this is still a relatively nascent practice, especially in the U.S.
- BlackRock stated Chevron meets their expectations of companies regarding their activities and disclosures related to political spending and lobbying and reflected their feedback in its recently updated climate lobbying report. As a result, BlackRock voted against this shareholder proposal.
- BlackRock regularly engages with companies to understand how their activities and disclosures related to political spending and lobbying are consistent with a company’s overall strategy and long-term shareholder value creation. Companies should provide accessible and transparent disclosure so that investors and other interested stakeholders can understand how a company’s political contributions or affiliations are aligned with its public messaging on strategic policy positions. BlackRock expect companies to monitor the positions taken by trade associations of which they are active members for consistency on major policy positions and to provide an explanation where inconsistencies exist.

JOHNSON & JOHNSON:

BlackRock have voted against an item to place a requirement for an Independent Board Chair and for a proposal to conduct a Civil Rights Audit. This voting is deemed significant as it pertains to both the corporate governance structure and to the social responsibilities of the company.

The rationale for the voting decision was:

- Blackrock voted against this proposal because the company has a designated lead independent director who has a clearly defined role that supports board effectiveness’.
- Blackrock have had ongoing discussions with JNJ regarding the board’s structure and refreshment process to ensure that directors individually and collectively have the relevant skills and

experience to guide the company, particularly as its strategy, material risks, and opportunities evolve. Given the highly complex and regulated nature of the pharmaceutical industry, a combined chair and CEO role allows for a structure that works for JNJ.

- Based on Blackrock's analysis of JNJ's governance practices and continued engagement with the Lead Independent Director, they believe the board has an appropriate leadership structure in place and that the current lead independent director has a robust and independent oversight role.
- Blackrock voted for the Civil Rights Audit proposal because they believe that an audit would reinforce the effectiveness of the company's current programs to advance racial equity and might yield further insights.
- The shareholder proposal requests the company "conduct and publish a third-party audit (within a reasonable time, at a reasonable cost, and excluding confidential/proprietary information) to review its corporate policies, practices, products, and services, above and beyond legal and regulatory matters; to assess the racial impact of the company's policies, practices, products and services; and to provide recommendations for improving the company's racial impact." Blackrock agrees with the intent of advancing diversity, equity and inclusion (DEI) and supports the company's existing efforts to recruit, retain, support, and develop a diverse set of employees.

Threadneedle Dynamic Real Return Fund

CATERPILLAR INC

Threadneedle voted in favour of the resolutions to report on climate policy and Diversity and Inclusion efforts.

Threadneedle believe it is important to support better ESG risk management disclosure and will continue to support active stewardship (engagement and voting) which form an integral part of their research and investment process.

Appendix 2 – DC Voting statistics

Default Strategy

1. Voting by the Underlying Investment Managers on securities held on behalf of the Trustees

There are multiple underlying managers across the default strategy's blended funds in which voting takes place. The relevant funds are set out below.

Asset class	Fund name	Maximum allocation within default investment strategy (as at 31 October 2021)
Equity	LGIM All World Equity Index Fund	25.0%
	LGIM All World Equity Index Fund (GBP Hedged)	25.0%
Multi-asset	LGIM Diversified Fund	32.5%
	Threadneedle Dynamic Real Return Fund	32.5%

	LGIM All World Equity Fund (Hedged & Unhedged)	LGIM Diversified Fund	Threadneedle Dynamic Real Return Fund (AIF)
Total meetings eligible to vote	5,224	7,257	368
Total resolutions eligible to vote	56,410	77,945	4,694
% of resolutions did you vote on for which you were eligible?	99.9%	98.6%	100%
% voted with management?	82.5%	80.0%	91%
% voted against management?	16.5%	16.5%	7%
% abstained	1.1%	0.6%	3%
% of resolutions, on which you did vote, voted contrary to proxy adviser? (if applicable)	n/a	n/a	n/a

2. Examples of most significant votes and engagement carried out by the underlying managers

Legal and General ("LGIM")

THE PROCTER & GAMBLE COMPANY (P&G)

LGIM voted in favour of the resolution to report on effort to eliminate deforestation. It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest. The resolution received the support of 67.68% of shareholders (including LGIM).

The rationale for the voting decision was:

- Palm oil and forest pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change.
- The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only Forest Stewardship Council (FSC) certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests.
- LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution.
- LGIM spoke to representatives from the proponent of the resolution, Green Century. In addition, LGIM engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns.
- Following a round of extensive engagement on the issue, LGIM decided to support the resolution.

LGIM will continue to engage with P&G on the issue and will monitor its Carbon Disclosure Project (CDP) disclosure for improvement.

INTEL CORPORATION

LGIM voted in favour of the resolution to report on Global Median Gender/Racial/Pay Gap. LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. 14.3% of shareholders supported the resolution.

The rationale for the voting decision was:

- Transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.
- For 10 years, LGIM have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, LGIM expect all companies in which they invest globally to have at least one female on their board.
- LGIM have stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets

LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

MITSUBISHI UFJ FINANCIAL GROUP INC.

LGIM voted in favour of a resolution for the company to disclose their plan to align their business strategy and investments with the Paris Agreement.

LGIM views climate change as a financially material issue for their clients, with implications for the assets they manage on their behalf. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

22.7% of shareholders supported the resolution.

The rationale for the voting decision was:

- Climate change: A vote in favour of this shareholder proposal is warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change.
- While they positively note the company's recent announcements around net-zero targets and exclusion policies, LGIM think that these commitments could be further strengthened and they believe the shareholder proposal provides a good directional push.

LGIM will continue to engage on this important ESG issue.

Threadneedle

See DB Section examples.

Appendix 3 – ESG, Voting and Engagement Policies

Links to the voting and engagement polices for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders	https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf
Bank of New York Mellon	https://www.mellon.com/documents/264414/269919/2020_proxy_voting_report.pdf/f707f701-1ddb-c32c-419a-9388a807af4e?t=1616426128935
BlackRock	https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-priorities
Insight	https://www.insightinvestment.com/investing-responsibly/
Threadneedle	https://www.columbiathreadneedle.co.uk/uploads/2020/11/b924e380cc6bdbc37a98eb68cc241bf4/en_corporate_governance_policy.pdf
LGIM	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme

Schedule of Contributions

This schedule sets out the contributions that will be paid to The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme (the "Scheme"). This schedule is dated 31 August 2021 and applies from 1 August 2021 until 31 August 2033. It replaces the previous schedule dated 28 September 2017.

This schedule has been prepared with the agreement of Sir Robert McAlpine Limited and Renewable Energy Systems Limited ("the Employers") and after taking the advice of Shireen Anisuddin (the Scheme Actuary). This schedule has been certified by the Scheme Actuary and the certificate is included in the appendix.

Defined Benefit (DB) Section

Member contributions

The DB Section of the Scheme is closed and has no active members. No member contributions or Employers' contributions for new benefits are due to be paid to the Scheme under this schedule.

Employers' deficit reduction contributions

The 31 October 2018 actuarial valuation showed that the Scheme had a funding deficit relative to the Scheme's statutory funding objective. The Employers shall pay the following deficit reduction contributions in line with the table below, payable quarterly:

- Deficit recovery contributions from 1 August 2021 in line with the table below, payable quarterly (by 31 January, 30 April, 31 July and 31 October):

Time period	Contributions
1 August 2021 to 31 October 2021	£2.875m (i.e. £11.5m p.a. for a 3 month period)
1 November 2021 to 31 October 2022	£11.7m
1 November 2022 to 31 October 2023	£12.0m
1 November 2023 to 31 October 2024	£12.3m
1 November 2024 to 31 October 2025	£12.7m
1 November 2025 to 31 October 2026	£13.2m
1 November 2026 to 31 October 2027	£13.7m
1 November 2027 to 31 October 2028	£14.4m
1 November 2028 to 31 October 2029	£15.1m
1 November 2029 to 31 October 2030	£15.9m
1 November 2030 to 31 October 2031	£16.7m
1 November 2031 to 31 October 2032	£17.5m
1 November 2032 to 31 July 2033	£13.8m (i.e. £18.4m p.a. for 9 months)
1 August 2033 to 31 August 2033	£1.5m (i.e. £18.4m p.a. for 1 month)

Employers' contributions are due to be paid to the Scheme not later than 19 days after the end of the quarter to which they relate.

The Employers shall also pay to the Scheme any additional contributions that may be required from time-to-time under the Scheme's trust deed and rules e.g. augmentation payments, on the advice of the Scheme Actuary as required.

The Employers may also pay any additional contributions from time to time that it so chooses.

Expenses, Levies, Fees and Insurance Premiums

In addition to the deficit reduction contributions from 1 August 2021, the Employers will pay a £2.0m p.a. (payable quarterly) fixed contribution towards the costs of administering the Scheme, including an allowance for the Pensions Protection Fund levy and other levies collected by the Pensions Regulator. This contribution will cover the following items:

- the Pension Protection Fund levy (the last levy was approximately £1,714k);
- the Pension Protection Fund administration levy;
- the Pension Regulator's general levy;
- fees payable to the Scheme's administrators and other professional advisors; and
- other Scheme expenses that are reasonably incurred in the course of the Trustees performing their duties

There will also be a one-off contribution of c£566k to be paid by the Employers in respect of expenses incurred in relation to the additional work required to agree the 31 October 2018 valuation. This is due to be paid by 31 January 2022.

Life insurance premiums are payable in addition by the Employers.

Additional Contingent Contributions

The Trustee and Employers have entered into an agreement entitled the 'RES Distribution Matching Arrangement – 2018 Actuarial Valuation dated 31 August 2021 (the 'Agreement').

The Agreement provides that additional contributions (over and above those set out in this document) are payable by the Employers if Distributions and Management Charges (as defined in the Agreement) above certain limits are made. Further details are set out in the Agreement. The effect of any such additional contributions would be to reduce the period over which the Scheme's shortfall would otherwise be expected to be eliminated.

In some instances, the Agreement may dictate that an "Overpaid Amount" is offset. In line with the Agreement the Trustees shall, unless otherwise agreed, offset any "Overpaid Amount" against payments due under this schedule of contributions, or other payments due from the Employers as set out in the Agreement.

Defined Contribution (DC) Section

Members in the defined contribution section contribute, at their own choice, at a rate of between 6% and 8% of their Pensionable Salary and the Employers match the member's contributions.

In addition, the Employers contribute an extra 1% for members with 15 or more years' service, with no additional member contributions being required.

Employers' contributions are due to be paid to the Scheme not later than 19 days after the end of the quarter to which they relate.

Prepared by the Trustees of the Scheme

DocuSigned by:

Signature Cullum McAlpine E85C7577FBD74BC... on behalf of the Trustees

Print name Cullum McAlpine Position Chair

Date …31 August 2021……………………………

Agreed by the Employers

DocuSigned by:

Signature Leighton More AFD4F0957C25490... on behalf of Sir Robert McAlpine Limited

Print name J L More Position CFO

Date …31 August 2021……………………………

The Scheme is a multi-employer Scheme. Sir Robert McAlpine Limited is the Principal Employer under the Scheme's Trust Deed and Rules and is nominated to act on behalf of all participating sponsors in the Scheme for the purpose of section 229(1) of the Pensions Act 2004.

This schedule of contributions is provided to meet the requirements of section 227 of the Pensions Act 2004.

The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective could have been expected on 31 October 2018 to be met by the end of the period specified in the recovery plan dated 31 August 2021.

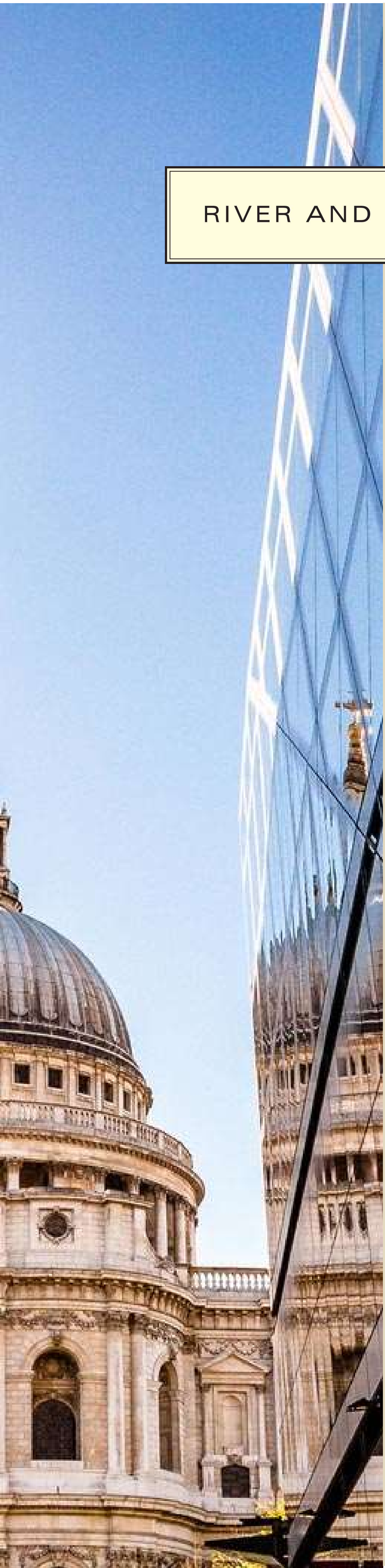
Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 31 August 2021.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Signature	
Date	31 August 2021
Name	Shireen Anisuddin
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	1 London Wall, London EC2Y 5EA

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.



RIVER AND MERCANTILE

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

Investment report for the year ended 31 October 2021

Market Background

Over the year to 31 October 2021 return-seeking asset classes performed extremely positively. Unprecedented levels of fiscal and monetary stimulus injected by central banks and governments around the world, news of effective vaccines and the pace of the vaccination rollout programmes had a positive effect on equity markets resulting in three consecutive quarters of strong equity performance, with falls in September 2021 offset by gains in October 2021. Gilt yields rose over the year and credit spreads tightened.

The last couple of months of 2020 saw strong performance in equities across the majority of regions. The outcome of the US election in November combined with the positive developments of a Covid-19 vaccine resulted in a sharp rally in equities over November. Plans for widespread rollout of a COVID-19 vaccine, increased likelihood of a new US stimulus bill, and the UK and European Union's trade and cooperation agreement, fuelled strong performance in most equity markets. Market leadership began to change, with cyclical sectors such as financials and energy rallying in comparison to defensive sectors, the relative winners of the pandemic.

The start of the first quarter of 2021 was initially sluggish, characterised by rising government bond yields, with both UK and US 10-year yields rising to well above levels not seen since the start of the pandemic in 2020. This had a negative effect overall on equity markets, particularly less cyclical sectors that were relatively overvalued. Nevertheless, equities continued to rise toward the end of the quarter after successful vaccination programmes in developing countries and significantly increasing stimulus agreed in the US. The quarter saw dramatic falls in government bond prices globally as investors sold holdings amid growing concern of inflationary pressure caused by the large stimulus packages from governments. The market stabilised toward the end of the quarter as restrictions began to lift and the economic outlook became increasingly positive, offsetting some of the inflationary fears.

Q2 2021 saw positive returns across the majority of asset classes. Global equities continued their rise for the fifth consecutive quarter since the sharp selloff seen at the start of the pandemic. Growth continued to be supported by accelerating vaccination rates globally, especially in developed economies, and governments continuing to underwrite the growth in equities and markets. Bank discussions on how to ease the economy off monetary support, especially if inflation continues to rise, has raised investor concerns shown by some short-term volatility during the quarter. Government bond yields stabilised somewhat over the quarter, after Q1 saw rates rise dramatically. The rise in yields seen in Q1 began to reverse but yields remain higher than those seen at the start pf 2021.

Q3 2021 saw a marginal decline in global equity markets in local currency terms, in contrast to the strong equity rally seen over the prior five quarters since the selloff in Q1 2020. Equity performance in regions diverged. Emerging markets were down significantly. Japan was the strongest performing region, largely driven by the news that the incumbent prime minister would be stepping down, driving hopes of larger stimulus packages, economic reform and an improved vaccination programme. UK equities also performed positively, despite inflation and supply chain worries affecting the domestic economy. Global sovereign bond yields including gilt yields increased over the quarter while inflation expectations rose. Commodity prices continued to rise over the quarter due to supply chain bottlenecks and rises in energy prices.

October saw equity markets rise across most of the regions, with the exception of Japan. Global equities rose by 5% in local currency terms fuelled by strong corporate earnings, despite concerns over inflation. Longer dated government bond yields rose at the beginning of October following indications from the Federal Reserve that tapering is being considered but fell back sharply, ending the month lower than at the start.

Over the year there was a rise in bond yields due to higher inflation expectations and indications of tapering asset purchases from most central banks. Credit spreads tightened over the year as the perceived riskiness of corporates reduced following unprecedented global stimulus. Commodities were the strongest performing asset class over the year. Performance was largely driven by a combination of supply chain bottlenecks, reduced energy resources, and the pickup in demand as a result of economies reopening across the globe. Sterling appreciated against the US Dollar, Euro and Yen over the course of the 12-month period.

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 30% and the Liability Hedging assets portfolio that makes up 30% of the Scheme's assets, there is also a 10% allocation to Cash Flow Matching Credit 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 30% 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 CACEIS 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 2.0% per annum (net of fees) in excess of the returns on the Liability Benchmark Portfolio ("LBP").

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 60% allocation to return-seeking assets, split equally between the Discretionary and Advisory investment funds, a 30% allocation to the liability-matching assets and a 10% allocation to Cashflow Matching Credit Assets. River and Mercantile Solutions has full discretion to implement the Trustees' chosen investment strategy within the Discretionary Investment Fund, liability hedging portfolio and Cash Flow Matching Credit Assets 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 3.125% per annum in excess of the return of cash, after the deduction of fees, over rolling three year periods.

Cash Flow Matching Credit Assets (CFMCA)

The Scheme recently took advantage of more favourable pricing to implement a Cashflow Matching Credit mandate to assist with the Scheme's cashflow needs. However, the strategic allocations remain under review while the Actuarial Valuation is being finalised.

The CFMCA is Invested in high quality investment grade credit to efficiently match a proportion of the Scheme's liability cashflows.

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 3.125% per annum in excess of the return on cash, after the deduction of fees, over rolling three year periods. The DIF is invested in a diversified portfolio, including equities, global government and emerging market bonds, hedge funds, leveraged loans and other alternative assets.

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

Asset Class	31 October 2021 (%)	31 October 2020 (%)
Advisory Fund	29.7	33.6
Equities	10.4	6.5
Property	3.2	3.1
Alternatives	4.0	4.6
Return Seeking Credit	2.8	2.4
Commodities	0.0	0.0
Cash & Sovereign Bonds*	1.0	0.9
Multi Asset	8.3	16.1
Discretionary Fund	30.7	29.4
Equities	20.3	16.7
Property	0.0	0.0
Alternatives	4.0	5.7
Return Seeking Credit	4.1	5.3
Commodities	0.0	0.7
Cash & Sovereign Bonds*	2.3	0.9
Liability Hedging Assets	30.8	26.8
IG Index Linked Bonds	2.8	6.6
IG Fixed Interest Bonds	25.3	15.5
Swaps	2.7	4.7
Swaptions	-	(0.1)
Cash*	0.0	0.0
Cash Flow Matching Credit Assets	8.8	10.2
Cash	0.6	0.0
Return Seeking Credit	8.2	10.2
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 subject to rounding.

Investment Risks

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 £171.5m in directly held bonds, £14.8m in OTC derivatives and £15.0m in directly held cash balances. The Scheme also holds £84.2m bonds and cash through underlying pooled fund investments.

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

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

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

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

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

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 GA 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 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, 6.3% of the Scheme's holdings were exposed to overseas currencies as at year-end (2020: 7.2%).

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	31/10/2021 £	31/10/2020 £
Direct		
Bonds	171,543	131,511
Swaps	14,753	23,765
Swaptions	-	(633)
Indirect		
Bond PIVs	77,006	86,316
Cash PIVs	7,234	5,790

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	31/10/2021 £	31/10/2020 £
Direct		
Alternatives	16,469	17,809
Bonds	386	1,318
Equity	6,665	6,857
Property	7,000	7,000
S&P Equity Options	571	717
Indirect		
Equity PIVs	136,364	94,536
Property PIVs	10,137	8,377
Commodities PIVs	-	3,750
Alternatives PIVs	23,392	29,199
Multi Asset PIVs	43,801	80,644

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	7.6%	10.7%	7.2%
Objective	1.2%	9.4%	6.9%
Relative	6.4%	1.4%	0.3%

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	31/10/2021		31/10/2020	
	£	%	£	%
Threadneedle Dynamic Real Return Fund S Acc	43,800,870	8.3	44,507,546	8.9
Insight Maturing Buy & Maintain Bond Fund 2021-2025 Class B GBP Inc	43,142,000	8.1	51,304,000	10.3
BNY Mellon (River and Mercantile) Global Equity Fund	81,435,880	15.4	45,287,094	9.1
3.5% Treasury Gilt 2068	28,330,338	5.3	30,267,783	6.1

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles, which sets out its policy on investment issues, including risks, diversification of investments and details of the key elements of the investment arrangements of the Scheme.

The Statement of Investment Principles ("SIP") sets out how the Scheme takes into account financially material considerations, including Environmental, Social and Governance ("ESG") factors, in its investment decision making process.

Copies of the SIP are available on request.

River and Mercantile Solutions, January 2022

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A River and Mercantile Group company

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RIVER AND MERCANTILE

January 2022

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 2.0% 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' approach to investment strategy is to allocate the assets into three pools – Liability Hedging Assets, Growth Assets and Cashflow Matching Credit Assets. The investment objective is then translated into the strategy and assets are allocated to these three components:

- Liability Hedging assets (targeting LBP + 0% p.a.), which aim to match the SRM Scheme's liabilities. Assets are invested in, but not limited to fixed interest gilts, index-linked gilts and swaps.
- Growth Assets (targeting Cash + 3.125% p.a.), which aim 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.
- A Cashflow Matching Portfolio (targeting LBP + 1.0% p.a.) that is intended to manage the SRM Scheme's need to generate cash over time to pay pensioners. This allocation invests in global investment grade corporate bonds that will pay coupon and maturity proceeds to the SRM Scheme at a broadly appropriate time in the future. This is expected to reduce the need to sell other assets over the short to medium term.

The overall level of the Trustees' investment objective influences the split of assets between these three components. To target the investment return objective, the Trustees allocates to each portfolio as per the table below. This split 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.

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.