

McAlpine & Company Limited Works Retirement Benefits Scheme – Statement of Investment Principles

May 2025

Contents

Section	Page
Introduction.....	3
Investment Objectives.....	4
Investment Responsibilities	5
Setting the Investment Strategy	7
Risks.....	11
Compliance	12

Introduction

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the McAlpine & Company Limited Works Retirement Benefits Scheme ("the Scheme"). It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and as amended by subsequent regulations.

This Statement sets down the principles governing decisions about investments for the Scheme and supersedes all previous Statements prepared by the Trustees of the Scheme ("the Trustees").

In preparing this Statement, the Trustees have:

- 1.** Consulted with the Principal Employer, McAlpine & Co Limited ("the Company"), although responsibility for maintaining this Statement and setting investment policy rests solely with the Trustees.
- 2.** Obtained and considered written professional advice and recommendations from KW Wealth Management Limited ("Kingswood") who are the Trustees' appointed investment advisers. Kingswood is authorised and regulated by the Financial Conduct Authority ("FCA"). They have confirmed to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Pensions Acts.

This Statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates) and Scheme Funding legislation.

The Trustees will review this Statement at least every three years to coincide with the triennial actuarial valuation, last triennial valuation 1 May 2019, or other advice relating to the statutory funding requirements. If there are any significant changes in any of the areas covered by this Statement, the Trustees will review it without further delay. Any changes made will be based on written advice from a suitably qualified individual and will follow on from consultation with the Company.

The Scheme is a defined benefits plan. The Trustees investment powers are set out in Scheme's Trust Deed and Rules. This Statement is consistent with those powers.

Investment Objectives

The Trustees' overall investment policy is guided by the following objectives:

- | | |
|-----------|---|
| 1. | To ensure that the Scheme's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise. |
| 2. | To set and monitor appropriate benchmarks and performance targets for investment manager(s). |
| 3. | To pay due regards to the interests of the sponsoring Employer, McAlpine & Co Limited ("the Employer"), in relation to the payment of contributions. |
| 4. | To fully fund the Scheme on the Technical Provisions basis as set out in the Statement of Funding Principles dated 22 and 23 May 2023. |

The Scheme Actuary, Spence & Partners Limited (Spence), has confirmed during the process of revising the investment strategy that the investment objectives and resultant strategy are consistent with the actuarial valuation methodology and assumptions used in the statutory funding objective.

Investment Responsibilities

The Trustees

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustees. Therefore, the Trustees are responsible for the setting the investment objectives and determining the strategy to achieve those objectives. It sets the overall investment target and then monitors the performance of its investment manager against the target. In doing so the Trustees consider the advice of its professional advisers, who it considers to be suitably qualified and experienced for this role.

Their duties and responsibilities include, but are not limited to:

- Regular approval of this Statement and monitoring compliance with this Statement.
- Appointment, removal (where applicable) and review of their investment managers or investment adviser and their performance relative to relevant benchmarks.
- Assessment of the investment risks run by the Scheme.
- Monitoring and review of the asset allocation.

Investment Adviser's Duties and Responsibilities

The Trustees have appointed Kingswood as their investment adviser. Kingswood provides advice when the Trustees require it and/or when Kingswood feels it suitable to do so. Areas on which it can provide advice are as follows:

- Setting investment objectives.
- Determining strategic asset allocation.
- Determining suitable funds and investment managers.
- Managing cashflow.

It should be noted that the Trustees retain responsibility for all decisions.

Kingswood makes a fund based charge. This charge covers all investment services as defined in the Investment Adviser Agreement.

Any extra services provided by Kingswood will be remunerated on a time cost basis or as a percentage of the funds advised on which can either be as a fee or commission in the case of purchasing annuities for the scheme.

Kingswood does not receive any commission or any other payments in respect of the Scheme for investment services that would affect the impartiality of their advice.

The Trustees are satisfied that this is a suitable adviser compensation structure.

Investment Managers' duties and responsibilities

The Trustees, after considering suitable advice, have appointed Brooks Macdonald to manage the assets of the Scheme. The key duties of Brooks Macdonald in this regard are as follows:

- Selection of stocks and/or investment managers suitable for each mandate within the Trustee's agreed asset allocation
- Contracting with and appointing the underlying managers (as required) to manage the Scheme's assets
- Management of the Scheme's assets within the agreed allocation as defined in the Appendix.
- Ongoing monitoring of underlying investment managers.

Kingswood will monitor and review the performance of Brooks Macdonald as the Scheme's investment manager.

The investment manager is detailed in the Appendix of this Statement. The investment manager is authorised and regulated by the FCA and are responsible for stock selection, asset allocation (if managing a multi-asset portfolio) and the exercise of voting rights. All the managers are compensated by fund based charges on the value of the Scheme's assets that they hold.

Setting the Investment Strategy

The Trustees have determined its investment strategy after considering the Scheme's liability profile, their own appetite for risk and the views, risk appetite and covenant of the Company. It has also received written advice from its investment adviser.

Types of Investment

The Scheme's assets are invested with Brooks Macdonald.

The Trustees are permitted to invest across a wide range of asset classes, including but not limited to equities, bonds, cash, property and alternative asset classes. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

The Trustees will monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio.

Balance between different types of investment

The Scheme invests in assets that are expected to achieve the Scheme's objectives detailed previously. The allocation between the different asset classes is shown in the Appendix of this Statement.

The Trustees have considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class. The current managers are shown in the Appendix.

From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected events.

The Trustees may also hold insurance policies which are for the benefit of certain members to match part or all of its liabilities.

Expected Return on Investments

The Trustees have noted the long-run relationships that exist between the returns from different asset classes and has noted the different expected risk/return characteristics of the various different asset classes.

In particular it has noted that equities can be expected to deliver a greater long-run real return (over price inflation) than that expected from fixed interest gilts, index-linked gilts or cash but that typically equities are the most volatile asset class in terms of market returns on an annual basis.

The Trustee's chosen policy is to get a balance between stabilising the Scheme's funding level and pursuing higher expected return to improve the Scheme's funding level.

Realisation of Investments

The Scheme's assets are invested in pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Scheme's investments can generally be readily realised, if necessary.

Financially Material Considerations

The Trustees have considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes it is investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds as well as direct equities and gilts. The Trustees acknowledge that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect its investment manager and investment adviser to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustees will assess that this corresponds with its responsibilities to the members of the Scheme with the help of its investment adviser.

An assessment of the ESG and responsible investment policies forms part of any manager selection process when appointing new fund managers and these policies are also reviewed regularly for existing fund managers with the help of the investment adviser. The Trustees will only invest with investment managers that are signatories for the Principles of Responsible Investment ('PRI') or other similarly recognised standards.

The Trustees will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- Use ESG ratings information provided by its investment adviser, to assess how the Scheme's investment managers take account of ESG issues; and
- Request that the Scheme investment manager provides information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment adviser.

If the Trustees determine that financially material considerations have not been factored into the investment manager's process, it will take this into account on whether to select or retain an investment.

Non-Financially Material Considerations

The Trustees have not considered non-financially material matters in the selection, retention and realisation of investments.

Stewardship

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment manager's voting policies, with the help of its investment adviser, and decide if they are appropriate.

The Trustees also expect the fund manager to engage with investee companies on the capital structure and management of conflicts of interest. The Trustee, through its investment adviser, will monitor this. The investment adviser will request annual reports from the manager identifying how they have engaged with the investee companies and managed conflicts of interest issues and report back to the Trustee.

If the policies or level of engagement are not appropriate, the Trustees will engage with the investment manager, with the help of its investment adviser, to influence the investment manager's policy. If this fails, the Trustees will review the investments made with the investment manager.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expects investment managers to adhere to this where appropriate for the investments they manage.

Investment Manager Arrangements

Incentives to align investment managers' investment strategies and decisions with the Trustees' policies

The Scheme delegates day to day investment decisions to Brooks Macdonald and so the Trustees acknowledge that decisions cannot be tailored to the Trustees' policies. However, the Trustees set its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund manager's incentive.

The Trustees use the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees select managers based on a variety of factors including investment philosophy and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustees also considers the managers' voting and ESG policies and how they engage with a company as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the managers' engagement and voting activity on an annual basis as it believes this can improve long term performance. The Trustees expect its managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term these policies may not improve the returns it achieves, but does expect that by investing in those companies with better financial and non-financial performance over the long term this will lead to better returns for the Scheme.

The Trustees believes that the annual fee paid to the fund managers incentivises them to do this.

If the Trustees feel that the fund managers are not assessing financial and non-financial performance adequately or engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the fund managers' performance and the remuneration for asset management services are in line with the Trustees' policies

The Trustees review the performance of each fund annually on a net of fees basis compared to its objective.

The Trustees assess the performance periods of the funds, where possible, over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment adviser to ensure it is in line with the Trustees' policies.

How the Trustees monitor portfolio turnover costs incurred by the fund managers, and how they define and monitor targeted portfolio turnover or turnover range

The Trustees monitor the portfolio turnover costs on an annual basis.

The Trustees define target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is also monitored on an annual basis.

The annual review of portfolio turnover costs and turnover will be carried out by the investment adviser, the results of which will be disclosed annually in a report to the Trustees.

The Trustees have delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to its investment adviser.

The duration of the arrangement with the fund managers

The Trustees plan to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or changes in the view of the fund managers can lead to the duration of the arrangement being shorter than expected.

Risks

The Trustees are aware and seeks to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. Overall, the Trustees measure and monitors their risk by receiving annual monitoring reports which report on the performance of their assets, their managers and the movements in the Scheme's liabilities with input from the scheme actuaries and the investment adviser. The key risks and the policies are as follows:

Solvency and Mismatching Risk	<p>This is measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. The risk is managed by setting a scheme specific asset allocation with an appropriate level of risk.</p>
Concentration Risk	<p>This is managed through the diversification of the Scheme's assets across a range of different funds with different investment styles and underlying securities, and different investment managers.</p>
Investment Manager Risk	<p>This is assessed as the deviation of actual risk and return relative to that specified in the investment managers' objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment managers' agreed objectives and an assessment of factors supporting the managers' investment process.</p>
Sponsor Risk	<p>This is assessed as the ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit. This is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.</p>
Liquidity Risk	<p>This is monitored according to the level of cashflows required by the Scheme over a specified time period. The Scheme's administrators will assess the cash requirements to limit the impact of cashflow requirements on the Scheme's investment policy. The risk is managed by having a suitable amount of readily realisable investments and by holding a certain level of cash type assets. The Scheme invests in assets that there are invested in quoted markets and are as readily realisable as the Trustees feel suitable given the Scheme's cashflow position and the expected development of the liabilities.</p>
Currency Risk	<p>The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in non-sterling assets or via currency investment. Some currency hedging is used to manage this risk.</p>
Loss of Investment Risk	<p>There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements e.g. losses caused by fraud. The Trustees undertake regular reviews of the internal controls and processes of the investment managers.</p>
Environmental, Social and Governance (ESG) and Climate Change Risks	<p>There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio. This can lead to losses that may not have been factored into any assumptions. The Trustees have considered ESG issues as part of the investment process but have made no explicit allowance for risks associated with climate change as they believe it is difficult to accurately quantify.</p>

Compliance

The Trustees confirm that it has received and considered written advice from Kingswood on the establishment and implementation of its investment strategy.

The Trustees confirm that it has consulted with the Company regarding its strategy.

Copies of this Statement and any subsequent amendments will be made available to the Company, the investment managers, the Scheme Actuary and the Scheme auditor upon request.

The Trustees will monitor compliance with this Statement annually. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

KG McAlpine

Trustee

Signed for and on behalf of the Trustee of the McAlpine & Company Limited Works Retirement Benefits Scheme

Date of Signing: 29 May 2025

Appendix

Strategic Asset Allocation

The Scheme has a strategic asset allocation, for assets currently held with Brooks Macdonald, as set out in the table below:

Asset Class	Strategic Asset Allocation	Control Range
Fixed Interest Gilts/Bonds	25.0%	+/- 5%
Index-Linked Gilts	25.0%	+/- 5%
Equities	35.0%	+/- 10%
Structured Return Products	5.0%	N/A
Property	2.5%	N/A
Alternatives	5.0%	N/A
Cash	2.5%	N/A
Total	100%	100%

Rebalancing and Cashflow management

The Trustees recognise that the asset allocation of investments will vary over time due to market movements. The Trustees seek to keep the asset allocation in line with its benchmark but is cognisant of the costs of rebalancing. It has delegated the task of managing the assets against the benchmark to Kingswood and Brooks Macdonald. The nature and term of the gilt holding should be reviewed from time to time and so less frequently than every three years.

Where possible cash outflows will be met from the income of the Scheme's assets to minimise transaction costs. Where income is insufficient monies will be raised through the sale of assets so as to move the allocation closer to the central benchmark allocation subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required. Similarly, where cashflows in are received, the money will be invested in such a way as to bring the allocation into line with the central benchmark allocation.

Investment Managers

The Trustees have invested the Scheme assets with Brooks Macdonald. Kingswood will monitor and review the performance of Brooks Macdonald as the Scheme's investment manager.

The table below shows the investment managers appointed to carry out the day to day management of the assets, as well as the funds that they manage, their benchmarks and relevant objectives.

Investment Manager	Benchmark	Objective
Brooks Macdonald	50% Bank of England Base Rate / 50% PIMFA MSCI Income Index TR.	Outperform index over 5 year rolling period.

The investment managers' performance will be monitored on an annual basis.

Fees

The fee arrangements for the investment managers are summarised below:

Investment Manager	Annual Management Charge % p.a
Brooks Macdonald	0.5% p.a. (plus VAT)

In addition there are third party fund management fees which are deducted from the price of the units.

Kingswood are remunerated on a basis point basis (i.e. as a percentage of the Scheme's assets), although additional fees may be agreed for specific projects.