

**Scheme Registration Number: 10170996**

**LAFARGE UK PENSION PLAN**

**TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2023**



**LAFARGE UK PENSION PLAN  
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**LAFARGE UK PENSION PLAN  
TRUSTEE AND ADVISOR  
YEAR ENDED 30 JUNE 2023**

Trustee	Lafarge UK Pension Trustees Limited	Muse Advisory, KD Tower, Suite 10, The Cotterells, Hemel Hempstead, HP1 1FW
Trustee Board Chairman	Law Debenture Pension Trust Corporation plc – represented by Alan Baker (appointed 30 June 2023)  Roger Mountford (resigned 1 July 2023)	Independent Chairman  Independent Chairman
Employer Directors	Robert Andrews Dyfrig James Nick Peall	Kimberley Wood Simon Crossley (appointed 1 July 2023) Mike Gibbons (resigned 30 June 2023)
Member Nominated Directors (MNDs)	Alan Connolly Arthur Cunningham	Stephen Taylor Paul Hunter Alison Shepley
Secretary	Stephen Hammer (appointed 2 August 2022) Anne Perkins (retired 31 July 2022)	Muse Advisory, KD Tower, Suite 10, The Cotterells, Hemel Hempstead, HP1 1FW
Actuary	Aaron Punwani FIA Lane Clark & Peacock LLP	95 Wigmore Street, London, W1U 1DQ
Auditor	Crowe U.K. LLP	55 Ludgate Hill, London, EC4M 7JW
Bankers	Barclays Bank PLC  HSBC Bank (from October 2023)	Level 28, 1 Churchill Place, London, E14 5HP  60 Queen Victoria Street, London, EC4N 4TR
Fiduciary Manager	Towers Watson Ltd	Watson House, Reigate, Surrey, RH2 9PQ
Fiduciary Manager Monitor	Isio Group Limited	15 Canada Square, London, E14 5GL
Solicitors	Sacker & Partners LLP	20 Gresham Street, London, EC2V 7JE
Covenant Advisors	Penfida Limited	One Carey Lane, London, EC2V 8AE
Principal Employer ("the Employer")	Lafarge S.A.	2 Avenue du Général de Gaulle, 92140 Clamart, France
Administrator	Lafarge Building Materials Ltd (until 30 September 2023)  Isio Group Limited (appointed 1 October 2023)	Park Lodge, London Road, Dorking, Surrey, RH4 1TH  AMP House, Dingwall Road, Croydon, CR0 2LX



## LAFARGE UK PENSION PLAN REPORT OF THE TRUSTEE YEAR ENDED 30 JUNE 2023

The Trustee Board presents its Report and Financial Statements of the Lafarge UK Pension Plan (the Plan) for the year ended 30 June 2023. The Financial Statements and the Trustee Report have been prepared in accordance with Section 41(1) and (6) of the Pensions Act 1995 (“the Act”).

### THE PLAN

The Plan is a self-administered occupational pension scheme. The Plan is a Defined Benefit arrangement, comprising two sections, which are both closed to future benefit accrual. Up to 31 December 2022 the assets of the two sections were held together but with effect from 1 January 2023 they have been separated and there are now separate bank accounts and investment portfolios for each section.

The Plan is governed under a consolidated Trust Deed and Rules, signed 29 October 2012, Amending Deeds signed 25 March 2015, 3 April 2017, 15 November 2017, 28 April 2020 and 24 June 2021 and the Deed of Agreement dated 30 September 2016, as amended 29 March 2019. Copies of the Trust Deed and Rules are available upon request from the Plan Secretary at the address on page 1.

The Plan is a registered scheme under Chapter 2 of the Finance Act 2004 and the registered number is 00488162RM.

### TRUST DEED AND RULES

A consolidated Trust Deed and Rules for the Plan was signed on 29 October 2012. At their meeting of 25 March 2015, the Directors approved an Amending Deed to enable members to benefit from one aspect of the newly introduced DC Flexibilities and on 3 April 2017 a Deed of Amendment was signed to enable the Plan to be used to meet the statutory auto-enrolment obligations of the participating employer, Lafarge Building Materials Ltd. On 15 November 2017 a Deed of Amendment was signed to enable the Plan to offer a Pension Increase Exchange option to members. On 28 April 2020, a Deed of Amendment was signed to allow the closure of the Money Purchase section and transfer of the section’s assets to a master trust and on 24 June 2021 a Deed of Amendment was signed to close the Money Purchase section.

### THE DEED OF AGREEMENT

A Deed of Agreement dated 30 September 2016, between Holcim Ltd and the Trustee provides that if Lafarge International Holdings Limited were to fail to meet its obligations to the Plan then Lafarge SA would meet these obligations.

### TRUSTEE

Throughout the year Lafarge UK Pension Trustees Limited acted as the Trustee of the Plan. It is also the Trustee to another pension scheme within the Holcim Group, the Aggregate Industries Pension Plan (this was effective from 25 September 2020). The names of the Directors who were serving at the date of signing are given on page 1. At the beginning and end of the period every Director in office held a £1 share in the capital of the company. There were no other interests in the capital of the company.

The constitution of the Trustee Board as at 30 June 2023 is as follows:

- The Chairman, who must be independent of the Employers and serves for a term reviewed every three years. Serving Directors nominate candidates for appointment by the Principal Employer,
- Five Directors appointed by the Employer (Employer Directors), of which three are members of the Plan,
- Five Directors nominated by the membership, Member Nominated Directors (MNDs), and selected by the MND Selection Panel.

### MEMBER NOMINATED DIRECTORS (MNDs)

#### The MND nomination and selection process

The Trustee has established a process to select MNDs, which meets the Pension Regulator’s criteria of fairness, proportionality and transparency.

All Plan members (pensioner or deferred) are eligible to be nominated for appointment, provided they are UK resident and have at least two years’ pensionable service in the Plan. Nominations must be supported by two other Plan members (who also satisfy the same eligibility requirements).

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**The MND nomination and selection process (continued)**

Members who seek to be nominated will be assessed by a Selection Panel to ensure candidates are suitable for subsequent appointment. The Selection Panel will be chosen by the Plan's Trustee Board and will include an independent adviser, the Independent Chairman and existing MNDs.

There are two constituencies for Plan members: former Lafarge Redland Pension Scheme (LRPS) members and Non-Lafarge Redland Pension Scheme (Non-LRPS) members. There are two MNDs from each constituency. There is also one MND from the membership of the Aggregate Industries Pension Plan (AIPP). Normally the term of office will be for four years.

Steve Taylor is currently serving a four-year term of office from 2021 to June 2025 for the former LRPS member constituency, having been reappointed by the Selection Panel in 2021.

Alison Shepley is currently serving a four-year term of office from 2021 to June 2025 for the former Non-LRPS member constituency, having been appointed by the Selection Panel in 2021.

Alan Connolly is currently serving a four-year term of office from 2021 to June 2025 for the AIPP member constituency, having been appointed by the Selection Panel in 2021.

Paul Hunter is currently serving a four-year term of office from 2023 to June 2027 for the former Non-LRPS member constituency, having been reappointed by the Selection Panel in 2023.

Arthur Cunningham is currently serving a 6-month extension to a four-year term of office from 2019 to June 2023 for the former LRPS member constituency, having been reappointed by the Selection Panel in 2019. He indicated he would not seek to stand for a further term of office but agreed to a request from the Trustee Board to extend his term by 6 months and will stand down from the role on 31 December 2023.

At the last MND selection process in June 2023, Paul Hunter (former Non-LRPS member constituency) was appointed for a four-year period. No members from the former LRPS member constituency applied for the role and the Trustee Board has decided to run with a vacancy on a temporary basis but will review this as part of wider strategy discussions in 2024.

**PLAN GOVERNANCE**

**Trustee Board and Committees**

The Trustee Board has procedures in place to govern the Plan effectively and efficiently. The Board retains overall responsibility for all aspects of the Plan and has delegated certain tasks and functions to committees, as it believes this will lead to better governance. Each committee has written Terms of Reference which are reviewed annually. The Chairman and Secretary maintain an annual Business Schedule setting out the meetings of the Trustee Board and its committees, planning the main content of each meeting to conduct the Board's business in an orderly manner. In general, the full Board and Investment Strategy Committee meet quarterly.

The Trustee has in place the following committees:

***The Investment Strategy Committee***

During the year the Committee comprised six Directors which included the Independent Chairman, plus a representative of Holcim. The Committee meets quarterly to monitor the performance of the Fiduciary Manager, taking advice from the Plan's fiduciary manager monitor, and consider new investment opportunities and strategies. The full Committee met six times during the year ended 30 June 2023. The additional meetings were to consider the investment strategy and a potential buy-in of a portion of the Plan's liabilities and to discuss the impact of volatility in the UK gilts market on the LDI portfolio and the on the funding level.

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***The Administration and Discretions Committee***

This Committee comprises five Directors and may also include one member nominated by the participating employer who may or may not be a Trustee Director. The Committee meets half-yearly to monitor the administration service provided by the administrator (Lafarge Building Materials Limited up to 30 September 2023, Isio Group Limited from 1 October 2023, review member communications and consider the payment of discretionary benefits (where discretion has not been delegated to the Secretary) such as ill health and dependant's pensions. The full Committee met four times during the year ended 30 June 2023. The additional meetings were to consider the future of the Plan's administration, to review actuarial factors and to consider possible methods for GMP equalisation and offering additional options to members at retirement.

***The Defined Contribution Board (DC Board)***

The DC Board was responsible for ensuring the Plan is compliant with the Occupational Pension Scheme (Charges and Governance) Regulations 2015 which became law in April 2015. The Board comprised four Directors and could also include one member nominated by the participating employer who may or may not be a Trustee Director. This Board met once during the year ended 30 June 2023. Since the transfer of the DC section to the Aon MasterTrust, the DC Board's sole responsibility in respect of the Plan has been to produce the Chair's Annual Governance Statement but at the Trustee Board meeting on 12 October 2023, it was agreed that the Administration and Discretions Committee would absorb this responsibility and as such the DC Board is no longer required.

Incorporated into the Report and Financial statements in Appendix 1 is the Chair's Annual Governance Statement which describes how the Trustee has met the statutory governance standards in relation to the Defined Contribution benefits of the Plan. The DC section no longer had any DC assets. However, the Aon Master Trust agreed that it would provide the transferring members with the option to transfer their DC benefits back to the Plan to enable them to be used to provide all or part of the member's pension commencement lump sum ('PCLS').

The Plan only permits the transfer-back to take place at the point at which the member is taking their DB pension. The DC funds are returned in cash and paid out almost immediately as a PCLS. This means the timing of DC holdings in the Plan is fleeting and therefore the Chair's Annual Governance Statement is limited in content and detail accordingly as is proportionate with the actual scenario and TPR's requirement to maintain a limited DC Chair's statement.

***The Audit and Risk Management Committee***

This Committee comprises at least three Directors including the Independent Chairman and representatives of each of the four other committees. It meets at least twice a year, and its principal role is oversight of the Trustee's Report and Financial Statements and the Trustee's risk and controls framework (see below). The Committee met three times during the year ended 30 June 2023. The additional meeting was to consider the Annual Report and Accounts for the Aggregate Industries Pension Plan.

***The Employer Events and Monitoring Committee***

The Committee comprises between three and five Directors including the Independent Chairman. This Committee met once during the year ended 30 June 2023. Its primary function is to assess and monitor the financial positions of the sponsoring and Principal Employer, and it takes advice from the Trustee's covenant adviser.

***Trustee Director Competencies***

A schedule of Trustee Knowledge and Understanding (TKU) has been prepared, tailored to the Plan's circumstances, and based on the Pensions Regulator's guidance on relevant expertise for trustees. On appointment, Directors and committee members receive training on relevant pension matters and thereafter are provided with periodic updates. Directors and committee members are encouraged to complete the Pensions Regulator's Trustee Toolkit or equivalent qualification and are regularly asked to assess their levels of knowledge and understanding. The individual assessments are recorded and compiled to identify the strengths collectively, of the Board and its committees, and also of individual Directors. Where a low level of knowledge is indicated, either suitable training is arranged, or appropriate information is provided.

When preparing the Business Schedule, training needs are identified so that training may be arranged before the matters are considered. Periodically the Directors complete a self-assessment questionnaire, and the results are used to identify topics for future training. Overall, the Directors considered that the Board were performing well.

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### **Managing Conflicts of Interest**

The Board has in place procedures to identify and manage conflicts of interest for members of the Board or the committees. Individual directors may seek external counsel and may initiate the Plan's procedure to manage their conflict. At the beginning of each meeting, members are asked to disclose any possible conflicts of interest and the Chairman and Secretary are required to consider the likelihood of conflicts arising, based on the agenda, and to deal with any potential conflicts.

### **Identification and Control of Risk**

The Trustee Board has established procedures to identify, measure and manage the significant risks inherent in the operation of the Plan by proportionate internal controls. The assessment covers a wide range of external and internal matters including compliance with laws and the Plan Rules, administration and systems, funding, investment, safe custody of assets and cyber risk. The Board has overall responsibility for the programme but has delegated oversight of appropriate risks and controls to the relevant boards/committees described above. Each committee is responsible for managing and controlling risk in its own area of responsibility, which includes the maintenance of a risk register, or other means of managing risk, and which in turn is monitored by the Trustee Board.

The Trustee Board delegates reviews of the risk governance framework to the Audit and Risk Management Committee; the last full review was in 2021 when BDO, who had been appointed by the Trustee to provide an outsourced internal audit function, conducted a review of the Plan's control framework and presented their findings to the Audit and Risk Management Committee on 8 June 2021. BDO noted that generally there was a good control framework in place with only a few minor weaknesses identified.

Procedures include consideration of the controls to prevent or detect fraud within each area of the Plan's operation, in particular the investment and administration routines. Appropriate segregation of duties and responsibility, together with supervision and authorisation procedures, are in place and are designed to deter fraud and to lead to timely detection and reporting of any such matters to the Board.

Although the last full review was in 2021, the committees have regularly monitored the risks in their own area of responsibility. The biggest risk was identified by the Administration and Discretions Committee and related to maintaining the in-house administration of the Plan. As a result this committee recommended to the Trustee that the administration be transferred to a third-party administrator. The Trustee agreed with this recommendation and after conducting a thorough tender process, Isio were appointed and the administration was transferred to them with effect from 1 October 2023.

The Trustee was aware that the administration transfer represents a significant change and that the Pension Regulator's General Code, due to be published shortly, will have implications for the risk governance framework. As such, the Trustee felt it was appropriate to defer the next full review of the risk governance framework until the administration transfer was completed and the General Code has been published.

### **Going Concern**

The Trustee regularly monitors the strength of the Principal Employer, Lafarge SA, with advice from its covenant adviser, Penfida. In the context of the 2021 actuarial valuation, the covenant available to the Plan was rated as Strong and has remained Strong since.

The Employer has been under investigation for historic terrorist funding allegations in Syria prior to its acquisition by Holcim Limited. In October 2022, the United States Department of Justice (DoJ) announced that Lafarge had pleaded guilty to a single charge of conspiracy to provide material support to terrorist organisations in Syria. The penalty was payment in November 2022 of US\$778 million, 3 years' probation (which can be extended) and a requirement to submit certain information annually. Investigations in France are ongoing. The Trustee cannot comment in any detail on the investigation, or the likely outcome, but having made enquiries of Holcim and taken advice from Penfida, on the basis of the information it has received does not consider that the range of possible outcomes threaten the Plan as a "going concern".

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**Going Concern (continued)**

The Technical Provisions of the Plan reduced significantly over the year to 30 June 2023 but the assets also reduced, with the overall result being in a decrease in the funding level. Within the Group, trading to date in 2023 has remained robust.

Holcim reported robust results in H1 23 and Q3 23 supported by Like for Like revenue and EBIT growth in all Cement, ready-mix and Aggregates sectors, partly offset by deteriorating performance in S&P due to restocking. Despite weaker cash flow performance in H1 23, Management continue to guide to FY 23 FCF of >CHF3bn. In addition, Lafarge SA retains sufficient assets to cover the deficit of the Plan on an insurance buy-out basis. COVID-19 has not impacted the company significantly.

There are no contributions due from the Employer under the current valuation which was completed as at 2021. This position will be reviewed as part of the 2024 valuation.

The Trustee carried out a “Going Concern” assessment for the next 12 months and taking all relevant factors into account the Trustee does not consider that they threaten the Plan’s ‘going concern’ status.

**Compliance**

The Plan had procedures in place at 30 June 2023 which satisfactorily demonstrated compliance with the requirements of the Pensions Act 2004 and the Codes of Practice formally issued by the Pensions Regulator. The Plan is compliant with the Codes of Practice.

The compliance procedures are administered on a daily basis by the Administrator. Formal reports are made to the Administration and Discretions Committee, at least twice yearly, on the service standards, administration costs and compliance with relevant rules and regulations.

**PENSION INCREASES**

There are two main categories of pensions in payment for which different pension increase rules apply. For the Lafarge Redland Pension Scheme (LRPS) members an increase of 5.0% was applied to pensions in excess of the GMP from 1 July 2022 (1.4% from 1 July 2021) and for Non-Lafarge Redland Pension Scheme (Non-LRPS) members, an increase of 5.0% was applied to all pensions, inclusive of the GMP, from 5 April 2023 (5.0% from 5 April 2022).

**GMP EQUALISATION**

The Trustee has considered the impact of the High Court judgment in October 2018 involving the Lloyds Banking Group’s defined benefit pension schemes. The issues determined by the judgment arise in relation to many defined benefit pension schemes, including the Plan, and under the ruling schemes are required to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits and to backdate such adjustments, including providing interest on the backdated amounts.

A supplementary Court hearing took place in May 2020 and judgment was handed down in November 2020, indicating that trustees will be required to revisit past transfers out of schemes and that historical individual transfers from the scheme would also be due a top-up payment where the original transfer payment fell short of what it would have been had the inequalities in scheme benefits from GMP been removed.

The Trustee has set up a Joint Working Group (JWG) with the Employer and relevant advisers in order to take forward discussions on the appropriate method and approach to implement GMP equalisation for the Plan. For the Actuarial Valuation as at 30 June 2021, the Trustee agreed to include a GMP equalisation reserve of 1.3% of the Plan’s liabilities.

Based on the progress to date on this matter the Trustees remain of the opinion from their initial assessment of the likely backdated amounts and related interest will not be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements.



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**MEMBERSHIP SUMMARY**

As at the year-end, the membership of the Plan was as follows:

	LRPS Section	Non-LRPS Section	Total
Deferred members as at 1 July 2022	3,974	2,603	<b>6,577</b>
Deaths	(15)	(17)	<b>(32)</b>
Deferred members who retired*	(211)	(162)	<b>(373)</b>
Set to unclaimed	(12)	(11)	<b>(23)</b>
Leavers with no liability	(43)	(32)	<b>(75)</b>
Unclaimed to deferred	-	5	<b>5</b>
Deferred members as at 30 June 2023	<b>3,693</b>	<b>2,386</b>	<b>6,079</b>
Pensioners and Dependants as at 1 July 2022	6,081	8,927	<b>15,008</b>
New pensions*	218	165	<b>383</b>
New dependant pensions	83	149	<b>232</b>
Pensioner deaths	(197)	(386)	<b>(583)</b>
Spouse/dependants deaths	(84)	(214)	<b>(298)</b>
Child allowance ceased	(3)	(5)	<b>(8)</b>
Pension commuted for cash	(2)	(6)	<b>(8)</b>
Pensioners and Dependants as at 30 June 2023	<b>6,096</b>	<b>8,630</b>	<b>14,726</b>

\*Included in new pensions are 10 members who previously were unclaimed but were traced and added back as a pensioner.

The deferred membership as at 30 June 2023 does not include 739 records (2022: 725) relating to small benefit entitlements or refunds of contributions which have been unclaimed for many years. The Plan administrator has been unable to trace these individuals despite numerous attempts to do so.

The total deferred membership at 30 June 2023 includes 146 members (2022: 114) that are currently deferring pension beyond their normal retirement date.

Deferred members movements during the year include 23 members (2022: 29) who were set as unclaimed as they had not been traced despite numerous attempts, offset by 10 (2022: 4) who were previously set as unclaimed but who were traced.

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**FINANCIAL REVIEW**

During the year under review, the value of the Plan has changed as follows:

	<b>£m</b>
Value at 30 June 2022	2,912.8
Net decrease in fund over the year	(661.9)
<b>Value at 30 June 2023</b>	<b>2,250.9</b>

A summary of the Plan's income and expenditure in the year is given below.

	<b>Income £m</b>
Contributions from members and the Employer including PenXchange Scheme (salary sacrifice)	-
Investment income	103.7
	103.7
	<b>Outgoings £m</b>
Pensions	123.4
Pension commutation lump sums	10.2
Death Benefits	0.3
Individual transfers out to other schemes	9.5
Administration and Investment management expenses	17.4
Change in market value of investments	604.8
	765.6
Net decrease in the fund	(661.9)

It is emphasised that the market value of the net assets of the Plan is a snapshot as at 30 June 2023 and that there can be sharp short-term fluctuations in market value. Given the long-term nature of pension schemes, too much emphasis should not be given to short-term rises or falls in the market value of the Plan's investments. Therefore, it is advised that the Plan's financial statements should be read in conjunction with the Report on Actuarial Liabilities on page 12.

The day-to-day administration of the Plan is delegated to Lafarge Building Materials Limited. The direct costs of investment management and of administrative activities, including actuarial and other legal and professional fees, were agreed by the Trustee to be borne by the Plan and amounted to £12.2m and £5.2m respectively for the year to 30 June 2023 (see notes 10 and 8 to the financial statements respectively).

**INVESTMENTS**

The Plan's investments are held by the Trustee separately from the finances of Lafarge SA and the participating employing companies and in accordance with the Trust Deed. The Trustee has given instructions to the investment managers to prohibit the use or letting of the Plan's direct property assets by any company in the Holcim group and to prohibit investment in shares or bonds or loans of Holcim or its subsidiaries or associated companies except in respect of indirect investment in pooled or tracker funds and to restrict any employer related investments to levels permitted by the Pensions Act 1995.

The Plan's investments comply with any restrictions prescribed by regulations made under Section 40 of the Pensions Act 1995 and have been invested in accordance with the requirements of The Occupational Pension Schemes (Investment) Regulations 1996.

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### **Investment Arrangements**

The long-term objective of the Plan is to be fully funded on a low-risk measure such that the Plan's assets match or closely match its liabilities. To help facilitate this, the Trustee (with effect from 1 July 2013) appointed Towers Watson Limited under a Discretionary Fiduciary Management and Investment Advisory Services Agreement to be responsible for investing the assets of the Plan. Since the appointment, Towers Watson Limited has merged with Willis Group Holdings plc to become WTW.

WTW's appointment is twofold; to advise the Trustee on an appropriate investment strategy and once agreed by the Trustee to implement the strategy under its fiduciary mandate.

From 1 April 2014, the Trustee has tasked WTW with managing the assets relative to the Plan's liabilities, focusing on improving the Plan's funding position rather than simply outperforming a composite benchmark. This objective is consistent with a maturing pension scheme seeking to de-risk its portfolio as it moves towards being fully funded on a low-risk measure i.e. such that the Plan's assets match or closely match its liabilities without need for recourse to the sponsoring employers for funding.

The Plan's assets have therefore been structured with two key aims in mind:

1. To adopt a long-term approach to ensure all future benefit payments to members can be met
2. To construct a diversified portfolio that provides a reasonable balance between risk and return.

From 31 December 2022 the two underlying Sections that make up the Plan (LRPS and Non-LRPS) have been managed independently from a portfolio management perspective to better manage risk. The structure of the Plan's assets for both Sections comprises five main sections as set out below. Within each category WTW selected a range of investment managers chosen for their skill and experience in their particular sector to maximise the investment efficiency (return enhancing or risk mitigating) of the Plan's investments.

**Beta:** This section represents exposure to equity and property markets around the world. Active investment managers are picked for their ability to outperform underlying markets, and more passive managers track the benchmark in a lower cost way.

**Diversification (Alternatives):** To reduce reliance on equity and credit risk to achieve the target return, this section invests in non-traditional asset classes, which are expected to behave differently to equity in different market environments.

**Private markets (Private Equity, Infrastructure and Secure Income Assets):** and the Plan invests in long-term assets such as private equity and infrastructure in order to benefit from the illiquidity premium. Alongside these, secure income assets provide reliable and inflation linked cashflows to help meet increased benefit payments.

**Credit:** Providing capital to governments and all types of companies allows the Plan to gain a premium for lending and assuming the risk of potential default. Such a risk is managed by constructing a diversified portfolio and employing skilful managers with significant analytical expertise to avoid defaults.

**Bonds/Liability Driven Investment and Cash:** This section is predominantly made up of a portfolio of high-quality government bonds and financial derivatives which move in line with the Plan's liabilities as they change in value due to changes in inflation and interest rates. The section also includes securities designed to protect the Plan from an economic downturn and longevity swaps to manage the risk of benefit payments being made further into the future than anticipated. In addition, cash requirements such as the payment of member pensions are sourced from the cash fund.

WTW is overseen by both the Investment Committee and the Trustee. Its fiduciary mandate is governed by a series of Investment Guidelines set out in the Agreement. Isio assists the Investment Committee by monitoring WTW against a number of Key Performance Indicators and reports on a quarterly basis.

As required by the Pensions Act, the Trustee has prepared and maintained a Statement of Investment Principles. This is modified from time to time to reflect the changes required by legislation and changes in investment policy.

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### **Employer related investments**

The SIP ensures there are strict limitations to the extent that the Plan may be invested in LafargeHolcim, the principal employer. At the year-end, within the meaning of Section 40 of the Pensions Act 1995, exposure to employer related investments was 0% of total assets based on investments where there is the ability to 'look through' to the underlying exposure. We are confident that employer related investments is significantly below 5% of Plan assets.

### **How the Plan's Assets are Invested**

Throughout the year the Plan maintained a wide spread of investments. Note 11 provides an analysis of the Plan's investments and other assets at 30 June 2023. As at 30 June 2023, the Plan's investment strategy was structured as follows:

Beta	6.0%
Private Markets	16.7%
Credit	5.0%
Diversification	7.9%
Bonds/Liability Driven Investment and Cash	64.4%

As at 30 June 2022, the bonds/liability driven investment portfolio was underweight relative to target. This was largely attributed to a rise in UK government bond yields over the first half of 2022, which resulted in a decrease in the value of the liability matching portfolio. By 30 June 2023 the portfolio had undergone several changes resulting in the change in asset split seen above. Key amongst these were a rebalancing of the portfolio towards their strategic targets (which increased the size of the bonds/liability driven investment portfolio), a consolidation of the return seeking portfolio into fewer and more efficient funds and the sectionalisation process which allowed for one of the underlying sections to de-risk. The net result of these was to reduce the allocation to return seeking assets and increase the allocation to bonds/liability driven investments.

The Plan had also hedged approximately 89% and 92% of the fixed and inflation linked liabilities respectively of the LRPS Section, and approximately 92% and 92% of the fixed and inflation linked liabilities respectively of the Non-LRPS Section.

### **Investment Manager fees**

As Fiduciary manager, WTW has invested the Plan's assets in a number of pooled investment funds and segregated portfolios. Some of the management fees for these investment vehicles are calculated on sliding scales based on the market value of assets invested. For vehicles which include derivatives (Liability Driven Investments and currency hedging instruments), the management fee is calculated based on the notional value of exposure traded. These managers operate a 'clean fee' basis (i.e. direct fee only) and they do not derive additional income from commissions on dealing and indirect charges.

WTW was remunerated by a fixed fee of £2.1m (2022: £3.0m) to 30 June 2023.

The total Plan investment management fees are estimated to be £8.6m for the year (2022: £13.3m). See note 10 on page 24 for further detail.

### **Responsible Investment**

The Trustee and Fiduciary Manager recognise that an investment's long-term financial success is influenced by a range of factors, including Environmental, Social and Governance (ESG) issues and climate risks, which may have a financially material impact on the investment's performance.

Consequently, the Trustee (through the selection of the Fiduciary Manager and its associated approach to environmental, social and governance issues, as set out below) seeks to be an active long-term investor. The Trustee's focus is mainly on financially material factors, and it also takes into account non-financial factors and ethical considerations. The Trustee will consider all member feedback on non-financial and ethical matters as appropriate.

The Fiduciary Manager has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in the investment manager selection and portfolio management process, with oversight undertaken on a periodic basis.

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YEAR ENDED 30 JUNE 2023**

**Responsible Investment (continued)**

The Trustee expects the Fiduciary Manager to assess the alignment of each investment manager's approach to sustainable investment (including the manager's approach to engagement) with its own before making an investment on the Plan's behalf. The Trustee expects the Fiduciary Manager to engage with the Plan's investment managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.

In addition, the Trustee expects the Fiduciary Manager to review the investment managers' approach to sustainable investment including the risks arising from climate change (including the manager's approach to engagement) on a periodic basis and engage with the investment managers to encourage further alignment as appropriate.

The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy, and particular exposures which the Fiduciary Manager takes into account in the assessment.

The Fiduciary Manager encourages and expects the Plan's investment managers to sign up to local or other applicable Stewardship Codes, in keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement and the provision of voting advice for the Plan's equity investments.

The Trustee expects the Fiduciary Manager to consider the fee structures of investment managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial selection of an investment manager and on an ongoing basis. During the year, the Fiduciary Manager reviewed and reported to the Trustee on the total fees and costs incurred by the Plan through its investments. As part of its review and reporting on the Plan's costs, the Fiduciary Manager will also shortly be reporting to the Trustee on the costs associated with portfolio turnover, including a consideration of whether turnover experienced within investment strategies is consistent with the individual manager's expectations and within the Fiduciary Manager's expectations given its knowledge and understanding of the asset class and peers.

The Trustee reviewed and approved revisions to the Defined Benefit SIP in September 2020. The Statement will continue to be reviewed, at least annually, to ensure the principles are appropriate to the Plan. A copy of the SIP is available to members on the Plan website:

<https://www.isio.com/scheme-documents/the-lafarge-uk-pension-plan/>

The Trustee has prepared an Implementation Statement to set out how the SIP has been adhered to during the year. A copy of this is included in Appendix 2 and forms part of the Trustee's Report.

**Taskforce on Climate-related Financial Disclosures (TCFD) report**

The Taskforce on Climate-related Financial Disclosure (TCFD) is an initiative that developed some best practice guidance for climate-risk reporting. New UK regulations require the Trustees to meet climate governance requirements and publish an annual TCFD-aligned report on the Plan's climate-related risks.

The TCFD report has been prepared for the first time this year and it can be found here:

<https://www.isio.com/scheme-documents/the-lafarge-uk-pension-plan/>

**Investment Performance**

BNY Mellon is employed as an independent performance measurer. The performance measurer is responsible for calculating the performance of each underlying portfolio and fund held by the Plan as well as performance at the total asset level. Performance at the total asset level is compared against a return based on the Plan's liabilities ('Liability Proxy Return').

**LAFARGE UK PENSION PLAN  
REPORT OF THE TRUSTEE  
YEAR ENDED 30 JUNE 2023**

**Investment Performance (continued)**

The return on the Plan's assets, both income received and capital growth, is measured and compared with the Liability Proxy Return on a Plan year basis, and since the inception of WTW's Fiduciary mandate. Following the change in approach to manage the Plan's underlying Sections independently, performance is monitored for both LRPS and Non LRPS independently. The annualised Plan returns for one, three and five years ended 30 June 2023 have been as follows:

	LRPS		Non LRPS	
	Plan 2023 % pa	Liability proxy 2023 %pa	Plan 2023 % pa	Liability proxy 2023 %pa
1 Year to 30 June 2023	(18.1)	(16.7)	(19.3)	(15.8)
3 Years to 30 June 2023	(11.1)	(12.6)	(11.5)	(12.3)
5 Years to 30 June 2023	(2.9)	(4.2)	(3.2)	(4.0)

**Safe keeping of assets**

BNY Mellon is employed as the Plan's global custodian. WTW is responsible for monitoring BNY Mellon against a range of Key Performance Indicators and reporting to the Trustee on a quarterly basis. Custody is separated from investment management, with portfolio valuations reconciled on a monthly basis.

The Plan's auditor, where applicable, verifies the valuation of the Plan's investments and bank balances reported by the investment managers with the custodians.

**REPORT ON ACTUARIAL LIABILITIES**

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

The Plan's latest triennial actuarial valuation had an effective date of 30 June 2021 and details can be found in the Schedule of Contributions and Statement of Funding Principles which are available from the Secretary on request.

In summary the valuation revealed a surplus of £123.0m at the effective date based on the market value of assets of £3,565.0m and a value placed on the liabilities of £3,442.0m. There are two sections within the Defined Benefit section of the Plan with separate valuation results calculated for each. The Non-LRPS section had a surplus of £93.0m and the LRPS section had a surplus of £30.0m.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

**Discount interest rate:** The return from gilts +2.00% pa, reducing linearly over the period to 30 June 2029 for the Non-LRPS Section and over the period to 30 June 2036 for the LRPS Section to the return on gilts +0.50% pa.

**Future Retail Price Inflation:** As measured by the Retail Prices Index ("RPI") over each future year as derived from the LCP breakeven RPI curve. As at 30 June 2022, the single equivalent average rate (weighted by reference to the projected future benefit cashflows) was 3.4% pa.

**Future Consumer Price Inflation:** As measured by the Consumer Prices Index ("CPI") over each future year calculated as the corresponding assumption for RPI less 0.9% pa until 2030, and then reducing to a gap of 0.1% pa from 2030 onwards. As at 30 June 2022, the single equivalent average rate (weighted by reference to the projected future benefit cashflows) was 3.0% pa.

**LAFARGE UK PENSION PLAN  
REPORT OF THE TRUSTEE  
YEAR ENDED 30 JUNE 2023**

**REPORT ON ACTUARIAL LIABILITIES (continued)**

**Pension increases:** derived from the RPI and CPI assumptions allowing for the caps and floors on pension increases according to the provisions in the Plan's rules, as follows:

<b>Pension increases in payment</b>	- LRPS Section	3.3% p.a.
	- Non-LRPS Section	3.4% p.a.
	- Post-1988 GMP	2.4% p.a.
<b>Pension revaluation in deferment</b>	- LRPS Section	3.3% p.a.
	- Non-LRPS Section	2.6% p.a.

**Mortality:** Males – S3PMA normal health pensioners, all amounts with base table multipliers of 105% (insured)/97% (uninsured)% for the LRPS section and 101% (insured)/97% (uninsured) for the Non-LRPS section.

Females – S3PFA normal health pensioners, all amounts with a base table multiplier of 100% (insured)/93% (uninsured) for the LRPS section and 97% (insured)/100% (uninsured) for the Non-LRPS section.

The base tables above are projected from 2013 to 2022 using the CMI's 2020 core projections with a smoothing parameter of 7, an initial improvement parameter of 0.50% pa and a 2020 parameter of 10%, with long term improvement rates of 1.5% per annum for both males and females.

**ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)**

A number of members have AVCs in the In-House AVC Plan. The majority of these members are in the Non-LRPS Section, and these funds are pooled with the Non-LRPS Section assets of the Plan. Interest is added half yearly on 5 October and 5 April. Following the closure of the Defined Benefit arrangement no new contributions have been made to In-House AVCs since 1 November 2011.

AVCs were also made by members to third party providers. These were invested on a money-purchase basis in with-profits funds and other unitised vehicles and were included in the transfer of the DC section to the Aon Master Trust on 2 October 2021.

**TRANSFERS**

All transfer values paid to other pension schemes during the year were calculated and verified by the Plan's Actuary or calculated in accordance with instructions prepared by the Plan's Actuary, in accordance with statutory regulations. The Trustee has instructed the Actuary not to take account of discretionary increases in calculating cash equivalents for transfer purposes. No transfers were reduced to less than their cash equivalent value.

The Trustee has taken the Regulator's pledge to protect members from pension scams and the risks are highlighted in communications to members.

**SCHEDULE OF CONTRIBUTIONS**

As required by the Pensions Act 1995, the Trustee has prepared a payment schedule (Schedule of Contributions). The Schedule specifies the rates and due dates of employer and employee contributions to the Plan. It is subject to review from time to time as required by legislation and by the Plan's Trust Deed and Rules following actuarial valuations and interim reviews. Copies of the Actuary's certifications of the Schedules of Contributions are reproduced on pages 41 and 42.

**COMMUNICATIONS**

The Trustee considers communication with all members of the Plan to be important. The framework for communication between the Trustee and members is noted below.



## LAFARGE UK PENSION PLAN REPORT OF THE TRUSTEE YEAR ENDED 30 JUNE 2023

### All members

PensionsTalk magazine is sent to all members annually, keeping members informed about the Plan. All members with a defined benefit entitlement in the Plan receive a copy of ValuationTalk shortly after the conclusion of a full actuarial valuation. PensionsTalk, ValuationTalk and other items of Plan literature, including a more detailed version of ValuationTalk, news updates and other useful information are also posted on the Plan's website: <https://www.lafargeukpensions.com>

Additional communications are sent to active members and deferred pensioners, as follows:

### Active Members

Since the transfer of the DC section to the Aon MasterTrust, there are no longer any active members.

### Deferred Pensioners

Deferred pensioners are able to obtain a benefit update on request. Those members who have paid additional voluntary contributions (AVCs) also receive statements of their AVC accounts at least annually.

### Pensions Helpline

All members are also able to telephone the Pensions Helpline on 0800 488 0540 (or +44 203 372 2076 if calling from overseas), should they have queries regarding their pension benefits.

## MEMBERS' INFORMATION AND ADVICE

Members can obtain information about their own pension benefits or further information about the Plan from the Secretary, or from the administration team at Isio, PO Box 108 Blyth, NE24 9DY. Any concern connected with the Plan should be referred to the Secretary, who will try to resolve the problem as quickly as possible.

## INTERNAL DISPUTE PROCEDURE

Complaints or disputes about any aspect of the Plan are normally resolved quickly and informally. However, if this is not the case, the Trustee has put in place a formal internal procedure for the resolution of disputes between Plan beneficiaries and the Trustee. For full details of the formal procedure, please contact the Secretary.

## MONEYHELPER

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. MoneyHelper can be contacted at:

MoneyHelper  
120 Holborn, London, EC1N 2TD  
Telephone: 0115 965 9570  
Email: [contact@maps.org.uk](mailto:contact@maps.org.uk)  
Website: [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

## PENSIONS OMBUDSMAN

Any complaints or disputes can, at any time, be referred to the Pensions Ombudsman. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes. The Pensions Ombudsman can be contacted at:

10 South Colonnade  
Canary Wharf  
London, E14 4PU  
Telephone: 0800 917 4487.  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)



**THE PENSIONS REGULATOR**

The Pensions Regulator has a wide range of powers to help protect members' pension benefits. In certain circumstances, The Pensions Regulator can intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties. The Pensions Regulator can be contacted at:

Napier House  
Trafalgar Place  
Brighton,  
Sussex,  
BN1 4DW  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

**The Pension Scheme Registry**

The Plan is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. For members of the LRPS section quote the reference number 19012001 and for members of the Non LRPS section quote 19012002. The Pension Tracing Service can be contacted at:

The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU  
Telephone: 0800 731 0193  
Website: [www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension)

**FURTHER INFORMATION**

If any member has any questions about this report, the Plan or their entitlements under the Plan, please address them to Stephen Hammer, Trustee Secretary, at the address on page 1, or via e-mail at [lafarge@isio.com](mailto:lafarge@isio.com).

On behalf of the Trustee

Stephen Hammer  
Secretary



## LAFARGE UK PENSION PLAN STATEMENT OF TRUSTEES RESPONSIBILITIES

### Statement of Trustee's responsibilities for the financial statements

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

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Financial statements 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 Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an Annual Report.

The Trustee also has 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 Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is 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 Plan by or on behalf of the Employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

**LAFARGE UK PENSION PLAN**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LAFARGE UK PENSION PLAN**

**Opinion**

We have audited the financial statements of the Lafarge UK Pension Plan ("the Plan") for the year ended 30 June 2023 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. 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).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 30 June 2023, and of the amount and disposition at that date of its assets and liabilities, other than 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; 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.

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the trustee's 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 Plan'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 Trustee with respect to going concern are described in the relevant sections of this report.

**Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 statement of Trustee's responsibilities set out on page 16, the Trustee is responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibilities of trustees (continued)**

In preparing the financial statements, the Trustee is responsible for assessing the Plan'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 Trustee either intend to wind up the Plan 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these:

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.
- Misappropriation of investment assets owned by the Plan. This is addressed by obtaining direct confirmation from the investment custodian and fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

**Use of our report**

This report is made solely to the Plan's Trustee, 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 Plan's Trustee 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 Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

**LAFARGE UK PENSION PLAN  
FUND ACCOUNT  
YEAR ENDED 30 JUNE 2023**

	Note	2023 £m	2022 £m
<b>Benefits</b>			
Benefits paid or payable	6	(133.9)	(129.7)
Payments to and on account of leavers	7	(9.5)	(17.2)
Administration expenses	8	(5.2)	(3.2)
		<b>(148.6)</b>	<b>(150.1)</b>
<hr/>			
<b>Net withdrawals from dealings with members</b>		<b>(148.6)</b>	<b>(150.1)</b>
<hr/>			
<b>Returns on investments</b>			
Change in market value of investments	11	(604.8)	(475.5)
Investment income	9	103.7	42.7
Investment management expenses	10	(12.2)	(17.0)
<b>Net return on investments</b>		<b>(513.3)</b>	<b>(449.8)</b>
<hr/>			
<b>Net decrease in the fund during the year</b>		<b>(661.9)</b>	<b>(599.9)</b>
<hr/>			
<b>Net assets of the Plan</b>			
<b>At 1 July</b>		<b>2,912.8</b>	3,512.7
<b>At 30 June</b>		<b>2,250.9</b>	2,912.8

The notes on pages 21 to 39 form part of these financial statements.



**LAFARGE UK PENSION PLAN**  
**STATEMENT OF NET ASSETS (available for benefits)**  
**AS AT 30 JUNE 2023**

	Note	2023 £m	2022 £m
<b>Investment Assets:</b>	<b>11</b>		
Equities		0.5	0.5
Bonds		1,611.1	1,989.4
Pooled investment vehicles	12	848.3	1,625.4
Derivatives	13	58.3	64.9
Insurance policies – annuities	17	2.5	2.5
Cash deposits and other investment assets	19	362.7	407.4
		<b>2,883.4</b>	4,090.1
<b>Investment Liabilities:</b>			
Derivatives	13	(85.7)	(85.5)
Longevity swaps	14	(35.6)	(31.1)
Other investment liabilities	19	(518.7)	(1,067.6)
		<b>(640.0)</b>	(1,184.2)
<b>Total net investments</b>		<b>2,243.4</b>	2,905.9
Current assets	23	12.7	11.5
Current liabilities	24	(5.2)	(4.6)
<b>Net assets of the Plan at 30 June</b>		<b>2,250.9</b>	2,912.8

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of the obligation to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan which does take account of such obligations, is dealt with in the Report on Scheme Liabilities on page 12 and these financial statements should be read in conjunction with them. The notes on pages 21 to 39 form part of these financial statements.

Approved by the Board of Directors of Lafarge UK Pension Trustees Limited on  
signed on its behalf by:

2023 and

.....  
**Director**

.....  
**Director**

**LAFARGE UK PENSION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2023**

**1. General information**

The Plan is governed under a consolidated Trust Deed and Rules, signed 29 October 2012, Amending Deeds, signed 25 March 2015, 3 April 2017, 15 November 2017, 28 April 2020 and 24 June 2021 and the Deed of Agreement dated 30 September 2016, as amended on 29 March 2019. The Plan is established as a trust under English law. The address for enquiries to the Plan is included in the Trustee's Report.

The Plan is a registered scheme under Chapter 2 of the Finance Act 2004 and the registered number is 00488162RM.

**2. Basis of preparation**

The Financial Statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 102 (FRS 102) – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (SORP) (revised June 2018).

The Trustee Board has assessed the employer covenant, its ability to continue to make contributions as they fall due, the investment portfolio and the funding levels of the Plan. The Trustee is confident that the Plan will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements and, therefore, has prepared the financial statements on a going concern basis. In reaching this conclusion, the Trustee has considered the sponsoring employer's financial position as well as the regulatory capital position of the Plan's longevity swap provider.

**3. Consolidation**

Subsidiaries are entities over which the Plan has the power to govern the financial and operational policies. The Plan has not prepared consolidated accounts on the grounds of immateriality and has accounted for subsidiaries using the equity method of accounting based on values derived from audited financial statements or other reliable financial information as at 30 June 2023 which represent the Trustee's estimate of fair value.

**4. Accounting Policies**

**Investments**

Investments are included at fair value at the year-end.

The fair value of quoted securities is based on closing prices. These prices may be the bid price on the relevant Stock Exchange or, where this is not available, the latest trade price when securities are traded.

The value of fixed interest and inflation linked securities have been quoted excluding the value of interest accruing from the previous interest payment date.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

**LAFARGE UK PENSION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2023**

#### **4. Accounting Policies (continued)**

##### **Investments (continued)**

Derivatives are stated at fair value:

Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.

Forward foreign exchange contracts 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.

Futures and options are valued at their mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.

Longevity swaps are valued at a fair value using the collateral valuation basis as an estimation technique based on the expected future cash flows arising under the swap discounted using gilt yields as a market interest rate.

Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these Financial Statements at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions and methodology. Annuity valuations are provided by the Plan Actuary.

Repurchase agreements – under repurchase (repo) arrangements, the Plan continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability.

##### **Investment income**

Income from fixed interest investments and bank interest is accounted for on an accruals basis. Income from dividends is accounted for on an ex dividend basis. Realised and unrealised capital gains and losses on investments are dealt with in the Fund Account in the period in which they arise. Property income is accounted for on the basis of rent receivable, net of expenses, in respect of each financial period. Investment income is stated inclusive of recoverable taxes.

##### **Foreign currencies**

The functional and presentational currency of the Plan is Sterling. Balances denominated in foreign currencies are translated into sterling at the rate ruling at the year-end date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction.

##### **Benefits**

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

##### **Transfers to other schemes**

Transfer values have been included in the financial statements when paid. Provision is made for group transfers in accordance with the terms of the transfer agreement.

##### **Administration expenses and management expenses**

All expenses associated with investment management, actuarial advice, accounting and administration borne by the Plan are accounted for in the period to which they relate.



**LAFARGE UK PENSION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. Accounting Policies (continued)**

**Judgements and key sources of estimation uncertainty**

In the application of the Plan's accounting policies, the Trustee is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

There are no estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

**5. Contributions**

There are no contributions due from the Employer under the current valuation which was completed as at 2021. This position will be reviewed as part of the 2024 valuation.

**6. Benefits paid or payable**

	<b>2023</b>	2022
	<b>£m</b>	£m
Pensions	<b>123.4</b>	121.1
Death benefits	<b>0.3</b>	0.6
Commutation of pensions and lump sum retirement benefits	<b>10.2</b>	8.0
<b>Total benefits paid or payable</b>	<b>133.9</b>	129.7

The Commutation of pensions and lump sum retirement benefits is stated after crediting £1.63m (2022: £1.45m) in respect of switchbacks for members with defined contribution benefits that had been transferred to The Aon MasterTrust.

**7. Payments to and on account of leavers**

	<b>2023</b>	2022
	<b>£m</b>	£m
Individual transfers to other schemes	<b>9.5</b>	17.2
<b>Total payments to and on account of leavers</b>	<b>9.5</b>	17.2

**8. Administration expenses**

	<b>2023</b>	2022
	<b>£m</b>	£m
Pensions administration and expenses	<b>1.9</b>	1.6
Trustee Chairman & other directors fees & expenses	<b>0.1</b>	0.1
Actuary's fees	<b>1.3</b>	0.7
Auditor's fees and expenses	<b>0.1</b>	0.1
Legal and other professional fees	<b>1.6</b>	0.5
Pension Protection Fund and similar levies	<b>0.2</b>	0.2
<b>Total administration expenses</b>	<b>5.2</b>	3.2

Pension administration fees represent the direct costs charged to the Plan in respect of administration services provided by Lafarge Building Materials Limited.

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**9. Investment income**

	<b>2023</b>	2022
	<b>£m</b>	£m
Income from fixed interest securities	<b>50.5</b>	14.2
Income from inflation-linked securities	<b>8.7</b>	8.3
Income from managed and unitised funds	<b>24.4</b>	18.7
Interest receivable and interest (payable) on cash and cash instruments	<b>4.7</b>	(0.7)
Annuity income	<b>0.1</b>	0.3
Income from derivatives	<b>5.4</b>	0.3
Other investment receivables	<b>9.9</b>	1.6
<b>Total investment income</b>	<b>103.7</b>	42.7

**10. Investment management expenses**

	<b>2023</b>	2022
	<b>£m</b>	£m
Investment management fees	<b>11.5</b>	16.1
Investment professional fees – Fiduciary management monitoring and investment advice	<b>0.4</b>	0.2
Custody, valuation and performance measurement fees	-	0.2
Longevity insurance fees and administrative costs	<b>0.3</b>	0.5
<b>Total investment management expenses</b>	<b>12.2</b>	17.0

Included in the investment manager fees stated are management fees for certain managed funds and for the Private Equity portfolio estimated at £7.5m (2022: £11.1m) which are deducted from the market values.

**11. Reconciliation of investments**

	<b>Value at 30 June 2022</b>	<b>Purchases at cost and derivative payments</b>	<b>Sales proceeds and derivative receipts</b>	<b>Change in market value</b>	<b>Value at 30 June 2023</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	0.5	-	-	-	<b>0.5</b>
Bonds	1,989.4	1,388.1	(1,381.9)	(384.5)	<b>1,611.1</b>
Pooled investment vehicles	1,625.4	1,139.3	(1,888.1)	(28.3)	<b>848.3</b>
Derivatives	(20.6)	179.8	(30.6)	(156.0)	<b>(27.4)</b>
Longevity swaps	(31.1)	7.6	-	(12.1)	<b>(35.6)</b>
Insurance policies	2.5	-	-	-	<b>2.5</b>
	<b>3,566.1</b>	<b>2,714.8</b>	<b>(3,300.6)</b>	<b>(580.9)</b>	<b>2,399.4</b>
Cash & other investment assets	407.4			(23.9)	<b>362.7</b>
Other investment liabilities	(1,067.6)			-	<b>(518.7)</b>
<b>Total investments</b>	<b>2,905.9</b>			<b>(604.8)</b>	<b>2,243.4</b>

An adjustment amounting to £7.5m (2022: £11.1m) has been made to the change in market value in respect of estimated management fees for certain managed funds and Private Equity which are deducted from market values. These estimated fees have been included in the total investment fees in note 10 above.

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**11. Reconciliation of investments (continued)**

During the year the Plan's fiduciary manager made purchases of £1,139.3m (2022: £640.8m) in investments in pooled vehicles. The primary driver behind the higher number for 2023 was a decision to consolidate the return seeking portfolio into fewer and more efficient funds (£345.0m). In addition, the Trustee decided to sectionalise the Plan into two sections to better manage the sections according to their specific liability profiles and funding positions. To achieve this, underlying funds in the combined LUPP portfolio were split by the underlying managers in line with the proportions set out in the specially commissioned 31 December 2022 Report and Accounts. By performing the majority of the split through a separation of units, rather than redemptions and repurchases, transaction costs were minimised. A proportion of the funds (£51.4m) were, however, subject to redemptions and repurchases.

Of the remaining purchases, £362.0m related to changes in the share classes held to both better manage costs and to provide additional flexibility in managing liability hedging collateral following the gilts crisis in Q4 2022.

The rest of the sales and purchases are due to rebalancing of the portfolio in line with the Trustee's investment strategy or changes in the Fiduciary Manager's views of the relative attractiveness of different assets, the investment of committed capital and redemption of downgraded funds.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Plan such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £3.4m (2022: £Nil). In addition to the transaction costs disclosed, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately disclosed.

**12. Pooled investment vehicles**

	<b>2023</b>	2022
	<b>£m</b>	£m
Core infrastructure funds	<b>9.0</b>	69.0
Core property funds	<b>63.4</b>	114.0
Diversified strategies	<b>73.6</b>	-
Emerging equity funds	<b>18.7</b>	67.7
Global corporate bond funds	-	38.6
Global equity funds	<b>54.5</b>	186.2
Global sovereign credit funds	-	42.7
Hedge and systematic trading funds	<b>86.4</b>	298.5
Inflation protection	-	31.2
Liquidity event funds	-	39.9
Merger arbitrage funds	-	72.6
Market neutral funds	-	33.2
Multi-strategy alternative credit funds	<b>118.3</b>	178.3
Private equity funds	<b>196.6</b>	204.8
Reinsurance funds	<b>14.5</b>	42.7
Risk premia funds	-	39.7
Secure income asset funds	<b>172.7</b>	166.3
Downside risk hedge funds	<b>40.6</b>	-
<b>Total pooled investment vehicles</b>	<b>848.3</b>	1,625.4

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**13. Derivative contracts**

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Plan as explained in the Investment Report, page 10. Summarised details of the derivatives held are set out below:

	2023		2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Swaps	50.7	(85.2)	64.9	(36.2)
Forward currency contracts	7.6	(0.5)	-	(49.3)
<b>Total derivative contracts</b>	<b>58.3</b>	<b>(85.7)</b>	64.9	(85.5)

**(i) Inflation and interest rate swaps**

The Plan has derivative contracts outstanding at the year-end relating to the LDI section. These contracts are traded over the counter (OTC) and intended as hedges against the Plan's fixed and inflation linked liabilities. A summary of the Plan's outstanding contracts, aggregated by key characteristic, is set out below:

Type of contract	Expiration	Notional principal £m	Asset £m	Liability £m
Inflation swaps	1-17 years	219.1	32.8	-
Interest rate swaps	1-40 years	1,055.6	17.9	(85.2)
<b>Total 2023 swaps</b>		<b>1,274.7</b>	<b>50.7</b>	<b>(85.2)</b>
Total 2022 swaps		1,496.8	64.9	(36.2)

At the year-end the Plan held collateral as disclosed in note 18.

**(ii) Forward currency contracts**

The Plan has OTC forward currency contracts at the year-end relating to its currency hedging strategy as follows:

Settlement dates	Currency bought	Currency sold	Asset £m	Liability £m
<b>USD Contracts</b>				
19/07/23	-	\$165.0m	3.6	-
17/08/23	-	\$165.6m	2.5	-
15/09/23	-	\$154.0m	1.5	-
12/05/23	\$20.5m	-	-	(0.2)
12/06/23	\$31.9m	-	-	(0.3)
<b>Total 2023 forward currency contracts</b>			<b>7.6</b>	<b>(0.5)</b>
Total 2022 forward currency contracts			-	(49.3)

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#### **14. Longevity swaps**

The Plan entered into two longevity swap insurance agreements in August 2018 to protect the Plan against costs associated with potential increases in life expectancy. These arrangements were transacted through the Guernsey Insurance companies, Project Canary Cell 1 IC Limited and Project Canary Cell 2 IC Limited. Project Canary Cell 1 IC Limited and Project Canary Cell 2 IC Limited are 100% owned by the Plan. These swaps are accounted for at a valuation prepared by WTW in their capacity as the collateral calculation agent for the longevity swaps. At the year-end the fair value of the swaps was considered to be a liability of £35.6m (2022: £31.1m).

At the year-end the Plan had pledged collateral as disclosed in note 18.

#### **15. Subsidiaries**

The Plan has investments in two 100% directly owned subsidiaries, Project Canary Cell 1 IC Limited and Project Canary Cell 2 IC Limited, both incorporated in Guernsey. These subsidiaries form part of the Plan's longevity risk management strategy.

The total investment in these companies is £0.1m (2022: £0.1m), which has been disclosed within the equities value in note 11. At the year-end the aggregate amount of net assets, which consisted of cash, within the subsidiaries was £0.1m (2022: £0.1m).

#### **16. Amounts owed under repurchase contracts**

At the year-end, within other investment assets and liabilities, amounts repayable under repurchase agreements were £518.7m (2022: £1,067.6m). At the year-end £495.9m (2022: £916.1m) of investments included in bonds reported in Plan assets are held by counterparties under repurchase agreements.

In order for the fund to achieve both its target return and target hedge ratios, it is necessary to use leverage in the LDI portfolio. To illustrate this point, to achieve a target interest rate hedge of 100% without using leverage, all the Fund's assets would need to be held in gilts or index linked gilts. Clearly with this allocation it would not be possible to achieve the Fund's target return. As such, the Fund must use a tolerable amount of leverage in the LDI portfolio to allow more assets to be allocated to the return seeking portfolio.

Leveraged exposure to interest rates and inflation can be achieved in several ways – a commonly used method is to use gilt repurchase agreements (repo). During a repo contract the Fund sells a gilt to a counterparty bank and agrees to buy back the gilt at a later date at a pre-determined price. This can be thought of as secured borrowing and difference in pricing is related to the "repo rate" which is the interest rate the bank charges the Fund for lending this money. The cash raised from selling the gilt can then be used to purchase further gilts or index linked gilts to increase the interest rate exposure of the Fund (importantly, the Fund still has exposure to the gilt sold to the counterparty bank).

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**17. Insurance policies**

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Annuity policies	2.5	2.5
<b>Total insurance policies</b>	<b>2.5</b>	<b>2.5</b>

At the year-end the Trustee holds annuity policies for inclusion within the financial statements. The annuity policies are held with Abbey Life, Clerical Medical, Friends Life, Friends Provident, Legal & General, Phoenix, Prudential, ReAssure Limited, Reliance Mutual (Criterion), Scottish Widows and Sun Life. The Trustee has previously obtained a valuation in respect of these annuities from the Plan Actuary.

During the year £0.1m (2022: £0.3m) was received in annuity income from these annuities and is included in investment income.

For the year ended 30 June 2023 insurance policies in respect of liabilities that accrued prior to 1 July 1991 for the benefit of certain pensioners and deferred pensioners have been assigned to the Trustee. The aggregate value of those policies has not been ascertained but it is unlikely to be significant in relation to the amount of the Plan's net assets.

**18. Collateral for swap contracts and longevity swaps**

Collateral arrangements are in place for derivative contracts in order to manage the potential risk of counterparty default. Such arrangements require collateral in the form of fixed interest securities or cash equivalents to be passed between the parties dependent upon whether there exists a net asset or a net liability on the contract as at the end of the period. As at 30 June, the collateral received/pledged for the swap and forward currency contract portfolio managed by Insight was as follows:

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
<b>Collateral received:</b>		
Fixed interest securities	1.1	6.1
Inflation linked securities	9.8	4.0
Cash and cash equivalents	5.2	16.3
<b>Total collateral received</b>	<b>16.1</b>	<b>26.4</b>
<b>Collateral pledged:</b>		
Fixed interest securities	10.1	-
Inflation linked securities	37.5	56.4
<b>Total collateral pledged</b>	<b>47.6</b>	<b>56.4</b>

As at 30 June the collateral received/pledged for repurchase agreements was as follows:

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
<b>Collateral received:</b>		
Inflation linked securities	0.3	-
<b>Total collateral received</b>	<b>0.3</b>	<b>-</b>
<b>Collateral pledged:</b>		
Fixed interest securities	-	3.8
Inflation linked securities	23.9	139.0
<b>Total collateral pledged</b>	<b>23.9</b>	<b>142.8</b>

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**18. Collateral for swap contracts and longevity swaps (continued)**

As at 30 June the collateral pledged for the longevity swaps were as follows:

	<b>2023</b>	2022
	<b>£m</b>	£m
Fixed interest securities	<b>60.5</b>	70.2
Inflation linked securities	<b>13.8</b>	11.7
<b>Total collateral pledged</b>	<b>74.3</b>	81.9

Collateral balances are held separately from other asset holdings of the portfolio and are not re-invested.

**19. Cash deposits and other investment balances**

	<b>2023</b>	2022
	<b>£m</b>	£m
Cash balances	<b>364.3</b>	313.0
Outstanding trades	<b>(5.2)</b>	88.7
Accrued investment income	<b>3.6</b>	5.7
<b>Total cash deposits and other investment assets</b>	<b>362.7</b>	407.4
<b>Other investment liabilities</b>		
Amounts payable on repurchase agreements (*)	<b>(518.7)</b>	(1,061.7)
Amounts payable on longevity swaps	<b>-</b>	(5.9)
<b>Total other investment liabilities</b>	<b>(518.7)</b>	(1,067.6)

\*Amounts payable on repurchase agreements relate to assets purchased under these agreements (see note 16).

**20. Concentration of investments**

No individual investment made up more than 5% of the Plan's assets at the year-end.

**21. Investment risks**

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 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 risk: this comprises currency risk, interest rate risk and "other" price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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**21. Investment risks (continued)**

The Plan has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee's investment objective and long-term policy are set out below:

- a. The acquisition of suitable assets of appropriate marketability and liquidity which will generate income and capital growth to meet, together with any contributions, the cost of current and future benefits which the Plan provides, and to ensure the security, quality and profitability of the portfolio as a whole.
- b. To limit the risk of the assets failing to meet the liabilities of the Plan over the short and long term.
- c. To minimise the long-term cost of the Plan to the Employer by maximising the return on the assets whilst having regard to the above.

The Trustee has formulated a long-term strategy to be fully funded on a low-risk measure. This means being fully funded on a measure currently defined by a gilts + 0% pa basis (although it is recognised that a lower level of funding may be required) so that the Trustee has a full range of strategic options available to it, including the ability to invest in insurance company annuities if desired, taking account of conditions when full funding is achieved and the Trustee's ultimate objective of ensuring the security of members' benefits.

The Trustee has appointed a fiduciary manager, Towers Watson Limited, to manage the Plan's assets in line with the strategy. Since the appointment, Towers Watson Limited has merged with Willis Group Holdings plc to become WTW. In seeking to achieve this target, the Trustee will determine the appropriate level of risk, including credit risk and market risk, which are set considering the Plan's strategic investment objectives. The Trustee's risk management policy is documented in the Statement of Investment Principles.

As at 30 June 2022, the bonds/liability driven investment portfolio was underweight relative to target. This was largely attributed to a rise in UK government bond yields over the first half of 2022, which resulted in a decrease in the value of the liability matching portfolio. By 30 June 2023 the portfolio had undergone several changes resulting in the change in asset split seen above. Key amongst these were a rebalancing of the portfolio towards their strategic targets (which increased the size of the bonds/liability driven investment portfolio), a consolidation of the return seeking portfolio into fewer and more efficient funds and the sectionalisation process which allowed for one of the underlying sections to de-risk. The net result of these was to reduce the allocation to return seeking assets and increase the allocation to bonds/liability driven investments.



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**21. Investment risks (continued)**

The following table summarises the extent to which the various classes of investments are affected by financial risks:

	Credit Risk		Market Risk			30 June 2023 total (£m)	30 June 2022 total (£m)
	Direct	Indirect	Currency	Interest rate	Other price		
<b>Defined benefit section</b>							
Quoted Equities and Convertibles	○	○	◐	○	●	0.5	0.5
Derivative Contracts	●	○	◐	●	◐	(27.4)	(20.6)
Fixed Interest (All GBP denominated)	●	○	○	●	○	545.5	629.2
Index Linked (All GBP denominated)	●	○	○	●	○	1,065.6	1,360.2
Managed Funds and Pooled investments	●	●	◐	◐	●	673.5	1,444.8
Private Equity	●	○	◐	○	●	174.8	180.6
Cash Deposits and Other Investment Assets	●	○	◐	○	○	362.7	407.4
Longevity swaps	●	○	○	●	○	(35.6)	(31.1)
Annuity policies	●	●	○	○	○	2.5	2.5
Other Investment Liabilities (repurchase agreements)	●	●	○	○	●	(518.7)	(1,067.6)
						<b>2,243.4</b>	<b>2,905.9</b>

Note: 'Cash Deposits and Other Investment Assets' includes pooled liquidity funds.

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/ not at all.

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## **21. Investment risks (continued)**

Further information on the Trustee's approach to risk management and the Plan's exposures to credit and market risks are set out below.

### **(i) Credit risk**

The Plan is subject to credit risk as the Plan invests in bonds, OTC derivatives, repurchase agreements, has cash balances and has the potential to undertake stock lending activities. The Plan also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is expected to be low, or corporate bonds which are rated at least investment grade. The Plan also has the ability to invest in high yield and emerging market bonds which are non-investment grade. These are currently accessed through unrated pooled funds. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer. Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have at least investment grade credit quality.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements and through diversification of counterparties, this includes forward foreign currency contracts which are fully collateralised and only use counterparties that are at least investment grade credit rated. Credit risk also arises on the longevity swap contract which was transacted with one counterparty; collateral arrangements reduce the credit risk for this contract.

Cash is held within financial institutions which are at least investment grade credit rated.

The Plan does not lend any of its segregated assets, however pooled funds held by the Plan may have the ability to lend certain fixed interest and equity securities at their discretion.

Credit risk on repurchase agreements is mitigated through collateral arrangements and diversification of counterparties.

The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Plan's fiduciary manager (Towers Watson Ltd) carries out operational and due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled managers.

The Plan is exposed to direct credit risk through its annuity policies with the insurance providers referred to in note 17. The risk is that these insurers default on the contracts. This risk is mitigated by the regulatory environment within which the insurers operate and the fact that all the insurers are specialist providers and well-established with a diversified range of interests. The risk is also mitigated by the spread across several providers.

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**21. Investment risks (continued)**

**(i) Credit risk (continued)**

A summary of the investments subject to direct credit risk as at 30 June 2023 is shown in the table below:

	<b>Investment grade £m</b>	<b>Unrated £m</b>	<b>30 June 2023 Total £m</b>	<b>30 June 2022 Total £m</b>
Derivative Contracts	-	(27.4)	<b>(27.4)</b>	(20.6)
Fixed Interest (All GBP denominated)	545.5	-	<b>545.5</b>	629.2
Index Linked (All GBP denominated)	1,065.6	-	<b>1,065.6</b>	1,360.2
Managed Funds and Pooled investments	-	673.5	<b>673.5</b>	1,444.8
Private Equity	-	174.8	<b>174.8</b>	180.6
Cash Deposits and Other Investment Assets	-	362.7	<b>362.7</b>	407.4
Annuity policy	-	2.5	<b>2.5</b>	2.5
Longevity swap collateral	(35.6)	-	<b>(35.6)</b>	(31.1)
Other Investment Liabilities (repurchase agreements)	-	(518.7)	<b>(518.7)</b>	(1,067.6)
	<b>1,575.5</b>	<b>667.4</b>	<b>2,242.9</b>	<b>2,905.4</b>

Note: 'Cash Deposits and Other Investment Assets' includes pooled liquidity funds

A summary of the investments subject to indirect credit risk as at 30 June 2023 is shown in the table below:

	<b>2023 £m</b>	<b>2022 £m</b>
<b>Plan investments subject to indirect credit risk</b>		
Pooled investment vehicles	105.7	528.5
Other investment liabilities (repurchase agreements)	(518.7)	(1,067.6)

**(ii) Currency risk**

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through determining a maximum exposure to non-Sterling currencies. Currency risk is managed at a total portfolio level through the use of a currency overlay manager to hedge a proportion of the assets. The estimated currency exposures of the portfolio in GBP terms after hedging as at 30 June 2023 for the LRPS & Non-LRPS Sections are shown in the tables below:

<b>Currency</b>	<b>Sterling</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Chinese Yuan</b>	<b>Swiss Franc</b>	<b>Emerging Markets</b>	<b>Other</b>
<b>2023 Total assets (£m)</b>	2,012.6	120.8	12.8	30.5	N/A	64.8	37.4
<b>2022 Total assets (£m)</b>	2,684.7	193.4	32.2	14.7	5.9	N/A	N/A

**LAFARGE UK PENSION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2023**

**21. Investment risks (continued)**

**(iii) Interest rate risk**

The Plan is subject to interest rate risk primarily on the Liability Driven Investments (LDI) comprising bonds, interest rate swaps and inflation swaps held as segregated investments. A smaller contribution comes from pooled funds. The purpose of the Plan's LDI investments is to match the interest rate and inflation sensitivity of the Plan's liabilities. Therefore, when considering the Plan's liabilities, these investments are risk reducing.

As at 30 June 2023, the Plan's asset hedge ratios were 92% with respect to interest rates and 92% with respect to inflation for Non-LRPS and 89% with respect to interest rates and 92% with respect to inflation for LRPS.

**(iv) Other price risk**

Other price risk arises principally in relation to the Plan's return seeking portfolio which includes equities held in pooled vehicles, hedge funds, private equity, investment in properties, other alternative investments and other investment liabilities. The Plan manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

As at 30 June 2023, the Plan's exposure to investments subject to "other" price risk was:

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
<b>Indirect</b>		
Longevity Swap Collateral	(35.6)	(31.1)
Derivatives	(27.4)	(20.6)
Fixed Interest	545.5	629.2
Index Linked	1,065.6	1,360.2
Managed Funds and Pooled investments	673.5	1,533.5
Private equity funds	174.8	180.6
Other Investment Liabilities (repurchase agreements)	<u>(518.7)</u>	<u>(1,067.6)</u>

**LAFARGE UK PENSION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2023**

**22. Investment Fair Value Hierarchy**

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

Level 1: The unadjusted quoted price for an identical asset in an active market at the reporting date.

Level 2: When unadjusted quoted prices are unavailable, observable market data such as the price of a recent transaction for an identical asset will be used and adjusted if necessary.

Level 3 Where a quoted price is not available and observable market data is not a good estimate of fair value, the fair value is determined by using a valuation technique that uses non-observable data for the asset.

The Plan's investment assets and liabilities have been included at fair value within these categories as follows:

<b>As at 30 June 2023</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
Equities	-	-	0.5	0.5
Bonds	1,611.1	-	-	1,611.1
Pooled Investment Vehicles	75.0	114.1	659.2	848.3
Derivatives	-	(27.4)	-	(27.4)
Longevity swaps	-	-	(35.6)	(35.6)
Insurance Policies – annuities	-	-	2.5	2.5
Cash and other investment assets	362.7	-	-	362.7
Other investment liabilities	-	(518.7)	-	(518.7)
<b>Total</b>	<b>2,048.8</b>	<b>(432.0)</b>	<b>626.6</b>	<b>2,243.4</b>

  

<b>As at 30 June 2022</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
Equities	-	-	0.5	0.5
Bonds	1,989.4	-	-	1,989.4
Pooled Investment Vehicles	306.6	224.8	1,094.0	1,625.4
Derivatives	-	(20.6)*	-	(20.6)
Longevity swap	-	-	(31.1)	(31.1)
Insurance Policies – annuities	-	-	2.5	2.5
Cash and other investment assets	407.4	-	-	407.4
Other investment liabilities	-	(1,067.6)	-	(1,067.6)
<b>Total</b>	<b>2,703.4</b>	<b>(863.4)</b>	<b>1,065.9</b>	<b>2,905.9</b>

\*The derivatives for 2022 have been re-classified as Level 2 for consistency with the current year analysis.

**23. Current assets**

	<b>2023 £m</b>	<b>2022 £m</b>
Pensions prepayment	3.8	3.7
Cash balances	8.9	7.8
<b>Total current assets</b>	<b>12.7</b>	<b>11.5</b>

Included within the bank current account is £Nil (2022: £0.3m), which was transferred from the DC section bank account and relates to residual DC balances post transfer to the Master Trust.

**LAFARGE UK PENSION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2023**

**24. Current liabilities**

	<b>2023</b>	2022
	<b>£m</b>	£m
Benefits outstanding in respect of leavers	<b>0.5</b>	0.5
Taxes payable	<b>1.2</b>	1.0
Investment management creditors	<b>2.3</b>	2.4
Sundry administration creditors and accruals	<b>1.2</b>	0.7
<b>Total current liabilities</b>	<b>5.2</b>	4.6

**25. Employer related investments and related party transactions**

Lafarge Building Materials Limited is a subsidiary of Financière Lafarge SAS (incorporated in France) which is a subsidiary of Lafarge SA (incorporated in France). The ultimate parent company is Holcim Ltd.

Fees paid to certain Trustee Directors are detailed in note 10 to the financial statements. Certain Pensioner Trustee Directors receive a pension from the Plan.

As disclosed further in the Investment report, there are no material employer-related investments in the Fund.

Project Canary Cell 1 IC Limited and Project Canary Cell 2 IC Limited, companies incorporated in Guernsey, are used to facilitate longevity insurance for the Plan. They are subsidiaries of the Plan and their operational costs are borne by the Plan.

On 25 September 2020 the Trustee also became the trustee of the Aggregate Industries Pension Plan. There have been no transactions between the Plan and the Aggregate Industries Pension Plan during the year ended 30 June 2023.

**26. Commitments and contingent liabilities**

At the end of the year the Plan had the following commitments to pooled fund managers:

<b>Manager</b>	<b>Total Commitment</b>	<b>Outstanding 2023</b>	Outstanding 2022
	<b>£m</b>	<b>£m</b>	£m
Pantheon	<b>199.4</b>	<b>15.1</b>	7.5
Equis	<b>12.5</b>	-	1.2
ECP	<b>12.6</b>	<b>1.5</b>	1.8
Cabot Square	<b>15.0</b>	<b>1.8</b>	1.3
Waud Capital Partners	<b>33.8</b>	-	1.4
Georgian Alignment	<b>19.7</b>	<b>1.6</b>	2.7
Georgian V	<b>25.2</b>	<b>1.3</b>	2.1
Folium	<b>55.1</b>	-	13.7
TW Secure	<b>184.1</b>	-	15.0
Hayfin	<b>26.1</b>	-	-
Blackrock	<b>22.0</b>	-	-
Libremax	<b>47.2</b>	<b>29.3</b>	34.8
CDH VGC Fund	<b>31.3</b>	<b>9.5</b>	18.7
<b>Total commitments</b>	<b>684.0</b>	<b>60.1</b>	100.2

**LAFARGE UK PENSION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2023**

**27. GMP Equalisation**

The Trustee has considered the impact of the High Court judgment in October 2018 involving the Lloyds Banking Group's defined benefit pension schemes. The issues determined by the judgment arise in relation to many defined benefit pension schemes, including the Plan, and under the ruling, schemes are required to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits and to backdate such adjustments, including providing interest on the backdated amounts.

A supplementary Court hearing took place in May 2020 and judgment was handed down in November 2020, indicating that trustees will be required to revisit past transfers out of schemes and that historical individual transfers from the scheme would also be due a top-up payment where the original transfer payment fell short of what it would have been had the inequalities in scheme benefits from GMP been removed.

The Trustee has set up a Joint Working Group (JWG) with the Employer and relevant advisers in order to take forward discussions on the appropriate method and approach to implement GMP equalisation for the Plan. For the Actuarial Valuation as at 30 June 2021, the Trustee agreed to include a GMP equalisation reserve of 1.3% of the Plan's liabilities.

Based on the progress to date on this matter the Trustees remain of the opinion from their initial assessment of the likely backdated amounts and related interest will not be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements.

**LAFARGE UK PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2023**

**28. Sectionalised Fund Account and Net Asset Statements**

Up until 31 December 2022 in accordance with the Trust Deed and Rules, the Trustee used a unitisation process to split the investment assets and related income and expenditure by the number of units allocated to the LRPS section and the Non-LRPS section. From 1 January 2023 the two sections of the Plan maintained separate accounting records with accounting apportionment of transactions and balances that were split between the sections. The note below provides detail of the Fund Account and Net Assets Statements by reference to each section.

	<b>LRPS Section 2023 £m</b>	<b>Non-LRPS Section 2023 £m</b>	<b>Total 2023 £m</b>	<b>LRPS Section 2022 £m</b>	<b>Non-LRPS Section 2022 £m</b>	<b>Total 2022 £m</b>
<b>Benefits</b>						
Benefits paid or payable	(46.0)	(87.9)	(133.9)	(46.3)	(83.4)	(129.7)
Payments to and on account of leavers	(5.6)	(3.9)	(9.5)	(8.8)	(8.4)	(17.2)
Administration expenses	(1.9)	(3.3)	(5.2)	(1.3)	(1.9)	(3.2)
	<b>(53.5)</b>	<b>(95.1)</b>	<b>(148.6)</b>	<b>(56.4)</b>	<b>(93.7)</b>	<b>(150.1)</b>
<b>Net withdrawals from dealings with members</b>	<b>(53.5)</b>	<b>(95.1)</b>	<b>(148.6)</b>	<b>(56.4)</b>	<b>(93.7)</b>	<b>(150.1)</b>
<b>Returns on investments</b>						
Change in market value of investments	(271.1)	(333.7)	(604.8)	(230.8)	(244.7)	(475.5)
Investment income	46.6	57.1	103.7	18.3	24.4	42.7
Investment management expenses	(5.3)	(6.9)	(12.2)	(7.4)	(9.6)	(17.0)
<b>Net return on investments</b>	<b>(229.8)</b>	<b>(283.5)</b>	<b>(513.3)</b>	<b>(219.9)</b>	<b>(229.9)</b>	<b>(449.8)</b>
Net decrease in the fund during the year	(283.3)	(378.6)	(661.9)	(276.3)	(323.6)	(599.9)
<b>Net assets of the Plan at 1 July</b>	<b>1,205.1</b>	<b>1,707.7</b>	<b>2,912.8</b>	<b>1,476.3</b>	<b>2,036.4</b>	<b>3,512.7</b>
Transfers between sections	10.3	(10.3)	-	5.1	(5.1)	-
<b>Net assets of the Plan at 30 June</b>	<b>932.1</b>	<b>1,318.8</b>	<b>2,250.9</b>	<b>1,205.1</b>	<b>1,707.7</b>	<b>2,912.8</b>



**LAFARGE UK PENSION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2023**

**28. Sectionalised Fund Account and Net Asset Statements (continued)**

**LRPS section Net Assets Statement**

	<b>30 June 2023 £m</b>	30 June 2022 £m
Total investments	<b>917.7</b>	1,199.8
Current assets**	<b>17.2</b>	6.8
Current liabilities*	<b>(2.8)</b>	(1.5)
<b>Total net assets</b>	<b>932.1</b>	1,205.1

**Non-LRPS section Net Assets Statement**

	<b>30 June 2023 £m</b>	30 June 2022 £m
Total investments	<b>1,325.7</b>	1,706.1
Current assets*	<b>6.0</b>	4.7
Current liabilities**	<b>(12.9)</b>	(3.1)
<b>Total net defined benefit assets</b>	<b>1,318.8</b>	1,707.7

\*The Non-LRPS section current assets and the LRPS section current liabilities include an amount of £1.5m representing a true-up payment between the two sections following the separation of the sections and the apportionment of investments between them.

\*\*The Non-LRPS section current liabilities and the LRPS section current assets include an amount of £9.0m representing profit upon the closure of currency hedging contracts due to be distributed to the LRPS section from the Non-LRPS section.



## LAFARGE UK PENSION PLAN

### Independent Auditor's Statement about Contributions to the Trustee of the Lafarge UK Pension Plan

#### Statement about contributions

We have examined the summary of contributions payable to the Lafarge UK Pension Plan ("the Plan") for the year ended 30 June 2023 which is set out on page 43.

In our opinion contributions for the Plan year ended 30 June 2023 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 15 May 2019.

#### Scope of work on Statement about Contributions

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

#### Respective responsibilities of the Trustee and the auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Plan's Trustee is 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 Plan 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 statement

This statement is made solely to the Plan's Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Financial statements 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 Plan's Trustee 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 Plan's Trustee as a body, for our work, for this statement, or for the opinion we have formed.

**Crowe U.K. LLP**  
*Statutory Auditor*  
London

# *Actuary's certification of schedule of contributions*

## **Lafarge UK Pension Plan – Non-LRPS Section**

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Lafarge UK Pension Plan – Non-LRPS Section**

### **Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 June 2021 to continue to be met for the period for which the schedule is to be in force.

### **Adherence to statement of funding principles**

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 September 2022.

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

Signature:



Date:

28 September 2022

Name:

*Aaron Punwani*  
*Appointed Scheme Actuary*  
*Fellow of the Institute and Faculty of Actuaries*

Address:

Lane Clark & Peacock LLP  
95 Wigmore Street  
London  
W1U 1DQ

## *Actuary's certification of schedule of contributions*

### **Lafarge UK Pension Plan – LRPS Section**

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: Lafarge UK Pension Plan – LRPS Section

#### **Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 June 2021 to continue to be met for the period for which the schedule is to be in force.

#### **Adherence to statement of funding principles**

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 September 2022.

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

Signature:



Date:

28 September 2022

Name:

*Aaron Punwani*  
*Appointed Scheme Actuary*  
*Fellow of the Institute and Faculty of Actuaries*

Address:

Lane Clark & Peacock LLP  
95 Wigmore Street  
London  
W1U 1DQ



**LAFARGE UK PENSION PLAN  
SUMMARY OF CONTRIBUTIONS  
PAID IN THE YEAR ENDED 30 JUNE 2022**

**Statement of Trustee's Responsibilities in respect of Contributions**

The Plan's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised, a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Plan's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Plan and for procuring that contributions are made to the Plan in accordance with the Schedule. The Plan's Trustee prepares a Schedule of Contributions individually for each Defined Benefit section of the Plan.

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and member contributions payable to the Plan under the Schedules of Contributions certified by the Actuary on 15 May 2019 and 28 September 2022 in respect of the Plan year ended 30 June 2023. The Plan Auditor reports on contributions payable under the Schedule in the Auditors' Statement about Contributions.

During the year, the contributions payable to the Plan under the Schedules of Contributions were as follows:

	<b>£m</b>
Employer normal contributions payable monthly	-
<b>Total contributions paid in accordance with the Schedules of Contributions</b>	-
<b>Contributions per financial statements</b>	<u>-</u>

Signed on behalf of the Trustee

Stephen Hammer  
Secretary  
Date:



**LAFARGE UK PENSION PLAN  
APPENDICES**

**APPENDIX 1 - CHAIR'S ANNUAL GOVERNANCE STATEMENT  
APPENDIX 2 – IMPLEMENTATION STATEMENTS**

**LAFARGE UK PENSION PLAN**  
**APPENDIX 1 - CHAIR'S ANNUAL GOVERNANCE STATEMENT**

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015. It describes how the Trustee has met the statutory governance standards applicable to the provision of benefits on a money purchase basis in Lafarge UK Pension Plan ("the Plan") in relation to:

- The default arrangement
- Requirements for processing financial transactions
- Assessment of charges and transaction costs
- The assessment of value for members
- The requirement for trustees' knowledge and understanding.

The statement relates to the period from 1 July 2022 to 30 June 2023 (the Plan Year).

Until 2 October 2020 the Plan provided both defined contribution ('DC') and defined benefits. On that date, all the DC benefits were transferred out of the Plan to The Aon MasterTrust ('the AMT') so that the DC section no longer had any DC assets. The AMT agreed that it would provide the transferring members with the option to transfer their DC benefits back to the Plan to enable them to be used to provide all or part of the member's pension commencement lump sum ('PCLS').

The Plan only permits the transfer-back to take place at the point at which the member is taking their DB pension. The DC funds are returned in cash and paid out almost immediately as a PCLS. This means the timing of DC holdings in the Plan is fleeting and this statement is limited in content and detail accordingly as is proportionate with the actual scenario and TPR's requirement to maintain a limited DC Chair's statement.

As the DC funds are returned in cash and paid out almost immediately, they are not allocated to an investment and are held in the Trustee's bank account until paid out. The Plan, therefore, has no default arrangement and as such the requirements of regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the Investment Regulations) in relation to preparing a statement of investment principles in relation to a default arrangement do not apply.

As the Plan has no default arrangement and is not required to prepare a default Statement of Investment Principles:

- there is no default Statement of Investment Principles to include in this statement; and
- there was no default Statement of Investment Principles to review and so no such review can be described, no changes resulting from such a review can be explained, nor can the date of the last review be provided.

#### **Requirements for processing financial transactions**

"Core financial transactions" include (but are not limited to):

- investment of contributions in the Plan
- transfers of assets relating to members into and out of the Plan
- transfers of assets relating to members between different investments within the Scheme
- payments from the Plan to, or in respect of, members.

For the financial transactions between 1 July 2022 and 30 June 2023, the only core financial transaction to monitor was the receipt of DC funds from the AMT into the Plan and payment of those funds to members as a PCLS. Over the period covered by this Statement, 50 members with a value of £1,630k have switched back their benefits to purchase DB benefits from the Plan.

During the Plan Year, the Trustee secured that "core financial transactions" were processed promptly and accurately by:

- Requiring the Plan's administrators to comply with a service level agreement (SLA) which covers the timeliness of receipt of contributions into the Plan and payment of PCLSs to members, as agreed between the Trustee and the administrators. The plan's administrators conduct a review twice a year of their performance against the SLAs (97.57% and 96.94% adherence to SLAs reported). The outcome of this review is then considered by the Trustee;
- Monitoring and reconciling receipts of DC funds into the Trustee's bank account and the payment of benefits to members; and
- Regularly reviewing the accuracy of basic member information held on the Plan's administration system.

## **Assessment of member-borne charges and transaction costs**

### **Level of member-borne charges and transaction costs**

There are no member-borne charges or transaction costs in the account where the cash is held. As all of the Plan's DC benefits are held in cash and there are no member-borne charges or transaction costs, the requirement for the Trustee to undertake a value assessment for the purposes of regulation 25((1)(b) of the Administration Regulations does not apply. For these purposes, "charges" means "administration charges other than transaction costs, costs relating to certain court orders, charges relating to pension sharing under the Welfare Reform and Pensions Act 1999, winding up costs and costs associated with the provision of death benefits". Transaction costs are those incurred as a result of the buying, selling, lending or borrowing of investments.

As the Plan has no default arrangement, no performance-based fees were incurred in respect of a default arrangement.

### **Trustee knowledge and understanding**

The Trustee has a strong TKU process in place to bolster its knowledge and understanding which, together with the advice which is available to it, enables the Trustee to properly exercise its functions as Trustee of the Plan. In particular, during the Plan Year, the Trustee Directors have met the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding) as follows:

- A DC Sub-Board was set up in June 2016, replacing the original DC Committee which had served since March 2006, to give appropriate focus to DC issues – members of this Board are chosen from the Trustee Board on the basis of having the appropriate skill set.
- All Trustee Directors on the DC sub-Board have completed the Pensions Regulator's Trustee Toolkit.
- All Trustee Directors are given access to an electronic library of Trustee documents, enabling them to quickly become conversant with Plan Documents, and all Trustee Directors have attended an induction course on key elements of the Plan. Formal training is also provided, as are individual sessions with the Plan's key advisers, if required.
- The Trustee is supported by an experienced and qualified Secretariat team.
- An annual assessment of the Trustee's knowledge is made via a questionnaire to the Trustee Directors with agreed levels of competence set at Board and Sub-Board levels. This assessment includes an evaluation of the Directors' knowledge of the Plan's Trust Deed & Rules, Statement of Investment Principles and other relevant documents. The last assessment was made in March 2022. No gaps were identified in the knowledge levels due to the significant level of experience of the Trustee Directors. The next assessment has been deferred until 2024, due to some recent and imminent changes to the Board.
- An annual assessment is made regarding the effectiveness of the Board. The last assessment was made on 24 March 2023, and whilst no major concerns were indicated, some potential improvements were identified but have not yet been discussed in detail due to ongoing significant projects for the Trustee and changes to the Board.
- At the end of each Board meeting, there is a standing agenda item to reflect on the effectiveness of the meeting, including the preparation of the meeting papers and the input from advisers, and to identify any areas for improvement. This also covers any issues that may have arisen between meetings.
- The members of the DC Sub-Board are also members of the Administration & Discretions Committee and in this capacity received training on preventing pension scams. Following a recommendation by this Committee, the Trustee took the Regulator's pledge to combat pension scams. This Committee also reviewed the Plan's processes to analyse whether the Plan is meeting the pledge requirements in all areas. This analysis revealed some minor gaps which the Committee addressed and the Trustee has now made a self-certification declaration that it meets the pension scams pledge.
- Ongoing and regular training is incorporated into Trustee meetings via the Secretariat and from advisers. Legal and Regulatory updates are prepared for every meeting of the Board to keep knowledge current. The Trustee Directors receive email alerts from their advisers about matters relevant to the Plan and attend conferences, seminars and webinars. The Trustee Directors are required to keep a log of their training.

Signed on behalf of the Trustee

-----  
Alan Baker  
Chair of the  
Trustee  
Date:





LAFARGE UK PENSION PLAN  
APPENDIX 2 – IMPLEMENTATION STATEMENT

Lafarge UK Pension Plan

**Annual Implementation  
Statement – Plan year  
ending 30 June 2023**



LAFARGE UK PENSION PLAN  
APPENDIX 2 – IMPLEMENTATION STATEMENT

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## LAFARGE UK PENSION PLAN APPENDIX 2 – IMPLEMENTATION STATEMENT

### 1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Lafarge UK Pension Plan (“the Plan”) covering the scheme year (“the year”) to 30 June 2023.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the Trustee, the Plan’s engagement policy (required under regulation 2(3)(c) of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by Trustee or on its behalf) during the year and state any use of services of a proxy voter during that year.
- Detail any reviews of the Statement of Investment Principles (“SIP”) that the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review. If no review has been taken, state the date of the last review;

The Plan makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Plan’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement has been made available on the following website: <https://www.isio.com/scheme-documents/the-lafarge-uk-pension-plan/>

### 2. Review of and adherence to the SIP

#### **Review of and changes to the SIP**

The SIP is a document which outlines the Trustee’s policies with respect to various aspects related to investing and managing the Plan’s assets including, but not limited to: investment managers, portfolio construction and risks.

The SIP was reviewed and updated once in the year. The versions in place were dated:

1. September 2020
2. September 2022

The SIP was updated as at September 2022 ahead of the effective date of sectionalisation of the Plan’s assets on 31<sup>st</sup> of December 2022.

For the purpose of assessing how the Plan’s SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2022. All elements that were included in the previously agreed SIP (dated September 2020) remained in the September 2022 SIP.

#### **Adherence to the SIP**

The Trustee confirms that, over the course of the year, both it and the Fiduciary Manager have fulfilled their responsibilities described, namely the Trustee has been responsible for strategic decision-making whilst the Fiduciary Manager has been responsible for the day-to-day management of the Plan’s assets.



## LAFARGE UK PENSION PLAN APPENDIX 2 – IMPLEMENTATION STATEMENT

### Investment Objectives

As outlined in the SIP, the Trustee has three key objectives:

- a. The acquisition of suitable assets of appropriate marketability and liquidity which will generate income and capital growth to meet, together with any contributions, the cost of current and future benefits which the Plan provides, and to ensure the security, quality and profitability of the portfolio as a whole.
- b. To limit the risk of the assets failing to meet the liabilities of the Plan over the short and long term.
- c. To minimise the long-term cost of the Plan to the Employer by maximising the return on the assets whilst having regard to the above.

No changes were made to these objectives during the year.

The Trustee, alongside its advisors, has determined the required return on each of the underlying Section's assets needed to achieve the objectives above, and this target has been incorporated into the agreement with the Fiduciary Manager. The Trustee confirms that the Plan was managed in accordance with its key objectives over the course of the year.

### Investment Strategy

The Trustee has received advice on an investment strategy aimed at maximising the chances of achieving its objectives. The investment strategy was formally reviewed following the completion of Plan's 2021 triennial actuarial valuation and was reviewed again as part of the sectionalisation project to allow for management of the underlying LRPS and Non-LRPS Sections individually. The Trustee monitors progress relative to its objectives on a quarterly basis as outlined below.

The Trustee believes in diversification and the Plan's portfolio is built using a diverse range of return-seeking assets and a dedicated allocation to liability driven investments which seek to match the sensitivity of the Plan's liabilities to inflation and interest rates. Throughout the year, implementation of this strategy was delegated to the Fiduciary Manager who managed the balance of these investments. The Fiduciary Manager acts within guidelines set by the Trustee including asset allocation, manager and geographical diversification, and foreign currency exposure. The Fiduciary Manager is required to report any breach of these guidelines to the Trustee. No breaches were reported during the year.

In order to ensure appropriate incentivisation and alignment of decision-making between the Trustee and the Fiduciary Manager, the Fiduciary Manager is subject to a number of obligations set out in its contractual arrangements with the Trustee and the Fiduciary Manager is aware of and gives effect to the principles set out in the Trustee's SIP. The Fiduciary Manager acted in accordance with these obligations throughout the year.

The Trustee's investment strategy seeks to outperform a benchmark based on a projection of the Plan's liability cashflows. The liability benchmark is updated following each actuarial valuation, and when there is any significant change to the structure of the Plan's liabilities. The benchmark was last updated following the sectionalisation of the Plan's LDI assets in May 2021, resulting in each underlying section (LRPS and Non-LRPS) having individual liability proxies.

The Fiduciary Manager monitored and reviewed the Plan's investments and managers on a regular basis to ensure that the investment strategy remained consistent with the Plan's objectives. On a quarterly basis, the Trustee reviewed the Plan's asset allocation, funding position and progress relative to the journey plan (the projected path to achieve the Plan's objective), and measures of the expected return and risk of the Plan's portfolio to ensure that these remained broadly consistent with the Plan's objectives.

The Trustee has implemented a dynamic risk framework whereby the Plan's funding position is monitored relative to agreed upside and downside triggers which are used to indicate if the Plan is sufficiently ahead of or behind the journey plan to warrant reviewing or changing the Plan's investment strategy (e.g. the Plan may be in a position to reduce investment risk or the investment time horizon on breaching an upside trigger). However, following the gilts crisis of Q4 2022, it was agreed that the monitoring of triggers would be put on hold until a full strategy review has been conducted.



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The Trustee has a policy to ensure that the Plan's cashflow requirements can be readily met without disrupting its investments. Throughout the year, the Fiduciary Manager regularly monitored the level of cash in the Plan, and cashflows into / out of the Plan to ensure that there were sufficient assets in readily realisable investments to meet the Plan's requirements without disrupting its investments. The Fiduciary Manager can make adjustments to the Plan's allocation to cash when necessary within guidelines set by the Trustee. The Trustee monitored the liquidity of the Plan's portfolio and cashflows into and out of the Plan on a quarterly basis.

### Investment Managers

Throughout the year, the Fiduciary Manager regularly monitored the performance of the Plan's investment managers. Performance was monitored relative to an appropriate market benchmark where one was available or an appropriate return objective where a market benchmark was not available. In addition, the Fiduciary Manager assessed the performance of the Plan's investment managers relative to peers and in the context of the prevailing market environment. Throughout the year, the Fiduciary Manager and Trustee focussed their assessment of investment manager performance on the long-term consistent with the Trustee's position as a long-term investor.

On a forward-looking basis, past performance is only one input into the Fiduciary Manager's assessment of an investment manager, which relies predominantly on research views based on a range of qualitative and quantitative factors, including the consideration of Sustainable Investment (SI), or ESG factors as outlined below. Whilst there were some changes to the underlying investment managers, no managers were terminated based on short-term performance alone. Consistent with the Plan's long investment time horizon, the Trustee seeks to be a long-term investor and the Fiduciary Manager has appointed managers with the expectation of a long-term relationship. This in turn allows investment managers to take a longer-term approach to investing, including engagement with issuers of debt and equity, with a view to improving investment outcomes over the long term.

The Trustee received quarterly monitoring reports from the Fiduciary Manager. Performance shown in these reports is based on performance reporting provided by the Plan's Independent Performance Measurer, BNY Mellon. These reports are included for scrutiny and discussion at the Trustee's quarterly meetings. The reports include details of short-, medium- and longer-term performance relative to benchmarks/targets for all funds (with the exception of illiquid assets which the Trustee receives a special report on annually) as well as commentary on an exception's basis regarding performance with significant deviation from benchmark/target. Throughout the year, the Trustee used these reports as an input into its ongoing assessment of the Fiduciary Manager's performance. Similar to the approach taken with the Plan's underlying investment managers, the Trustee appointed the Fiduciary Manager with the expectation of a long-term relationship and therefore takes a long-term approach to its assessment of the Fiduciary Manager's performance, assisted by an independent oversight manager, Isio.

### Manager selection, de-selection and monitoring

As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

As part of its manager selection and ongoing oversight processes, the Fiduciary Manager considers the level of fees and the type of fee structures used by each manager (including a consideration of the alignment of interests created by certain fee structures).

The Fiduciary Manager considers a number of factors including the asset class / investment strategy, the way in which the strategy is implemented (e.g., active management or passive benchmark tracking), and fee benchmarking relative to peers. The majority of the Plan's investment managers were paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The exceptions to this were in the areas of hedge funds and private markets/Secure Income Assets (SIAs) where part of the manager's remuneration was based on its performance over an appropriate time horizon. The use of performance fees for these types of investments (where manager skill is a key driver of expected returns) is quite common.



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The Trustee and Fiduciary Manager recognise the incentives created by such fee structures and are comfortable with them given the highly active nature of these individual strategies, and in the context of the Plan's wider investment portfolio where the aggregate use of these fee structures is limited.

During the year, the Fiduciary Manager reviewed and reported to the Trustee on the total fees and costs incurred by the Plan through its investments. As part of its review and reporting on the Plan's costs, the Fiduciary Manager will also shortly be reporting to the Trustee on the costs associated with portfolio turnover.

### Sustainable investment and ESG factors

The Fiduciary Manager is also responsible for managing the sustainability of the portfolio and how ESG factors are allowed for in the portfolio.

The Trustee's view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy, and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The Fiduciary Manager produces detailed reports on the SI characteristics of the highest-rated managers (such as those included in the Plan's portfolio) on an annual basis. These reports form part of the Trustee's ongoing portfolio monitoring. The Trustee last reviewed these reports at its meeting in January 2022.

### **3. Voting Information**

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its investment managers. The Trustee has not set any specific guidelines for manager voting but has identified climate change action and human and labour rights as key ESG risks and more focus is therefore placed on investment managers' policies and actions relating to these areas. This section sets out the voting activities of the Plan's equity investment managers over the year, including details of the investment managers' use of proxy voting.

The Plan is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Plan's equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", the top three have been shown below.

Further information on the voting and engagement activities of the managers is provided in the table below.

The Plan's equity holdings were invested across four pooled funds as at the end of the year:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Manager A – an active emerging markets equity fund
- Manager B – an actively managed global equity fund focussed on equity related to infrastructure companies
- Manager C – an actively managed REITS fund

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As outlined above, the Plan is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM Global Equity Focus Fund, and Manager A, B and C. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Plan’s investment managers could impact the investment manager’s ability to generate the best investment outcome for the Plan and ultimately, the Plan’s members.

<b>Fund</b>	<b>Approach to Environment, Social and Governance (“ESG”) factors</b>
TWIM Global Equity Focus Fund	<p>WTW believes that the principles underlying sustainable investment form the cornerstone of a successful long-term investment strategy, and their equity fund looks to reflect their sustainability beliefs. Within the broad remit of sustainable investment, they have identified climate change as a critical and systemic priority.</p> <p>The global equity focus fund has banned controversial weapon companies from the portfolio in accordance with MSCI’s criteria. The underlying managers are also monitored on numerous sustainability metrics and regularly compared with industry standards.</p>
Manager A – an active emerging markets equity fund.	<p>Due to the strategy’s fundamental, long-term, investment approach, the Fiduciary Manager expects ESG risks and opportunities to be considered within the portfolio management process. Manager A has recently made improvements to its practices relating to ESG integration and voting, with a strong approach for assessing ESG information within its investment process resulting in a meaningful impact on the end portfolio. In addition, the team take a proactive and considered approach to corporate engagement activity, including engaging with peers as part of the corporate engagement approach. Overall, the Fiduciary Manager views the SI approach of Manager A to be good.</p>
Manager B – an actively managed global infrastructure fund	<p>The fund has a strong risk management emphasis which allows a detailed breakdown of various risk exposures across different lenses and a very robust approach to ESG considerations with climate transition integration throughout.</p>
Manager C – an actively managed REITS fund	<p>This fund improved on passive equivalents as ESG considerations are a core part of the investment process. Many of the firms invested in have clear plans to reduce carbon emissions.</p>

Further information on the voting and engagement activities of the managers is provided below:

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment managers. The Fiduciary Manager has assessed each investment manager’s voting policy as part of its overall assessment of the investment manager’s capabilities. The Fiduciary Manager considered the policies to be appropriate, and consistent with the Trustee’s policies and objectives and ultimately, therefore in the best financial interests of the members. Additional oversight on the implementation of this policy is provided through the Fiduciary Manager’s partnership with EOS at Federated Hermes (see below). The Trustee has identified the key ESG risks for the Plan as climate change action and human and labour rights, votes on these topics have therefore been shown where possible.

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**Towers Watson Investment Management Global Equity Focus Fund**

<b>Voting activity</b>	Number of votes eligible to cast: 3,227 Percentage of eligible votes cast: 98% Percentage of votes with management: 87% Percentage of votes against management: 12% Percentage of votes abstained from: 1%			
<b>Most significant votes cast</b>	<b>Company</b>	Berkshire Hathaway	Amazon	Alphabet
	<b>Size of holdings</b>	0.98%	2.94%	3.45%
	<b>Resolution</b>	Climate Risk Disclosure	Commission a Third Party Audit on Working Conditions	Proposal for greater transparency related to business conducted in places with significant human rights concerns
	<b>Decision /Vote</b>	For	For	For
	<b>Rationale for decision</b>	The manager voted in support of audit committee responsibility for climate risk disclosure believing the significance of leadership on this issue overrode the minor cost and inconvenience of compliance. Given the company already has disclosure representing 90% of emissions, and given the company's long-earned reputation for ethical stewardship, awaiting SEC guidance seems an inadequate delayed response. The manager voted against management but in line with ISS recommendations.	Promotes transparency on warehouse working conditions.	The proposal was regarding greater transparency related to business conducted in places with significant human rights concerns. The siting of cloud data centres and strategy for mitigating related country risk was deemed appropriate and material topics for disclosure.
	<b>Outcome of the vote</b>	Fail	Fail	Fail
	<b>Rationale for classifying as significant</b>	Given Warren Buffett's stature, his reluctance to be more assertive on this topic is a significant challenge to climate risk transparency and more broadly to Environmental Stewardship.	The manager considers worker safety to be an important element of company performance as well as reputation.	The manager believes transparency on country risk is a non-controversial proposal and serves both Social and Governance interests.



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<b>Use of proxy voting</b>	For the TW GEFF, EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.
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**Manager A – an active emerging markets equity fund**

<b>Voting activity</b>	Number of votes eligible to cast: 859 Percentage of eligible votes cast: 100% Percentage of votes with management: 89% Percentage of votes against management: 9% Percentage of votes abstained from: 2%			
<b>Most significant votes cast</b>	<b>Company</b>	Naspers Ltd	TotalEnergies SE	Glencore Xstrata Plc
	<b>Size of holdings</b>	2.3%	2.0%	1.9%
	<b>Resolution</b>	Approve Remuneration Policy	Shareholder Resolution in respect of aligning targets for Indirect Scope 3 emissions with the Paris Climate agreement advisory	Shareholder Resolution in respect of the next Climate Action Transition Plan
	<b>Decision /Vote</b>	For	Against	Against
	<b>Rationale for decision</b>	The manager has engaged with the company over multiple years and as a result of the improvements that were made to the remuneration policy, they supported the 2023 remuneration vote. This includes the concerns that they previously had in relation to their remuneration policy, such as their use of long-dated incentive options and a lack of performance targets for non-Tencent assets.	Upon consideration of TotalEnergies' stated targets and the proposed shareholder resolution the manager assessed the current targets as reasonable in the context of a global energy transition.	The manager was comfortable with Glencore's managed transition plan and disclosure.
	<b>Outcome of the vote</b>	Pass	Fail	Fail

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	<b>Rationale for classifying as significant</b>	Naspers/Prosus is a significant holding and the manager has previously voted against this company's remunerations policy for various reasons.	Shareholder proposal which the manager did not support and thematic priority, as Climate Change, which includes engaging with companies on the quality of their disclosures; the credibility of their emission reduction plans; and the progress thereof, is one of the manager's key identified engagement priorities.	Shareholder proposal which the manager did not support and thematic priority, as Climate Change, which includes engaging with companies on the quality of their disclosures; the credibility of their emission reduction plans; and the progress thereof, is one of the manager's key identified engagement priorities.
<b>Use of proxy voting</b>	The manager does not outsource the voting of shares as it believes it forms part of their investment offering and approach. The manager uses Broadridge Proxy Edge as a proxy / corporate event voting system due to custodian requirements and the majority of offshore clients using this system. Broadridge has been appointed by all foreign custodians as the intermediary for all foreign proxy voting, which includes the dissemination of proxy ballots as well as the processing of voting instructions. The Broadridge Proxy Edge system notifies the manager of meetings applicable to offshore holdings and provides them with ballots and supporting documentation applicable to any meeting. It also receives SWIFT messages, collates votes and sends them off to market as well as making the manager aware of any outstanding requirements and documentation that need to be in place for certain funds and markets.			

**Manager B – Global infrastructure fund**

<b>Voting activity</b>	Number of votes eligible to cast: 262 Percentage of eligible votes cast: 100% Percentage of votes with management: 95% Percentage of votes against management: 3% Percentage of votes abstained from: 2%			
<b>Most significant votes cast</b>	<b>Company</b>	SNAM S.P.A.	NORFOLK SOUTHERN CORPORATION	Aeroports De Paris
	<b>Size of holdings</b>	4.31%	3.95%	4.61%
	<b>Resolution</b>	Long-term stock incentive plan for the financial years 2023-2025.	A shareholder proposal regarding street name and non-street name shareholders' rights to call a special meeting.	Shareholder Resolution in respect of an approval of the resolution presented by the Social and Economic Committee on the Social Policy and the revision of the Employment Plan
	<b>Decision /Vote</b>	Against	Against	Against
	<b>Rationale for decision</b>	On 23 December 2022, the manager opened an engagement with SNAM to address ESG and	Item 5 was a shareholder proposal regarding street name and non-street name shareholders' rights to call a special meeting	The Social and Economic Committee were requesting a revision to the hiring plan to revert to

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		<p>corporate governance recommendations and requests. SNAM replied saying they wouldn't adhere to the manager's requests because: any new scenarios (repower EU etc) don't yet have country level numbers so running that against their future strategy would be (only potentially) unfair to them, they don't need to disclose "network" emissions and have no control over it anyway, they are just doing their (government required regulated asset) jobs and are required to provide redundancy, Hydrogen (which makes up ~15% of the metrics in the LTI's). As a result of lack of action/ acknowledgement, the manager elected to vote AGAINST the remuneration related items.</p>	<p>(Currently it takes a theoretical 20% of all shares outstanding to call for a special shareholder meeting and shareholder proposed 10% instead). As the normal threshold is 20-25%, the manager was satisfied to vote AGAINST in line with management.</p>	<p>2019 staff levels by 2024 to reflect the operational needs of the business plus additional increases to salaries to help retain / attract employees which management is unanimously voting against. From the manager's perspective, the request is above and beyond the recruitment plans under the RCC / PACT hiring plans. The 2025 Pioneers Strategy does have some CSR pillars around these issues to try resolve them.</p>
	<b>Outcome of the vote</b>	Pass	Fail	Fail
	<b>Rationale for classifying as significant</b>	Against Management	The nature of the vote and its perceived relevance to client's and/or public interest.	The nature of the vote and its perceived relevance to client's and/or public interest
<b>Use of proxy voting</b>	<p>The manager does not use a proxy voting service. The manager believes that it should and can influence good corporate governance through the exercise of its legal rights for the benefit of its clients. Voting is an extension of, and an expression of, its investment process and its focus on delivering sustainable long term returns. As such, responsibility for voting recommendations lies with the sector teams which undertake research on the companies. The manager's Investment Committee has ultimate responsibility for final decisions on proxy votes submitted for a portfolio holding. This oversight provides consistency and ensures compliance with voting guidelines.</p>			

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**Manager C – an actively managed REITS fund**

<b>Voting activity</b>	Number of votes eligible to cast: 663 Percentage of eligible votes cast: 100% Percentage of votes with management: 95% Percentage of votes against management: 3% Percentage of votes abstained from: 2%			
<b>Most significant votes cast</b>	<b>Company</b>	Public Storage	Prologis	HR-US
	<b>Size of holdings</b>	3.8%	8.2%	1.8%
	<b>Resolution</b>	Report on GHG emissions reduction targets aligned with the Paris Agreement Goal	Advisory vote on executive remuneration	Approve merger agreement
	<b>Decision /Vote</b>	For	Against	Against
	<b>Rationale for decision</b>	<p>This resolution was requesting that the Board issue short- and long-term Scope 1, 2 and 3 greenhouse gas reduction targets aligned with the Paris Agreement’s goal of limiting global temperature increases to 1.5°C and achieving net zero emissions by 2050.</p> <p>Specifically, the proponents requested, at the management’s discretion that:</p> <ul style="list-style-type: none"> <li>• these targets take into consideration approaches used by advisory groups, such as the Science Based Targets Initiative;</li> <li>• the company set a timeline for setting a net zero by 2050 GHG reduction target, and 1.5°C aligned interim targets;</li> <li>• the company publishes a companywide climate transition plan to achieve 1.5°C aligned emissions reduction; and</li> <li>• the company discloses annual progress towards meeting its emissions reduction goals.</li> </ul>		<p>The manager appreciated and welcomed the changes Prologis has continued to make to its executive compensation programs over the last few years and for undertaking engagements with its investors to understand their concerns and expectations regarding the upcoming remuneration report. The manager also took part in these engagements, however, they felt that there were still a number of aspects of the compensation program that warranted a vote against the resolution.</p> <p>In the manager’s opinion, the Long Term Incentive still awarded a significant percentage of the target award if Prologis underperforms its Total Shareholder Return (TSR) benchmark relative to peers, particularly as an outcome of modest TSR performance hurdles in the LTI and Prologis Outperformance Plan (POP) schemes, which also includes an</p>

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		This is in line with one of the manager’s main engagement themes, namely encouraging companies to set Paris Aligned carbon reduction targets.	element of overlapping goals with the LTI scheme.	
	<b>Outcome of the vote</b>	Fail	Fail	Pass
	<b>Rationale for classifying as significant</b>	Significant vote, climate related shareholder proposal.	Against management	Against management
<b>Use of proxy voting</b>	Proxy votes are submitted by the manager via ISS ProxyExchange portal.			

Company level engagement and rights attached to investments (including voting):

The Trustee has delegated responsibility for the selection, retention and realization of investments to the Fiduciary Manager, and in turn to the Plan’s investment managers. The day-to-day integration of ESG considerations and stewardship activities (including engagement and voting) are delegated to the Scheme’s investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers’ policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager’s appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS’ services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS’ activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

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The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

#### 4. Other Matters

The Trustee has put in place an Integrated Risk Management (IRM) Framework which seeks to identify, manage and monitor risks which could negatively impact the Plan's ability to meet its funding objectives. This framework incorporates funding, covenant and investment factors and is ultimately used to form the Plan's investment strategy. In relation to investment factors, the Trustee has identified a number of risks which it seeks to manage and monitor, in conjunction with the Fiduciary Manager. Solvency and mismatch risk, investment manager risk, liquidity risk, and interest rate and inflation risks have been discussed above in the relevant sections on investment strategy and investment managers. The Fiduciary Manager reported to the Trustee on each of these risks in quarterly meeting papers which were discussed at the Trustee's quarterly meetings.

In addition to these risks, the Trustee also seeks to measure and manage:

- Currency risk: some of the Trustee's investments are denominated in a different currency to the Plan's liabilities which creates a mismatch. The Fiduciary Manager managed the Plan's exposure to foreign currencies within guidelines set by the Trustee. Currency hedging was implemented using a dedicated currency overlay manager. Throughout the year, the Fiduciary Manager left a small proportion of the Plan's foreign currency exposure unhedged for reasons of diversification and return generation. The Fiduciary Manager monitored the Plan's unhedged exposures on a regular basis and reported this to the Trustee as part of its quarterly meeting papers.
- Custodial risk: the Plan is exposed to the risk that any assets held on the custodian's balance sheet could be lost if the custodian was to become insolvent. The Trustee addressed this through a combination of: investing in pooled funds where the Plan's assets are held by a separate custodian appointed by the manager and uninvested cash being swept into a pooled cash fund at the custodian where the assets are held off the custodian's balance sheet. In addition, the Fiduciary Manager's specialist research team reviews the custodian on a regular basis.
- Political risk: the Trustee recognises that the value of the Plan's assets may be impacted by political regimes and actions, particularly in less established / more opaque markets. Throughout the year, the Plan's portfolio remained well diversified by geography, and managed within geographical constraints specified in the Fiduciary Manager's guidelines. The Fiduciary Manager considers political risk when determining whether to allocate capital to an investment and in determining the relative sizing of an investment.



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- Sponsor risk: the Trustee evaluates information relating to the Sponsor covenant on a regular basis and once a year receives a full presentation from the Holcim Head of Group Treasury on the last year's accounts and the prospects going forward. It has established an Employer Events and Monitoring Committee who receive half yearly financial metrics and market information from an independent covenant assessor (business analyst). The Committee also receives and considers information on any key financial events to impact upon the Sponsor and the Principal Employer. A confidentiality agreement is in place between the Trustee and Company to encourage the flow of information.

### 5. Conclusion

The Trustee believes that the Plan's engagement policy as outlined in the SIP has been adhered to over the scheme year.

Following monitoring of the Plan's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that the Fiduciary Manager is acting in the Plan members' best interest and are effective stewards of the Plan's assets.

The Fiduciary Manager will continue to monitor the investment managers' stewardship practices on an ongoing basis.