



LAFARGE UK PENSION PLAN
APPENDIX 2 – IMPLEMENTATION STATEMENT

Lafarge UK Pension Plan

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



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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 31st 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.



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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.

Fund	Approach to Environment, Social and Governance (“ESG”) factors
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

Voting activity	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%			
Most significant votes cast	Company	Berkshire Hathaway	Amazon	Alphabet
	Size of holdings	0.98%	2.94%	3.45%
	Resolution	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
	Decision /Vote	For	For	For
	Rationale for decision	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.
	Outcome of the vote	Fail	Fail	Fail
	Rationale for classifying as significant	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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Use of proxy voting	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

Voting activity	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%			
Most significant votes cast	Company	Naspers Ltd	TotalEnergies SE	Glencore Xstrata Plc
	Size of holdings	2.3%	2.0%	1.9%
	Resolution	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
	Decision /Vote	For	Against	Against
	Rationale for decision	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.
	Outcome of the vote	Pass	Fail	Fail

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	Rationale for classifying as significant	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.
Use of proxy voting	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

Voting activity	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%			
Most significant votes cast	Company	SNAM S.P.A.	NORFOLK SOUTHERN CORPORATION	Aéroports De Paris
	Size of holdings	4.31%	3.95%	4.61%
	Resolution	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
	Decision /Vote	Against	Against	Against
Rationale for decision	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>
	Outcome of the vote	Pass	Fail	Fail
	Rationale for classifying as significant	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
Use of proxy voting	<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

Voting activity	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%			
Most significant votes cast	Company	Public Storage	Prologis	HR-US
	Size of holdings	3.8%	8.2%	1.8%
	Resolution	Report on GHG emissions reduction targets aligned with the Paris Agreement Goal	Advisory vote on executive remuneration	Approve merger agreement
	Decision /Vote	For	Against	Against
	Rationale for decision	<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"> • these targets take into consideration approaches used by advisory groups, such as the Science Based Targets Initiative; • the company set a timeline for setting a net zero by 2050 GHG reduction target, and 1.5°C aligned interim targets; • the company publishes a companywide climate transition plan to achieve 1.5°C aligned emissions reduction; and • the company discloses annual progress towards meeting its emissions reduction goals. <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> <p>The manager voted against this proposal due to several financial outcomes from the merger that they considered were less than ideal for shareholders of HR. These outcomes included:</p> <ul style="list-style-type: none"> - Increased financial leverage for the combined company; - A lower internal growth profile; - A reduction in the value of the locations of the combined portfolio; - An increase in leasing risk; and - Minimal apparent earnings accretion. 		

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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.	
	Outcome of the vote	Fail	Fail	Pass
	Rationale for classifying as significant	Significant vote, climate related shareholder proposal.	Against management	Against management
Use of proxy voting	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.