Scheme Registration Number: 1017009961

LAFARGE UK PENSION PLAN

REPORT AND ACCOUNTS

YEAR ENDED 30 JUNE 2020

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LAFARGE UK PENSION PLAN
TRUSTEE AND ADVISERS

Trustee	Lafarge UK Pension Trustees Limited	Park Lodge, London Road, Dorking, Surrey, RH4 1TH
Trustee Board Chairman	Roger Mountford	Independent Chairman
Employer Directors	Bob Andrews	Pensioner - Lafarge Redland Pension Scheme member
	Dyfrig James	Pensioner - Lafarge Redland Pension Scheme member
	Nick Peall	Pensioner - Lafarge Redland Pension Scheme member
	Kimberley Wood	Employee of LafargeHolcim
Member Nominated Directors (MNDs)	Arthur Cunningham	Pensioner – Lafarge Redland Pension Scheme member
	Steve Taylor	Pensioner – Lafarge Redland Pension Scheme member
	Paul Hunter	Pensioner – Non-Lafarge Redland Pension Scheme member
	Les Waining	Pensioner – Non-Lafarge Redland Pension Scheme member
Secretary	Anne Perkins	Lafarge Building Materials Limited, Park Lodge, London Road, Dorking, Surrey, RH4 1TH
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	Level 28, 1 Churchill Place London E14 5HP
Fiduciary Manager	Willis Towers Watson	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

LAFARGE UK PENSION PLAN
REPORT OF THE TRUSTEE

The Trustee Board presents the report and accounts of the Lafarge UK Pension Plan (the Plan) for the year ended 30 June 2020. 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 contains a Defined Benefit arrangement, which is comprised of two Defined Benefit sections, closed to future benefit accrual and a Defined Contribution arrangement.

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 and 28 April 2020 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 3.

The Plan is a registered scheme under Chapter 2 of the Finance Act 2004 and the registered number is 1017009961.

A separate trust (The Lafarge UK Death Benefit Plan) is established for Death in Service benefits. The Trustee of this Plan is also the trustee of the Lafarge UK Death Benefit Plan.

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 Defined Contribution section and transfer of the sections assets to a master trust.

THE DEED OF AGREEMENT

A Deed of Agreement dated 30 September 2016, between LafargeHolcim 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. The names of the Directors who were serving at the date of signing are given on page 3. 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 2020 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.
- Four Directors appointed by the Employer (Employer Directors).
- Four Directors elected by the membership, Member Nominated Directors (MNDs).

After the year-end, the Trustee agreed to a request from the Employer to take on the trusteeship of another pension scheme within the LafargeHolcim Group, the Aggregate Industries Pension Plan, with effect from 25 September 2020. It was also agreed that two of the directors of the Trustee of the Aggregate Industries Pension Plan, Mike Gibbons and Chris Hudson, would join the Plan’s Trustee Board.

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 (active, 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).

Members who seek to be nominated will first 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; former Lafarge Redland Pension Scheme (LRPS) members and non-Lafarge Redland Pension Scheme (non-LRPS) members. There will be two MNDs from each constituency. Normally the term of office will be for four years.

Prior to 2018, if there were more candidates than vacancies in a constituency, an election was held. In 2018, the Trustee agreed to change from an election process to appointments being made by the Selection Panel.

Paul Hunter is currently serving a four-year term of office from 2019 to June 2023, for the former non-LRPS member constituency, having been re-appointed by the Selection Panel in 2019.

Arthur Cunningham is currently serving a four-year term of office from 2019 to June 2023, for the former LRPS member constituency, having been re-appointed by the Selection Panel in 2019.

Les Waining is currently serving a four-year term of office from 2017 to June 2021, for the former non-LRPS constituency, having been re-elected in 2017.

Steve Taylor is currently serving a four-year term of office from 2017 to June 2021 for the former LRPS constituency, having been elected in the 2017 elections.

The next round of MND appointments will be in 2021. Any interested, eligible members who wish to consider putting themselves forward and wish to find out more should contact the Trustee Secretary at the address given on page 3.

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 four Directors which included the Independent Chairman, plus a representative of LafargeHolcim. 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 four times during the year ended 30 June 2020.

PLAN GOVERNANCE (continued)

The Administration and Discretions Committee
This Committee comprises two MNDs, one Employer Director and one 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 Lafarge Building Materials Limited ("the Administrator"), 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 twice during the year ended 30 June 2020.

The Defined Contribution Board (DC Board)
The DC Board is 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 comprises two MNDs, one Employer Director and one nominated by the participating employer who may or may not be a Trustee Director. This Board met four times during the year ended 30 June 2020 to monitor the DC section of the Plan and consider new developments in particular in relation to Defined Contribution investments, member communication, member education and annuity provision and to explore the option of a transfer to a master trust. This Board had a further meeting to receive presentations from potential master trust providers and attended site visits at the two preferred providers.

Incorporated into the Report and Accounts on page 50 is the Chair's Annual Governance Statement which describes how the Trustee has met the statutory governance standards in relation to a number of key issues with regard to the Defined Contribution benefits of the Plan.

The Audit and Risk Management Committee
This Committee comprises at least three Directors including the Chairman of the Board 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 Accounts and the Trustee's risk and controls framework (see below). The Committee met three times during the year ended 30 June 2020. The additional meeting was to consider setting up an outsourced internal audit function. The Plan's auditor attends the two regular meetings but was not required to attend the additional meeting.

The Employer Events and Monitoring Committee
The Committee comprises between two to four Directors (with a minimum of one selected from among the Employer Directors and a minimum of one selected from among the Member Nominated Directors) and the Independent Chairman. This Committee met once during the year ended 30 June 2020. Its primary function is to assess and monitor the financial positions of the sponsoring and Principal Employer, and it takes advice from its covenant adviser.

<u>Trustee Director Competencies</u>
A schedule of Trustee Knowledge and Understanding 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. Overall the Directors considered that the Board were performing well.

<u>Managing Conflicts of Interest</u>
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 meetings, the Chairman and Secretary are required to consider the likelihood of conflicts arising, based on the agenda, and to deal with any potential conflicts.

PLAN GOVERNANCE (continued)

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 may include 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 review was in May 2019. The Trustee has agreed to implement an outsourced internal audit function and has appointed BDO to provide this service. The next review of the risk governance framework will be conducted with input from BDO in 2021 once they are familiar with the Plan's arrangements.

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.

Going Concern

The Trustee regularly monitors the strength of the Employer, with advice from its covenant adviser, Penfida. In the context of the 2018 actuarial valuation, the covenant available to the Plan was rated as Strong and has remained Strong since. The Principal Employer of the Plan, Lafarge SA, is currently under investigation for terrorist funding allegations in Syria. The Trustee cannot comment in any detail on the investigation, or the likely outcome, but notes that Lafarge SA appealed against the charges put forward against it, which in its view "do not fairly represent the responsibilities of Lafarge SA". In addition LafargeHolcim has recorded a provision of €30 million against any fines that may be imposed as a result of the investigation. The Trustee is taking advice on the matter from Penfida and 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".

Whilst COVID-19 has represented a downside risk to the Employer, the Technical Provisions of the Plan have improved over the year from 101.2% to 103.6%. Within the Group, trading to date has remained resilient. And its liquidity position and forecast free cash flow remains robust. In addition, Lafarge SA retains sufficient assets to cover the deficit of the Plan on an insurance buy-out basis. Taking all relevant factors into account the Trustee does not consider COVID-19 to threaten the Plan's 'going concern' status.

Compliance

The Plan had procedures in place at 30 June 2020 to satisfactorily demonstrate 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 six monthly, on the service standards, administration costs and compliance with relevant rules and regulations.

PLAN GOVERNANCE (continued)

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 explicitly on financially material factors. The Trustee's policy at this time is not to take into account non-financial factors or 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. 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.

The Trustee reviewed and approved revisions to the Defined Benefit Statement of Investment Principles in September 2020. The Statements will continue to be reviewed, at least annually, to ensure the principles are appropriate to the Plan. Copies of the Statements of Investment Principles for the Defined Benefit Section and the Defined Contribution Section are available to members on the Plan website:

https://www.lafargeukpensions.com/page/docs--other-info.

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 2.5% was applied to pensions in excess of the GMP from 1 July 2019 (3.6% from 1 July 2018) and for Non-Lafarge Redland Pension Scheme (Non-LRPS) members, an increase of 2.2% was applied to all pensions, inclusive of the GMP, from 5 April 2020 (2.7% from 5 April 2019).

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 other 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.

A supplementary Court hearing was heard in May 2020 and judgment was handed down in November 2020, indicating that trustees will be required to revisit past transfers out of schemes. A number of uncertainties on how to comply with the ruling still remain and further guidance is awaited from HMRC on tax implications of adjusting benefits.

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 2018, the Trustee agreed to include a GMP equalisation reserve of 1% of the Plan's liabilities. Communications have been sent to members that might be affected by the ruling, to inform them that their benefits may be adjusted but that the process will take time and that adjustments are likely to be small.

MEMBERSHIP SUMMARY

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

	Defined Benefit			Defined Contribution
	LRPS Section	Non-LRPS Section	**Total**	**Total**
Active members as at 1 July 2019	-	-	**-**	**21**
New members	-	-	**-**	**2**
Leavers to pension	-	-	**-**	**(1)**
Leavers with preserved benefits	-	-	**-**	**(3)**
Active members as at 30 June 2020	-	-	**-**	**19**
Deferred members as at 1 July 2019	4,836	3,502	**8,338**	**1,166**
Adjustments to brought forward figures	-	1	**1**	**-**
Deaths	(14)	(15)	**(29)**	**-**
Deferred members who retired	(189)	(219)	**(408)**	**-**
Set to unclaimed	(15)	(22)	**(37)**	**-**
Ill health pension ceased – to Deferred	-	1	**1**	**-**
Active to Deferred	-	-	**-**	**2**
Leavers with no liability	(112)	(116)	**(228)**	**(27)**
Deferred members as at 30 June 2020	4,506	3,132	**7,638**	**1,141**
Pensioners and Dependants as at 1 July 2019	6,131	9,620	**15,751**	**-**
Adjustments to brought forward figures	-	(7)	**(7)**	**-**
New pensions	189	221	**410**	**-**
New dependant pensions	88	157	**245**	**-**
Deaths	(287)	(542)	**(829)**	**-**
Child allowance ceased	(2)	(3)	**(5)**	**-**
Ill health pension ceased	-	(1)	**(1)**	**-**
Pensions commuted for cash	(5)	(9)	**(14)**	**-**
Pensioners and Dependants as at 30 June 2020	6,114	9,436	**15,550**	**-**

Members with both DB and DC entitlements are presented in the above table as if they were separate individuals, unless these entitlements occur in the same period of service, in which case they are presented solely as a member of a DB section.

The deferred membership as at 30 June 2020 does not include 613 records (2019: 577) 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 2020 includes 8 active members (2019: 10) with deferred defined benefits, and 82 members (2019: 50) that have elected to defer retirement beyond their normal retirement date.

Deferred member movements during the year include 37 members who were set to unclaimed as they had not been traced despite numerous attempts, offset by 1 member who was previously set as unclaimed but who was traced and by 1 member who had been in receipt of an ill-health pension which was ceased as evidence of the member's continued incapacity was not provided.

The new pensions include 2 members who were previously set to unclaimed but who were traced during the year.

The pensions that ceased during the year relate to the ill-health pension that was ceased and to 7 members where investigations arising from the GMP reconciliation exercise indicated that the members had no liability remaining in the Plan.

FINANCIAL REVIEW

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

	£million
Value at 30 June 2019	3,548.6
Net increase in fund over the year	226.4
Value at 30 June 2020	**3,775.0**

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

	Income (£million)
Contributions from members and the Employer including PenXchange Scheme (salary sacrifice)	0.5
Investment income	44.3
Change in market value of investments	370.9
	415.7

	Outgoings (£million)
Pensions	122.5
Pension commutation lump sums	9.3
Death Benefits	0.7
Refunds and payments for leavers	35.3
Administration and Investment Management Expenses	21.5
	189.3
Net increase in the Fund	**226.4**

It is emphasised that the market value of the net assets of the Plan is a snapshot as at 30 June 2020 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 accounts should be read in conjunction with the Report on Actuarial Liabilities on page 15.

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 £18.7 million and £2.8 million respectively for the year to 30 June 2020 (see Notes 9 and 7 to the accounts 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 LafargeHolcim group and to prohibit investment in shares or bonds or loans of LafargeHolcim 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.

INVESTMENTS ATTRIBUTABLE TO THE DEFINED BENEFIT SECTIONS

Investment Arrangements

The long-term objective of the Plan is to be fully funded on a ‘self-sufficient’ basis 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 Willis Towers Watson.

Willis Towers Watson’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 Willis Towers Watson 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 “self-sufficient” basis 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.

The final structure of the Plan’s assets comprises five main sections as set out below. Within each section Willis Towers Watson 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. Hedge funds were introduced to this category in 2015 to further diversify out of mainstream asset classes.

Private markets (Private Equity, Infrastructure and Secure Income Assets): Given the long-term nature of the Plan’s investment strategy, it can afford to tie an amount of money up for a number of years and be compensated for such a commitment to illiquid investments such as private equity and infrastructure. Secure Income Assets were added to this category in 2019 to 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.

Willis Towers Watson is overseen by both the Investment Strategy Committee and the Trustee. Its fiduciary mandate is governed by a series of Investment Guidelines set out in the Agreement. Isio (previously KPMG) assists the Investment Strategy Committee by monitoring Willis Towers Watson 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 (SIP). This is modified from time to time to reflect the changes required by legislation and changes in investment policy.

The strategic investment policy for the defined benefit section is set by the Trustee and is expressed as a return objective against a benchmark relative to a gilts based Liability Proxy. This target was agreed at 2.3% above gilts.

Over the year, there were no significant changes made to the portfolio. Explicit exposure to Chinese equities and bonds were added over Q1 2020 given our conviction in the benefits of holding these assets. Over the same period a pooled equity option strategy was introduced, designed to profit when equity markets fall within a pre-defined range, used as a measure to mitigate tail risk.

This proved beneficial given the market falls over 2020, largely caused by the Covid-19 pandemic. The protection strategies in place and exposure to a diverse range of return drivers provided much protection that was then trimmed in late March and allowed the Plan to benefit from strong returns over more recent months to June 2020.

As a result of the Pandemic, assets such as property and private market investments saw an increase in valuation uncertainty. As at the end of the Plan year however, this was less of an issue as markets were fully discounting the impact of the virus. Reviewing the Plan's holdings in these areas, we are comfortable that the valuations at year end remain fair value

<u>Longevity swap</u>
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.

<u>Employer related investments</u>
The SIP ensures there are strict limitations to the extent that the Plan may be invested in LafargeHolcim. At the year-end, within the meaning of Section 40 of the Pensions Act 1995, exposure to employer related investments was 0.0% 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.

<u>How the Plan's Assets are Invested</u>
Throughout the year the Plan maintained a wide spread of investments. Note 10 provides an analysis of the Plan's investments and other assets at 30 June 2020. As at 30 June 2020, the Plan's investment strategy, excluding the longevity swaps, was structured as follows:

Beta	10.8%
Private Markets	9.7%
Credit	13.8%
Diversification	18.6%
Bonds/Liability Driven Investment and Cash	47.1%

The Plan had also hedged approximately 81% of the Plan's fixed and inflation linked liabilities.

<u>Investment Manager fees</u>
As Fiduciary manager, Willis Towers Watson 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.

BNP Paribas Real Estate and Knight Frank Investment Management are remunerated by fixed fees for property management and transaction based fees for purchases, sales and rent reviews. The fees for property management and for rent reviews are deducted from rental income and are shown in note 9 of the accounts. The transaction based fees for purchases and sales are reflected in the change of market values.

Willis Towers Watson was remunerated by an annualised fixed fee of £3,085,701 to 30 June 2020.

The total Plan investment management fees are disclosed in note 9 of the accounts.

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').

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 inception of Willis Towers Watson's Fiduciary mandate. The annualised Plan returns for one, three and five years ended 30 June 2020 have been as follows:-

	Plan % pa	Liability proxy %pa
1 Year to 30 June 2020	12.4	12.0
1 Year to 30 June 2019	*9.3*	*7.9*
3 Years to 30 June 2020	8.5	7.3
5 Years to 30 June 2020	10.3	8.5

Over the year to June 2020, performance of the plan was positive relative to the Liability Proxy. Due to the target return and approach taken in portfolio management, the Plan has lower equity exposure than the typical UK pension plan and no corporate bond exposure. This led to a very different performance to the average Scheme over Q1 2020 in particular, where return seeking assets fell by only 5%, including currency hedging positions, relative to global equity markets which fell c.22% over the period. The protection strategies in place and exposure to a diverse range of return drivers provided much protection over the first quarter of 2020 which also attributed to positive performance in the second quarter.

Over the longer 3 and 5 year periods to June 2020, performance was positive relative to the Liability Proxy. This can be attributed to positive performance of return seeking assets and the high level of liability hedging which largely protects the Plan funding level against movements in bond yields and inflation.

Safe keeping of assets

BNY Mellon is employed as the Plan's global custodian. Willis Towers Watson 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.

INVESTMENTS ATTRIBUTABLE TO THE DEFINED CONTRIBUTION SECTION

Investment strategy

The Trustee's investment objective for the Defined Contribution Section and AVC assets is to provide suitable long-term returns consistent with members' reasonable expectations. The Trustee chooses investment arrangements taking into account, in particular, the need for diversification and the suitability of assets, past performance, charging structure, flexibility and where applicable, the quality of administration.

Investment Performance

Returns for the year ended 30 June 2020 for each investment fund in the Defined Contribution Section compared with the total return of the relevant benchmark index are shown below.

	The Plan %	Benchmark %
Global Equity Index (30:70)	(1.21)	(1.30)
UK Equity Index	(12.93)	(12.99)
World (ex UK) Equity Index	6.94	6.92
Over 15 year Gilts Index	19.75	19.75
Bonds – Over 15 year Index	15.00	14.82
Over 5 year Index Linked Gilts	11.96	11.95
Pre-Retirement	11.78	11.62
World Emerging Markets Equity Index	(0.65)	(0.58)
Diversified fund	0.88	4.57
Cash Fund	0.57	0.41

Members have access to the Legal & General website to obtain updates on investment performance data and are sent updates of the funds' performance annually.

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 2018 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 £36 million at the effective date based on the market value of assets of £3,376 million and a value placed on the liabilities of £3,340 million. 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 £64.6 million and the LRPS section had a deficit of £28.5 million.

The Actuary carries out less detailed annual updates in the years between the triennial valuations. The latest review as at 30 June 2019 revealed a surplus of £41 million based on the market value of assets (excluding AVCs held within the Defined Benefit Sections) of £3,486 million and a value placed on the liabilities of £3,445 million.

The Trustee conducted an independent review of the Employer covenant and following consultation and agreement with the Company it was agreed that the deficit in the LRPS section would be addressed via expected out performance of the Plan's assets of 0.8% per annum over that assumed when valuing the liabilities. On this basis, the funding shortfall in the LRPS section is expected to be eliminated by the date of the next actuarial valuation, which is expected to be 30 June 2021.

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: In line with the nominal gilt curve as at 30 June 2018 plus a margin of 1.25% p.a., which is a prudent estimate of the Plan's investment returns.

Future Retail Price Inflation: 3.3% p.a. on investment market implied inflation rates.

Future Consumer Price Inflation: 2.6% p.a. based on an assumed difference between Retail Price Inflation and Consumer Price Inflation.

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:

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

Mortality: Males – S2PMA normal health pensioners, all amounts with base table multipliers of 84% for the LRPS section and 119% for the Non-LRPS section.

Females – S2PFA normal health pensioners, all amounts with a base table multiplier of 99%

The base tables above are projected from 2007 to 2018 using the CMI's 2017 core projections and from 2018 in line with the CMI's 2018 core projections, with a long-term rate of improvement of 1.5% p.a. for men and women.

RETIREMENT OF SCHEME ACTUARY
On 7 May 2020 Alison Blay of Willis Towers Watson retired as Scheme Actuary. In her statement on leaving office, she noted no circumstances connected with her resignation which, in her opinion, significantly affected the interests of the members or prospective members of, or beneficiaries under, the Plan. Aaron Punwani, of Lane Clark & Peacock LLP, was appointed as Scheme Actuary in her place.

DEFINED CONTRIBUTION SECTION
Funds for members of the Defined Contribution Section of the Plan (known as PensionBuilder*plus*) were invested with Legal & General in a range of funds. The Defined Contribution section was administered by Legal and General Assurance Limited. After the year-end, the Defined Contribution Section was transferred to the Aon MasterTrust.

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 have also been made by members to third party providers. These are invested on a money-purchase basis in with-profits funds and other unitised vehicles. Details of the AVC arrangements are provided in Note 26 to the accounts.

TRANSFERS

All transfer values paid from the Defined Benefit Sections 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.

CONTRACTING OUT CERTIFICATE AND TAX STATUS

The Plan has been granted a contracting out certificate in respect of the Defined Benefit Sections of the Plan. The Plan is a registered pension scheme under the Finance Act 2004. The contracting out certificate ceased with effect from 31 October 2011.

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 Deed and Rules following actuarial valuations and interim reviews. Copies of the Actuary's certifications of the Schedules of Contributions are reproduced on pages 47 and 48.

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.

<u>All members</u>

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:

<u>Active Members</u>

The Pensions Team provide the essential pensions communication link between the Plan members, their employing company and the Trustee. Personal Benefit Statements illustrating the main benefits that would be received from the Plan under circumstances of normal retirement or death in service are sent to all active members each year. Those members who have paid additional voluntary contributions (AVCs) also receive statements of their AVC accounts at least annually.

<u>Deferred Pensioners</u>

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.

<u>Pensions Helpline</u>

All members are also able to telephone the Pensions Helpline on 01306 872100, 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 any member of staff in the Pensions Team, Park Lodge, London Road, Dorking, Surrey, RH4 1TH. 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.

TPAS (THE PENSIONS ADVISORY SERVICE)
Members and beneficiaries of occupational pension schemes who have general requests for information or guidance concerning their pension arrangements can consult with TPAS. In January 2019, TPAS, the Money Advice Service and Pension Wise were brought together into a single organisation set up by the Government, now called the Money and Pensions Service. Members can contact TPAS via their live webchat service or at:

Money and Pensions Service
120 Holborn, London
EC1N 2TD
Telephone: 0800 011 3797

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.

The contact details online are: 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 contact details online are: www.thepensionsregulator.gov.uk and the postal address is: The Pensions Regulator, Napier House, Trafalgar Place, Brighton, Sussex, BN1 4DW.

PENSION TRACING SERVICE
The Pension Tracing Service, which is a division of The Pension Service, provides members (and their dependants) with details of how to contact any previous employer's pension scheme. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
Telephone: 0800 731 0193

The Lafarge UK Pension Plan has been registered with the Tracing Service. The information held includes details of the address at which the Trustee of the Plan may be contacted.

FURTHER INFORMATION
If any member has any questions about this report, the Plan or their entitlements under the Plan, please address them to Anne Perkins, Trustee Secretary, at the address on page 3, or via e-mail at info@lafargeukpensions.com.

On behalf of the Trustee

Anne Perkins
Secretary

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 Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the 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.

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 2020 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including a summary of 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).

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.

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 2020, 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 plan 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.

Going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Plan's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the statement of Trustee’s responsibilities set out on page 19, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 intends to wind up the Plan or has 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.

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. This description forms part of our auditor’s report.

Crowe U.K. LLP
Statutory Auditor London
Date:

LAFARGE UK PENSION PLAN

FUND ACCOUNT
YEAR ENDED 30 JUNE 2020

	Notes	**DB Sections 2020 £'000**	**DC Section 2020 £'000**	**Total 2020 £'000**	DB Sections 2019 £'000	DC Section 2019 £'000	Total 2019 £'000
Contributions and benefits							
Contribution receivable:	5						
Employee		**-**	**78**	**78**	-	59	59
Employer		**207**	**188**	**395**	268	201	469
		207	**266**	**473**	268	260	528
Benefits payable	6	**(130,932)**	**(1,552)**	**(132,484)**	(125,631)	(1,038)	(126,669)
Payments to and on account of leavers	7	**(34,244)**	**(1,096)**	**(35,340)**	(25,863)	(755)	(26,618)
Administration expenses	8	**(2,567)**	**(273)**	**(2,840)**	(3,133)	(120)	(3,253)
		(167,743)	**(2,921)**	**(170,664)**	(154,627)	(1,913)	(156,540)
Net (withdrawals) from dealings with members		**(167,536)**	**(2,655)**	**(170,191)**	(154,359)	(1,653)	(156,012)
Returns on investments							
Change in market value of fund investments	11	**371,265**	**(279)**	**370,986**	234,284	2,719	237,003
Investment income	9	**44,262**	**-**	**44,262**	46,913	-	46,913
Investment management expenses	10	**(18,695)**	**-**	**(18,695)**	(16,766)	-	(16,766)
Net returns on investments		**396,832**	**(279)**	**396,553**	264,431	2,719	267,150
Net increase/(decrease) in the fund during the year		**229,296**	**(2,934)**	**226,362**	110,072	1,066	111,138
Net assets of the Plan at 1 July		**3,486,288**	**62,288**	**3,548,576**	3,376,216	61,222	3,437,438
Net assets of the Plan at 30 June		**3,715,584**	**59,354**	**3,774,938**	3,486,288	62,288	3,548,576

The notes on pages 24 to 45 form part of these financial statements.

LAFARGE UK PENSION PLAN
STATEMENT OF NET ASSETS
(AVAILABLE FOR BENEFITS)
AS AT 30 JUNE 2020

	Notes	2020 £'000	2019 £'000
DEFINED BENEFIT SECTIONS			
INVESTMENTS			
Investment Assets:	11		
Equities		**500**	29,314
Bonds		**2,048,848**	1,877,466
Property	12	**13,213**	21,233
Pooled investment vehicles	13	**1,965,797**	1,817,605
Derivatives	14	**333,896**	218,356
Insurance policies – annuities	18	**3,070**	3,600
Cash deposits and other investment assets	20	**289,368**	283,605
		4,654,692	4,251,179
Investment Liabilities:	11		
Derivatives	14	**(61,565)**	(85,993)
Longevity swap	15	**(18,675)**	(10,766)
Other investment liabilities	20	**(864,982)**	(673,173)
		(945,222)	(769,932)
TOTAL INVESTMENTS		**3,709,470**	3,481,247
CURRENT ASSETS	24	**9,952**	9,710
CURRENT LIABILITIES	25	**(3,838)**	(4,669)
TOTAL NET ASSETS OF THE DB SECTIONS		**3,715,584**	3,486,288
DEFINED CONTRIBUTION SECTION			
INVESTMENTS			
Investment Assets:	11		
Pooled investment vehicles	13	**57,949**	60,482
AVC investments (Zurich)		**1,055**	1,177
TOTAL INVESTMENTS		**59,004**	61,659
CURRENT ASSETS	24	**425**	644
CURRENT LIABILITIES	25	**(75)**	(15)
TOTAL NET ASSETS OF THE DC SECTION		**59,354**	62,288
NET ASSETS OF THE PLAN AT 30 JUNE		**3,774,938**	3,548,576

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 15 and these financial statements should be read in conjunction with them. The notes on pages 24 to 45 form part of these financial statements.

Approved by the Board of Directors of Lafarge UK Pension Trustees Limited on 20 January 2021 and signed on its behalf by:

………………………… …………………………

Director: Roger Mountford **Director: Arthur Cunningham**

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 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 1017009961.

2. Basis of preparation

The Financial Statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 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).

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements.

The Trustee Board have 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 believes the going concern basis of preparation to be appropriate as they have considered plausible downside scenarios resulting from the impact of the Covid-19 outbreak, the strength of the employer covenant and its ability to continue to make contributions as they fall due and this is not significantly impacted. The Trustee also believes that the Plan has adequate resources to realise its assets and meet pension payments in the normal course of affairs for at least the next twelve months.

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 2020 which represent the Trustee's estimate of fair value.

4. Accounting Policies

(1) 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 stocks has been quoted excluding the value of interest accruing from the previous interest payment date.

- Holdings in managed funds have been valued at the bid value of the unit prices declared by the relevant Fund Manager at that date.

- Direct property investment is valued annually at external independent open market valuations. The property investments were valued by Colliers, an external independent valuer, at the year end.

4. Accounting Policies (continued)

(1) 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. Where the annuities are deemed immaterial they are included in the financial statements at nil value.

- 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.

(2) 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.

(3) 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.

(4) Contributions and benefits

Employee normal and additional voluntary contributions are accounted for when deducted from pay. Employer normal and additional contributions are accounted for in the period to which the corresponding pay relates.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

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.

(5) Transfers to other schemes

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

4. Accounting Policies (continued)

(6) Administration costs and management expenses

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

5. Contributions receivable

	DB Sections £'000	**DC Section £'000**	**2020 £'000**
From members:			
Additional voluntary contributions	**-**	**78**	**78**
From employers:			
Normal contributions	**-**	**188**	**188**
Additional contributions for individual augmentations	**207**	**-**	**207**
	207	**188**	**395**
Total contributions	**207**	**266**	**473**

	DB Sections £'000	DC Section £'000	2019 £'000
From members:			
Additional voluntary contributions	-	59	59
From employers:			
Normal contributions	-	201	201
Additional contributions for individual augmentations	268	-	268
	268	201	469
Total contributions	268	260	528

Additional contributions amounting to £207,000 were received in respect of individual augmentations (2018: £268,000).

Employer normal contributions include £54,000 (2019: £60,000) in respect of member salary sacrifice under the PenXchange Scheme.

6. Benefits payable

	DB Sections £'000	DC Section £'000	2020 £'000
Pensions	**122,424**	**-**	**122,424**
DC flexibility payments	**-**	**23**	**23**
Death benefits	**557**	**155**	**712**
Pension commutation lump sums	**7,951**	**1,374**	**9,325**
Total benefits payable	**130,932**	**1,552**	**132,484**

	DB Sections £'000	DC Section £'000	2019 £'000
Pensions	118,072	-	118,072
DC flexibility payments	-	56	56
Death benefits	649	11	660
Pension commutation lump sums	6,910	971	7,881
Total benefits payable	125,631	1,038	126,669

7. Payments to and on account of leavers

	DB Sections £'000	DC Section £'000	2020 £'000
Transfers to other schemes	**34,244**	**1,096**	**35,340**
Total payments to and on account of leavers	**34,244**	**1,096**	**35,340**

	DB Sections £'000	DC Section £'000	2019 £'000
Transfers to other schemes	25,863	755	26,618
Total payments to and on account of leavers	25,863	755	26,618

8. Administration expenses

	DB Sections £'000	**DC Section £'000**	**2020 £'000**
Pensions administration fees and expenses	**1,292**	**100**	**1,392**
Trustee Chairman & other directors fees & expenses	**77**	**18**	**95**
Actuary's fees - valuations	**272**	**-**	**272**
- other	**181**	**-**	**181**
Auditor's fees and expenses	**80**	**6**	**86**
Legal adviser's fees	**155**	**56**	**211**
Other professional fees	**310**	**93**	**403**
Directors' officers insurance	**70**	**-**	**70**
Pension Protection Fund and similar levies	**130**	**-**	**130**
Total administration expenses	**2,567**	**273**	**2,840**

	DB Sections £'000	DC Section £'000	2019 £'000
Pensions administration fees and expenses	1,083	67	1,150
Trustee Chairman & other directors fees & expenses	226	4	230
Actuary's fees - valuations	265	-	265
- other	170	-	170
- longevity swap	302	-	302
Auditor's fees and expenses	64	6	70
Legal adviser's fees	534	12	546
Other professional fees	234	31	265
Directors' officers insurance	75	-	75
Pension Protection Fund and similar levies	180	-	180
Total administration expenses	3,133	120	3,253

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

9. Investment income

	DB Sections	
	2020 £'000	2019 £'000
Income from fixed interest securities	**15,134**	14,384
Dividends from equities	**1,411**	1,309
Income from index-linked securities	**6,455**	4,366
Income from managed and unitised funds	**18,769**	16,281
Cash distributions from private equity investments	**523**	1,012
Rental income from properties	**948**	1,304
Interest receivable and interest payable on cash and cash instruments	**(1,338)**	4,427
Annuity income	**270**	285
Income from derivatives	**2,545**	3,519
Other investment (payables)/receivables	**(455)**	26
Total investment income	**44,262**	46,913

Investment income shown above reflects income earned by investments within the Defined Benefit sections. No investment income arises on the Defined Contribution Section because income is accumulated and reflected in the change in market value of investment units.

10. Investment management expenses

	DB Sections £'000	DC Section £'000	2020 £'000
Investment management fees	**17,499**	**-**	**17,499**
Property management fees	**-**	**-**	**-**
Investment professional fees – investment advice	**305**	**-**	**305**
Custody, valuation and performance measurement fees	**367**	**-**	**367**
Longevity insurance fees and administrative costs	**524**	**-**	**524**
Total investment management expenses	**18,695**	**-**	**18,695**

	DB Sections £'000	DC Section £'000	2019 £'000
Investment managers fees	15,267	-	15,267
Property management fees	22	-	22
Investment professional fees – investment advice	209	-	209
Custody, valuation and performance measurement fees	469	-	469
Longevity insurance fees and administrative costs	799	-	799
Total investment management expenses	16,766	-	16,766

Included in the investment manager fees stated are management fees for certain managed funds and for the Private Equity portfolio estimated at £11,894,729 (2019: £7,467,772) which are deducted from the market values.

11. Reconciliation of investments – DB Sections

	Value at 30 June 2019 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Change in Market value £'000	Value at 30 June 2020 £'000
Equities	29,314	22,996	(60,286)	8,476	500
Bonds	1,877,466	168,814	(216,331)	218,899	2,048,848
Properties	21,233	-	(6,921)	(1,099)	13,213
Pooled investment vehicles	1,817,605	943,222	(845,459)	50,429	1,965,797
Derivatives	132,363	108,633	(77,940)	109,275	272,331
Longevity swaps	(10,766)	4,966	-	(12,875)	(18,675)
Insurance policies	3,600	-	-	(530)	3,070
	3,870,815	1,248,631	(1,206,937)	372,575	4,285,084
Cash & Other investment assets	283,605			(1,310)	289,368
Other Investment Liabilities	(673,173)			-	(864,982)
Total investments	3,481,247			**371,265**	**3,709,470**

An adjustment amounting to £11,894,729 (2019: £7,467,772) 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 9 above.

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 £83,250 (2019: £49,203). 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.

During the year the Plan's fiduciary manager made purchases of £378,351,300 (2019: £617,347,253) in new pooled investment vehicles in order to maximise the Plan's investment efficiency and maintain the Plan's investment structure according to its investment strategy. These purchases were funded by sales of existing pooled investment vehicles.

11. Reconciliation of investments (continued)

DC Section

	Value at 30 June 2019 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market value £'000	Value at 30 June 2020 £'000
Pooled investment vehicles	60,482	227	(2,459)	(301)	57,949
AVC investments (Zurich)	1,177	-	(144)	22	1,055
Total investments	61,659	**227**	**(2,603)**	**(279)**	**59,004**

12. Property

	DB Sections	
	2020	2019
	£'000	£'000
UK shops, offices and industrial	**12,925**	15,700
Indirect property investments	**288**	5,533
Total property investments	**13,213**	21,233

Due to the ongoing Covid-19 pandemic Colliers have provided their valuation of direct property investments together with reference to 'material valuation uncertainty' as the unprecedented circumstances have meant market activity is being strongly impacted. Colliers advised that a higher degree of caution should therefore be attached to their valuation than would normally be the case. The property investment manager Knight Frank have confirmed that they are not aware of any restrictions on the realisability of any of the Plan's property investments.

Indirect property investments consist of investments in pooled investment vehicles which invest in properties.

13. Pooled investment vehicles

	DB Sections	
	2020	2019
	£'000	£'000
Core infrastructure funds	**93,659**	93,515
Core property funds	**66,954**	65,136
Currency carry funds	**-**	28,791
Emerging equity funds	**76,564**	39,771
Emerging market debt funds	**52,522**	53,644
Emerging market currency funds	**48,970**	50,366
Equity option funds	**18,282**	33,915
Global corporate bond funds	**35,873**	5,902
Global equity funds	**244,030**	226,297
Global sovereign credit funds	**165,989**	165,762
Hedge and systematic trading funds	**436,899**	373,610
Merger arbitrage funds	**63,018**	59,816
Multi-asset funds	**-**	62,877
Multi-strategy alternative credit funds	**258,666**	254,895
Private equity funds	**98,572**	93,226
Reinsurance funds	**73,218**	50,435
Risk premia funds	**68,027**	-
Secure income asset funds	**164,554**	124,725
UK companies financing funds	**-**	818
Volatility premium funds	**-**	34,104
Total pooled investment vehicles	**1,965,797**	1,817,605

13. Pooled investment vehicles (continued)

	DC Section	
	2020	2019
	£'000	£'000
Policy held with Clerical Medical	**66**	68
Policy held with L&G	**57,883**	60,414
Total pooled investment vehicles	**57,949**	60,482

14. 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 12. Summarised details of the derivatives held are set out below:

	2020		2019	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Futures	**-**	**-**	8,722	-
Swaps	**332,974**	**(55,657)**	198,552	(63,295)
Forward currency contracts	**922**	**(5,908)**	1,191	(22,698)
Options	**-**	**-**	9,891	-
Total derivative contracts	**333,896**	**(61,565)**	218,356	(85,993)

(i) Futures

The Plan had exchange traded overseas treasury futures outstanding at the prior year end relating to the liability driven investment ("LDI") section as follows:

Nature	**Expiration**	**Notional principal £000**	**Asset £000**	**Liability £000**
US Treasury futures	<1 year	-	-	-
Total 2020 futures		**-**	**-**	**-**
Total 2019 futures		392,776	8,722	-

(ii) 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 £000**	**Asset £000**	**Liability £000**
Inflation swaps	1-45 years	**286,778**	**698**	**(42,218)**
Interest rate swaps	1-20 years	**1,345,824**	**277,943**	**(13,439)**
Total return swaps	1 year	**141,940**	**54,333**	**-**
Total 2020 swaps		**1,774,542**	**332,974**	**(55,657)**
Total 2019 swaps		2,544,883	198,552	(63,295)

At the year end the Plan held collateral as disclosed in note 19.

14. Derivative contracts (continued)

(iii) Options

The Plan had exchange traded equity options outstanding at the prior year end relating to the liability driven investment ("LDI") section as follows:

Nature	Expiration	Notional principal £000	Asset £000	Liability £000
Purchased Put – US equities	Within 3 years	-	-	-
Total 2020 options		-	-	-
Total 2019 options		75,387	9,891	-

(iv) 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 £000	Liability £000
USD Contracts				
01/07/2020	**$26,700,000**	**-**	**-**	**(155)**
16/07/2020	**$36,710,000**	**$469,798,295**	**22**	**(3,408)**
14/08/2020	**$36,860,000**	**$470,018,295**	**22**	**(2,345)**
14/09/2020	**$37,020,000**	**$470,408,295**	**878**	**-**
Total 2020 forward currency contracts			**922**	**(5,908)**
Total 2019 forward currency contracts			1,191	(22,698)

15. 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 Willis Towers Watson 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 £18,675,257 (2019: £10,766,382).

At the year end the Plan had pledged collateral as disclosed in note 19.

16. 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 £500,000 (2019: £500,000), which has been disclosed within the equities value in note 10. At the year end the aggregate amount of net assets, which consisted of cash, within the subsidiaries was £502,000 (2019: £501,000).

17. Assets subject to repurchase contracts

At the year end, within other investment assets and liabilities, amounts repayable under repurchase agreements were £864,027,533 (2019: £671,921,644). At the year end £905,960,029 (2019: £695,839,781) 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% ratio 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 be 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).

18. Insurance policies

	2020	2019
	£'000	£'000
Annuity Policies	**3,070**	3,600
Total insurance policies	**3,070**	3,600

At the year end the Trustee holds annuity policies for inclusion within the accounts. 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 obtained a valuation in respect of these annuities from the Plan Actuary

During the year £270,000 (2019: £285,000) was received in annuity income from these annuities and is included in investment income.

For the year ended 30 June 2020 Defined Contribution Section members' and employers' contributions were invested in funds passively managed by Legal & General (see Investment Report on page 14 for details). Insurance policies in respect of liabilities that accrued prior to 1 July 1991 for benefits 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.

19. 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 2020, the collateral received/pledged for the swap portfolio managed by Insight was as follows:

	2020	2019
	£'000	£'000
Collateral received:		
Fixed interest securities	**20,976**	4,907
Inflation linked securities	**101,702**	69,325
Cash and cash equivalents	**165,229**	74,121
Total collateral received	**287,907**	148,353
Collateral pledged:		
Fixed interest securities	**227**	-
Inflation linked securities	**10,267**	6,130
Total collateral pledged	**10,494**	6,130

As at 30 June 2020, the collateral received for repurchase agreements was as follows:

	2020	2019
	£'000	£'000
Collateral received:		
Fixed interest securities	**28,649**	-
Inflation linked securities	**15,162**	8,784
Cash and cash equivalents	**-**	18,337
Total collateral received	**43,811**	27,121

As at 30 June 2020 the collateral pledged for the longevity swaps were as follows:

	2020	2019
	£'000	£'000
Inflation linked securities	**78,124**	73,970
Total collateral pledged	**78,124**	73,970

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

20. Cash deposits and other investment balances

Cash deposits and other investment assets	**2020**	2019
	£'000	£'000
Sterling cash	**285,730**	278,493
Accrued investment income	**3,638**	5,111
Total cash deposits and other investment assets	**289,368**	283,604
Other investment liabilities		
Amounts payable on repurchase agreements (*)	**(864,028)**	(671,922)
Amounts payable on longevity swaps	**(954)**	(1,251)
Total other investment liabilities	**(864,982)**	(673,173)

*Amounts payable on repurchase agreements relate to assets purchased under these agreements (see note 17)

21. Concentration of investments

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

22. Investment risks

FRS102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS102 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 of 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 of 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 of 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.

Defined Benefit Sections

This section relates to the Defined Benefit Plan only. The Plan has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee's primary investment objective is to secure and maintain sufficient assets to meet the Plan's defined benefit liabilities, as they fall due.

The Trustee has an objective to aim to achieve full funding on a "self-sufficient" basis i.e. such that the Plan's assets match or closely match its liabilities without need for recourse to the sponsoring employer for funding.

The Trustee has appointed a fiduciary manager, Towers Watson Limited, to manage the Plan's assets in line with the strategy. 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.

22. Investment risks (continued)

Defined Benefit Sections (Continued)

(i) Credit risk (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 2020 total (£m)	30 June 2019 total (£m)
	Direct	Indirect	Currency	Interest rate	Other price		
Defined Benefit Sections							
Quoted Equities and Convertibles	○	○	◐	○	●	**0.5**	29.3
Derivative Contracts	●	○	◐	●	◐	**272.3**	132.4
Fixed Interest (All GBP denominated)	●	○	○	●	●	**681.0**	744.3
Index Linked (All GBP denominated)	●	○	○	●	●	**1,367.9**	1,133.1
Managed Funds and Pooled investments	●	●	◐	◐	●	**1,867.4**	1,729.9
Direct Property	●	○	○	◐	●	**12.9**	15.7
Private Equity	●	○	◐	○	●	**98.6**	93.2
Cash Deposits and Other Investment Assets	●	○	◐	○	○	**289.4**	282.4
Other Investment Liabilities (repurchase agreements)	●	●	○	○	●	**(864.0)**	(671.9)
Longevity swaps (net of liabilities)	●	○	○	●	○	**(19.7)**	(10.8)
Annuity policies	●	●	○	○	○	**3.1**	3.6
						3,709.4	3,481.2

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

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 DB Section is subject to credit risk as the Plan invests in bonds, directly held property, OTC derivatives, has cash balances and has the potential to enter into repurchase agreements and 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.

22. Investment risks (continued)

Defined Benefit Sections (Continued)

(i) Credit risk (continued)

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 rated as at least investment grade.

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.

A summary of pooled investment vehicles by type of arrangement is as follows:

	30 June 2020 Total £m	30 June 2019 Total £m
Luxembourg SICAV	**82.4**	77.7
Open ended investment company	**905.0**	933.0
Limited liability partnership	**613.2**	495.3
Unit linked life insurance policy	**104.1**	112.6
Authorised unit trust	**40.7**	55.5
Common Contractual Fund	**220.4**	143.5
	1,965.8	1,817.6

22. Investment risks (continued)
Defined Benefit Sections (continued)
(i) Credit risk (continued)

A summary of the investments subject to direct credit risk as at 30 June 2020 is shown in the table below:

	Investment grade £m	Unrated £m	30 June 2020 Total £m	30 June 2019 Total £m
Derivative Contracts	272.3	-	**272.3**	132.4
Fixed Interest (All GBP denominated)	681.0	-	**681.0**	744.3
Index Linked (All GBP denominated)	1,367.9	-	**1,367.9**	1,133.1
Managed Funds and Pooled investments	-	1,867.4	**1,867.4**	1,729.9
Direct Property	-	12.9	**12.9**	15.7
Private Equity	-	98.6	**98.6**	93.2
Cash Deposits and Other Investment Assets	284.0	-	**284.0**	282.4
Other Investment Liabilities (repurchase agreements)	(864.0)	-	**(865.0)**	(671.9)
Annuity policies	-	3.1	**3.1**	3.6
Longevity swaps (net of liabilities)	(19.7)	-	**(18.7)**	(10.8)
	1,721.5	**1,982.0**	**3,703.5**	3,451.9

Other investment liabilities due to repurchase agreements the Plan has in place are entered into with counterparty banks of at least investment grade credit ratings.

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

Plan investments subject to indirect credit risk	2020 £m	2019 £m
Pooled investment vehicles	605.2	504.5
Other Investment Liabilities (repurchase agreements)	(864)	(671.9)

(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 2020 are shown in the table below:

Currency	Sterling	US Dollar	Euro	Yen	Emerging Market currencies	Other
2020 Total assets (£m)	3,149.7	179.6	(4.5)	4.2	339.9	51.3
2019 Total assets (£m)	2,951	201.7	13.4	10.2	227.3	85.9

22. 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 and property holdings. 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 2020, the Plan hedged approximately 81% of its fixed and inflation linked liabilities.

Other sources of interest rate exposure include pooled funds focused on credit investments and property. The current valuations of the Plan's UK direct properties are influenced by interest rates. For the Plan, the management of this risk has been delegated to a specialist manager who is responsible for selling down the UK direct property portfolio over the next year.

(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 and other alternative investments. The Plan manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

In terms of other risk management strategies, in 2020, a pooled equity option mandate was introduced to manage the risk of equity market falls. The Plan also holds exposure to developed market currencies.

As at 30 June 2020 the Plan's exposure to investments subject to other price risk was:

	2020 £m	2019 £m
Direct		
Quoted Equities and Convertibles	**-**	28.8
Directly held property	**12.9**	15.7
Indirect		
Derivatives	**272.3**	132.4
Fixed Interest	**681.0**	744.3
Index Linked	**1,367.9**	1,133.1
Managed Funds and Pooled investments	**1,867.4**	1,729.9
Private equity funds	**98.6**	93.2
Other Investment Liabilities (repurchase agreements)	**(864.0)**	(671.9)

In relation to impact of Covid-19 on the Plan, some further information is provided below:

- Investment valuations: The impact of Covid-19 on investment valuations is likely to be accurately reflected in the 30 June 2020 valuation statements.
- Funding position: The diverse range of investments, downside protection strategies and dynamic investment strategy meant the funding level of the Plan was largely protected from the market impacts of Covid-19 over the first half of 2020.
- Liquidity position: The liquidity position of the Plan has not been materially impacted from the effects of Covid-19.

22. Investment risks (continued)

Defined Contribution Section

Investment strategy

The Trustee's objective is to make available to members of the Plan a diversified and appropriate range of investment options designed to generate income and capital growth which will provide a retirement amount which the member can take at their selected retirement age (through the purchase of an annuity or by some other means). The DC Statement of Investment Principles (DC SIP) outlines the investment objectives and long term policy for the Defined Contribution section of the Plan.

The investment funds offered to members are provided by Legal & General Assurance Society ("Legal & General"). These are DC funds available on the Legal & General WorkSave platform. Full details of the investment funds are contained in the Plan's DC SIP which is included with this report.

Credit risk

The Plan is subject to direct credit risk in relation to Legal & General through its holding in unit-linked insurance funds provided by Legal & General. Legal & General is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the financial strength of Legal & General by reviewing information provided by the Trustee's advisers. In the event of default by Legal & General members may be entitled to limited compensation from the Financial Services Compensation Scheme.

Indirect Credit and Market risk

The Plan is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

The Plan is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds.

Fund	Exposed to:	Currency Risk	Interest rate risk	Other price risk
Equity funds		✓	-	✓
Bond funds		✓	✓	-
Cash funds		✓	✓	-

The risks disclosed here relate to the DC Section's investments as a whole, as set out in note 12, and are unchanged on prior year. Members are able to choose their own investments from the range of funds offered by the Trustee and therefore may face a different profile of risks from their individual choices compared with the Section as a whole.

23. 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.

23. Investment Fair Value Hierarchy (continued)

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

2020 DB sections	**Total £'000**	Level 1 £,000	Level 2 £'000	Level 3 £'000
Equities	**500**	-	-	500
Bonds	**2,048,848**	2,048,848	-	-
Property	**13,213**	-	-	13,213
Pooled Investment Vehicles	**1,965,797**	401,029	317,402	1,247,366
Derivatives	**272,331**	-	-	272,331
Longevity swaps	**(18,675)**	-	-	(18,675)
Insurance Policies – annuities	**3,070**	-	-	3,070
Cash and other investment assets	**289,368**	289,368	-	-
Other investment liabilities	**(864,982)**	(864,982)	-	-
Total	**3,709,470**	1,874,263	317,402	1,517,805

2019 DB sections	Total £'000	Level 1 £,000	Level 2 £'000	Level 3 £'000
Equities	29,314	28,814	-	500
Bonds	1,877,466	1,877,466	-	-
Property	21,233	-	-	21,233
Pooled Investment Vehicles	1,817,605	333,652	335,397	1,148,556
Derivatives	132,363	12,830	-	119,533
Longevity swap	(10,766)	-	-	(10,766)
Insurance Policies – annuities	3,600	-	-	3,600
Cash and other investment assets	283,605	283,605	-	-
Other investment liabilities	(673,173)	(673,173)	-	-
Total	3,481,247	1,863,194	335,397	1,282,656

All Defined Contribution Section investments are held in pooled investment vehicles which are categorised as Level 2 (2019: Level 2) or AVCs and are categorised within Level 3 (2019: Level 3).

24. Current assets

	DB Sections £'000	**DC Section £'000**	**2020 £'000**
Pensions prepayment	**3,533**	**-**	**3,533**
Bank current account and Money Market deposits	**6,419**	**425**	**6,844**
Other debtors	**-**	**-**	**-**
Total current assets	**9,952**	**425**	**10,377**

	DB Sections £'000	DC Section £'000	2019 £'000
Pensions prepayment	3,885	-	3,885
Bank current account and Money Market deposits	5,823	644	6,467
Other debtors	2	-	2
Total current assets	9,710	644	10,354

24. Current assets (continued)

Bank account deposits shown for the Defined Contribution Section as at 30 June are allocated as follows

	2020	2019
	£'000	£'000
Contributions received and subsequently invested (allocated to members)	**3**	4
Balance of 1% employer contribution in respect of DC Section expenses	**368**	582
Payments due in respect of leavers (allocated to members)	**54**	58
	425	644

25. Current liabilities

	DB Sections	**DC Section**	**2020**
	£'000	**£'000**	**£'000**
Benefits outstanding in respect of leavers	**90**	**-**	**90**
Taxes payable	**983**	**-**	**983**
Investment management creditors	**1,856**	**-**	**1,856**
Sundry administration creditors and accruals	**909**	**75**	**984**
Total current liabilities	**3,838**	**75**	**3,913**

	DB Sections	DC Section	2019
	£'000	£'000	£'000
Benefits outstanding in respect of leavers	105	-	105
Taxes payable	1,027	-	1,027
Investment management creditors	3,272	-	3,272
Sundry administration creditors and accruals	265	15	280
Total current liabilities	4,669	15	4,684

26. AVC schemes

AVCs invested in the Plan

At the end of the year accumulated AVC funds amounting to £2.2 million (30 June 2019: £2.2 million) were invested within the Plan for active and deferred members to secure additional benefits on a Defined Contribution basis. Movements and balances on these funds are included in the Fund Account and Statement of Net Assets on page 22 and 23 of the accounts but are not separately identified. Interest is added to members' AVC funds half yearly on 5 October and 5 April. Interest was credited to these accounts on 5 October 2019 at 2.5% and 5 April 2020 at 2.5%. Some former Redland members made AVCs to secure additional benefits with the Plan.

AVCs invested externally – Assets designated to members

Contributions and other movements in AVCs invested externally for active and deferred members in respect of members with Zurich Life are reflected in the amounts disclosed for the relevant section in the financial statements. These funds secure additional benefits on a Defined Contribution basis. Contributions to Zurich Life ceased on 31 October 2011. With effect from 1 November 2011, all new AVC contributions were invested with Legal & General. With effect from 2 October 2020, the AVC funds invested with Zurich Life and Legal & General were transferred to the Aon MasterTrust.

27. 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 LafargeHolcim Ltd.

Fees paid to certain Trustee Directors are detailed in note 7 to the accounts. 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 the 25th 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 2020.

28. Commitments and contingent liabilities

At the end of the year the Plan had the following commitments to private equity fund-of-funds managers:

Manager	**Total Commitment**	**Outstanding 2020**	Outstanding 2019
	£'000	**£'000**	£'000
Pantheon	**207,231**	**24,203**	24,368
Equis	**12,907**	**1,608**	2,826
ECP	**12,949**	**1,118**	2,114
Cabot Square	**15,000**	**4,086**	5,368
Waud Capital Partners	**34,801**	**20,150**	33,786
Georgian V	**24,850**	**20,146**	-
CDH VGC Fund	**32,211**	**28,922**	31,272
Total commitments	**339,949**	**100,233**	99,734

29. GMP Equalisation

As explained on page 9 of the Trustee's report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. The Trustee has set up a Joint Working Group 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. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. The Plan Actuary included an allowance for the impact on total liabilities (past and future) of 1% in the actuarial valuation as at 30 June 2018. This equated to a reserve for GMP equalisation in the technical provisions as at 30 June 2018 of £31.5m (£13.8m for the LRPS section and £17.7m for the non-LRPS section).

30. Subsequent events

As mentioned on page 4 of the Trustee's report, during the year a Deed of Amendment was signed to allow the closure of the Defined Contribution Section of the Plan and the transfer of the section's assets to a master trust. After a thorough selection process during the year, the Trustee and the Employer appointed the Aon MasterTrust. The implementation process started in January 2020 and the transfer of assets to the Aon MasterTrust was effected in October 2020. As well as the assets of the Defined Contribution Section held with Legal & General, the transfer also included the money purchase AVC arrangement with Zurich Life and the small defined contribution policy with Clerical Medical.

31. Sectionalised Fund Account and Net Asset Statements

In accordance with the Trust Deed and Rules, the Trustee uses 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.

	LRPS Section 2020 £'000	Non-LRPS Section	2020 £'000	Total 2020 £'000	LRPS Section 2019 £'000	Non-LRPS Section	2019 £'000	Total 2019 £'000
		DB	DC			DB	DC	
Contributions and benefits								
Contribution receivable:								
Employee	-	-	132	132	-	-	59	59
Employer	167	40	134	341	-	268	201	469
	167	40	266	473	-	268	201	528
Benefits payable	(46,342)	(84,590)	(1,552)	(132,484)	(43,989)	(81,642)	(1,038)	(126,669)
Payments in respect of leavers	(12,224)	(22,020)	(1,096)	(35,340)	(11,359)	(14,504)	(755)	(26,618)
Administration expenses	(1,048)	(1,519)	(273)	(2,840)	(1,288)	(1,845)	(120)	(3,253)
	(59,614)	(108,129)	(2,921)	(170,664)	(56,636)	(97,991)	(1,913)	(156,540)
Transfers between sections	146	(146)	-	-	77	(77)	-	-
Net (withdrawals) from dealings with members	(59,301)	(108,235)	(2,655)	(170,191)	(56,559)	(97,800)	(1,653)	(156,012)
Returns on investments								
Change in market value of fund investments	153,496	217,769	(279)	370,986	100,338	133,946	2,719	237,003
Investment income	18,406	25,856	-	44,262	19,376	27,537	-	46,913
Investment management expenses	(7,770)	(10,925)	-	(18,695)	(6,925)	(9,841)	-	(16,766)
Net returns on investments	164,132	232,700	(279)	396,553	112,789	151,642	2,719	267,150
Net increase in the fund during the year	104,831	124,465	(2,934)	226,362	56,230	53,842	1,066	111,138
Net assets of the Plan at 1 July	1,451,145	2,035,143	62,288	3,548,576	1,394,915	1,981,301	61,222	3,437,438
Net assets of the Plan at 30 June	1,555,976	2,159,608	59,354	3,774,938	1,451,145	2,035,143	62,288	3,548,576

31. Sectionalised Fund Account and Net Asset Statements (continued)

LRPS section Net Assets Statement

	2020	2019
	£'000	£'000
Defined benefit section		
Total investments	**1,550,734**	1,446,018
Current assets	**6,271**	6,429
Current liabilities	**(1,029)**	(1,302)
Total net assets	**1,555,976**	1,451,145

Non-LRPS section Net Assets Statement

	2020	2019
	£'000	£'000
Defined benefit section		
Total investments	**2,158,736**	2,035,229
Current assets	**3,681**	3,281
Current liabilities	**(2,809)**	(3,367)
Total defined benefit assets	**2,159,608**	2,035,143
Defined contribution section		
Total investments	**59,004**	61,659
Current assets	**425**	644
Current liabilities	**(75)**	(15)
Total defined contribution assets	**59,354**	62,288
Total net assets	**2,218,962**	2,097,431

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 2020 which is set out on page 49.

In our opinion contributions for the Plan year ended 30 June 2020 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 and in accordance with the Payment Schedule dated 13 March 2014.

Basis of opinion

Our objective is to obtain sufficient evidence 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 Schedules of Contributions and the Payment Schedule. 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 Schedules of Contributions and the Payment Schedule.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised Schedules of Contributions which set out the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedules of Contributions and Payment Schedule.

Auditor's responsibilities for the statement about contributions

It is our responsibility to provide a Statement about Contributions paid under the Schedules of Contributions and Payment Schedule to the plan 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 Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the 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
Date:

Actuary's certification of the Schedule of Contributions

Lafarge UK Pension Plan

Non-LRPS Section

Adequacy of rates of contributions

I certify that, in my opinion, the rates of the contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 30 June 2018 to continue to be met during the period for which the Schedule is in force.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 15 May 2019.

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 Plan's liabilities by the purchase of annuities, if the Plan were wound up.

Alison Blay FIA
Scheme Actuary

15 May 2019

Towers Watson Limited,
a Willis Towers Watson company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Actuary's certification of the Schedule of Contributions

Lafarge UK Pension Plan

LRPS Section

Adequacy of rates of contributions

I certify that, in my opinion, the rates of the contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 30 June 2018 to be met by the date of the next actuarial valuation, due as at 30 June 2021.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 15 May 2019.

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 Plan's liabilities by the purchase of annuities, if the Plan were wound up.

Alison Blay FIA
Scheme Actuary

15 May 2019

Towers Watson Limited,
a Willis Towers Watson company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

LAFARGE UK PENSION PLAN
SUMMARY OF CONTRIBUTIONS
PAID IN THE YEAR ENDED 30 JUNE 2020

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 Schedule of Contributions certified by the Actuary on 15 May 2019 and in accordance with the Payment Schedule dated 13 March 2014 in respect of the Plan year ended 30 June 2019. 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 and Payment Schedule were as follows:

	£'000
Employer normal contributions payable monthly (including contributions of £54,000 paid on behalf of Defined Contribution active members under the PenXchange arrangement).	188
Employer additional contributions for individual augmentation	207
Total contributions paid in accordance with the Schedules of Contributions and Payment Schedule	**395**
Add:	
Employees' AVCs	78
Contributions per note 5 of the Financial Statements	**473**

Signed on behalf of the Trustee

Anne Perkins
Secretary
20 January 2021

APPENDIX 1 - CHAIR'S ANNUAL GOVERNANCE STATEMENT
APPENDIX 2 – DC STATEMENT OF INVESTMENT PRINCIPLES
APPENDIX 3 – IMPLEMENTATION STATEMENTS

THE LAFARGE UK PENSION PLAN
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 2019 to 30 June 2020 (the Plan Year). However on 2 October 2020 all DC benefits were transferred out of the Plan to The Aon MasterTrust (AMT) so the DC section of the Plan no longer has any DC assets. The move followed a thorough review of the master trust market and a comprehensive selection process led by an independent advisor and at no cost to the member. The information in this statement, therefore, reflects the position during the Plan Year and not the current Plan structure.

Default arrangement
During the Plan Year, the default strategy under the Plan was the 'Cash Lifestyle'. Members were automatically enrolled into this lifestyle strategy on joining the Plan if they did not make an investment decision.

The objective of the Cash Lifestyle was to generate capital growth over the long term through investing in a diversified portfolio that provides an appropriate balance between risk and return. In the 5 years prior to retirement, the lifestyle aimed to reduce volatility of the member's expected pension fund by gradually switching into a cash fund. The cash lifestyle strategy was designed mainly for members looking to use their retirement account to take a one off cash payment at retirement age. At the member's target retirement date, there was a 100% allocation to cash.

<u>Review of the default arrangement</u>
The default strategy was implemented in April 2017 following a detailed review which considered the Plan's membership profile, risk tolerance and members' potential retirement objectives. The Trustee undertook a review of the default strategy in May 2019 and considered whether there had been any material changes to the membership profile or regulatory landscape since the strategy was implemented. Based on this review, the Trustee concluded that the demographic and risk profile of the membership remained consistent and members were largely using their retirement accounts to take a cash payment on retirement, this being consistent with the objective of the strategy. Therefore, the Trustee concluded that the default strategy remained appropriate and that no changes were needed.

The Trustee is required to review the default strategy every three years (or sooner if there has been a significant change in the membership or investment policy). However, due to the transfer to the AMT, the Plan no longer has a default strategy and no further reviews are required. Instead the Trustee focus has been on giving careful consideration to the default strategies available via the master trust market, keeping in mind the Plan's membership profile and likely retirement objectives.

<u>Statement of Investment Principles</u>
Appended to this statement is a copy of the Plan's latest Statement of Investment Principles ('SIP') relating to the default strategy. As above, since 2 October 2020 this has no longer been relevant as the Plan no longer has a default strategy.

Investment monitoring
The Trustee regularly reviewed the performance of all the fund options under the Plan during the Plan Year, including those underlying the default strategy against their objectives and benchmarks. The Trustee was

satisfied that the funds had all performed in line with expectations during the Plan Year.

Requirements for processing financial transactions
The Trustee has a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Plan, switches between different investments within the Plan and payments to and in respect of members) relating to the Plan are processed promptly and accurately.

Monitoring the promptness of core financial transactions was achieved during the Plan Year through half-yearly reviews by the DC Sub-Board of the Plan's Administrators (Lafarge Building Materials, Legal & General (L&G) and Zurich Assurance Ltd (Zurich)) against their quarterly Service Level Agreements (SLAs). The SLAs indicate the achievement of core financial transactions within specified timeframes which have been agreed between the Trustee and the administrators.

The main DC administrator, L&G, achieved an average of 97.84% for core financial transactions within the SLA time periods set for each type of process over the Plan Year; the target agreed is 95% of all processes to be within SLAs. The Trustee is satisfied that contributions, investment switches and retirement payments were processed promptly and in keeping with the SLAs (99.49% were in target). However, lump sum retirement payments by L&G over the four quarters were on average 80% and hence below SLA. On closer examination, however, as there were only five such payments in the year, it only took one to miss target to bring the average down to 80%, and it was noted the target was only missed by one day. No member complaints received during the period.

LBM were on target for core financial transactions. Zurich, however, ceased to produce SLA reports after Quarter 2 of 2019. In January 2019 Zurich informed the Trustee that they would be transferring the majority of their pensions and savings business to Scottish Widows on 1 July 2019. Plans that contained with profits such as the Lafarge UK Pension Plan could not be transferred across easily and hence remained on Zurich's "older platform" but without the regular governance reporting. The lack of transparency and consqequent inability to monitor the promptness of core financial transactions was one of a number of reasons why the Trustee concluded that Zurich members should be included in the transfer to AMT.

In addition, the main DC administrator (L&G) has provided the Trustee with AAF 01/06 and ISAE 3402 external audit assurance reports on the adequacy of their internal control environment. The L&G Internal Controls document notes there is a segregation of duties of any financial payment built into all their payments systems and their automated payroll process ensures the accurate, timely collection and allocation of contributions.

Charges and transaction costs
The total expense ratio (TER) applied to the funds available for selection by members of the Plan are set out in the tables below. TER is a measure of the costs associated with managing and operating an investment fund. These costs consist primarily of annual management charges (AMC) and variable additional expenses such as trading, legal and auditor fees and other operational expenses.

Transaction costs are those incurred by the investment managers as a result of buying, selling, lending or borrowing investments and are usually taken into account via the unit price for each of the funds. The Financial Conduct Authority (FCA) has set out a specific method for providers and managers to calculate transaction costs and they are typically categorised as being explicit costs or implicit costs.

- *Explicit costs* are directly observable and include broker commissions and taxes.
- *Implicit costs* cannot be observed in the same way but occur, for example, where the price on placing a trade instruction is different to the price paid when the trade is executed. This can also lead to 'negative' transaction costs or small 'gains' where the price when placing a trade instruction is higher or lower than the price when the actual trade is executed.

Default strategy

The charges applied over the Plan Year to the funds that make up the default strategy are as follows:

Fund	*TER (% p.a.)*	*Transaction cost (%)*
Diversified Fund	0.37%	0.00%
Cash Fund	0.27%	0.00%

Members are invested in these funds in varying proportions depending on their term to retirement. The maximum TER for the default lifestyle strategy is 0.37% p.a.

Alternative lifestyles and self-select fund range

The charges applied over the Plan Year to the self-select fund range (which are also component funds in the alternative lifestyle strategies) are as follows:

Fund	*TER (% p.a.)*	*Transaction cost (%)*
UK Equities Fund (Also known as UK Equities Index Fund)	0.27%	0.00%
Overseas Equities Fund (Also known as World Ex UK Equity Index Hgd)	0.32%	0.09%
Government Bond Fund (Also known as Over 15 yr Gilt Index)	0.25%	0.05%
Corporate Bonds Fund (Also known as AAA-AA-A Bonds Over 15 Yr Index)	0.29%	0.02%
Index Linked Government Bonds Fund (Also known as Over 5 Yr Index Linked Gilts)	0.25%	0.13%
World Emerging Markets Fund (Also known as World Emerging Market Equity Index Fund 3)	0.62%	0.01%
Global Equities Fund (Also known as Global Equity MW 30:70 – 75% Hgd Index)	0.31%	0.06%
Pre-Retirement Fund	0.29%	0.26%
Diversified Fund	0.37%	0.00%
Cash Fund	0.27%	0.00%

Zurich AVCs

Approximately 150 members had Additional Voluntary Contributions (AVCs) with a total value of £1.06m, invested in the actively managed and with profit funds available via Zurich Assurance Ltd during the Plan Year. This policy was closed to further contributions in 2011. Zurich have not confirmed the charges applied over the Plan Year but the Trustee has received no indication there would have been any material change from the previous year's charges, which were as follows:

Fund	*TER (% p.a.)*	*Transaction cost (%)*
Equity Managed 2 EP	0.96%	0.18%
Long Dated Gilt 2 EP	0.99%	0.02%
Managed 2 EP	0.96%	0.17%
UK Equity 2 EP	1.00%	0.12%
With-Profits EP	0.98%	0.03%

Further note on transaction costs

Since 6 April 2015, all Trustee Boards in the UK have been required (insofar as they are able) to assess transaction costs and report on them in the chair's statement. These requirements took effect from 3 January 2018 and investment managers are now obliged to report transaction costs using this methodology going forward.

L&G has provided transaction costs incurred by members at a fund level and these details have been included in this statement. Total transaction costs have been calculated as a percentage of the average fund value over the reporting period. The Trustee has concluded that, based on the information available, the transaction costs reported over the period do not appear unreasonable but there is insufficient available data in the market as yet to meaningfully assess their comparability with other schemes.

Following the transfer of the bulk of Zurich's pensions and savings business to Scottish Widows on 1 July 2019, which left only a handful of legacy schemes on the old Zurich platform, information on transaction costs is not expected to be made available within the statutory deadline of the Trustee Report and Accounts to which this statement must be attached. Given the move to a master trust, last year's costs have been left in place as an indication of the costs in the Plan year.

The impact of charges over different periods of time

Costs and charges add up over time and the Trustee is required to show the compound effect of costs on the value of a range of representative funds for a number of members with different ages and fund sizes. In previous years, the DC Sub-Board considered the statutory DWP Guidance on the reporting of costs and charges and selected three example members and five of the more frequently used funds with a range of costs. The results are captured in the table below which should be read in conjunction with the notes overleaf. The table has not been updated this year as, following the transfer to the AMT, it is no longer relevant and also different charges apply in the AMT. As an illustration these values are estimates and not guaranteed.

Example Member	Years	Lifestyle Strategy (Default)		L&G World (Ex-UK) Equity Index		L&G UK Equity Index		L&G Cash Fund		L&G Over 5 Year Index Linked Gilts Index	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member Age 24 Fund £2,000	1	£2,000	£2,000	£2,100	£2,100	£2,100	£2,100	£2,000	£2,000	£2,000	£2,000
	3	£2,100	£2,100	£2,200	£2,200	£2,200	£2,200	£1,900	£1,900	£1,900	£1,900
	5	£2,200	£2,200	£2,300	£2,300	£2,400	£2,300	£1,900	£1,800	£1,900	£1,800
	10	£2,500	£2,400	£2,700	£2,600	£2,800	£2,700	£1,800	£1,700	£1,800	£1,700
	15	£2,700	£2,600	£3,100	£2,900	£3,300	£3,200	£1,600	£1,600	£1,600	£1,600
	20	£3,000	£2,800	£3,500	£3,300	£3,900	£3,700	£1,500	£1,500	£1,500	£1,500
	25	£3,400	£3,100	£4,100	£3,700	£4,600	£4,300	£1,400	£1,300	£1,400	£1,300
	30	£3,700	£3,300	£4,700	£4,200	£5,500	£5,000	£1,400	£1,200	£1,400	£1,200
	35	£4,100	£3,600	£5,400	£4,800	£6,400	£5,900	£1,300	£1,100	£1,300	£1,200
	40	£4,300	£3,700	£6,300	£5,400	£7,600	£6,900	£1,200	£1,100	£1,200	£1,100
	41	£4,200	£3,700	£6,500	£5,500	£7,900	£7,100	£1,200	£1,000	£1,200	£1,000
Average member Age 45 Fund £15,000	1	£15,300	£15,300	£15,400	£15,400	£15,500	£15,500	£14,800	£14,800	£14,800	£14,800
	3	£16,000	£15,800	£16,300	£16,200	£16,600	£16,500	£14,400	£14,300	£14,400	£14,300
	5	£16,600	£16,300	£17,300	£17,000	£17,700	£17,500	£14,100	£13,900	£14,100	£13,900
	10	£18,500	£17,800	£20,000	£19,200	£21,000	£20,400	£13,200	£12,800	£13,200	£12,800
	15	£20,500	£19,400	£23,000	£21,800	£24,800	£23,800	£12,300	£11,800	£12,300	£11,800
	20	£20,500	£19,200	£26,600	£24,700	£29,300	£27,800	£11,500	£10,900	£11,500	£11,000
Approaching retirement Age 60 Fund £30,000	1	£30,400	£30,300	£30,900	£30,800	£31,000	£30,900	£29,600	£29,500	£29,600	£29,500
	3	£30,700	£30,400	£32,700	£32,300	£33,200	£32,900	£28,800	£28,600	£28,800	£28,600
	5	£30,100	£29,600	£34,600	£34,000	£35,500	£35,000	£28,100	£27,700	£28,100	£27,700

Notes:

1. Projected pension account values are shown in today's terms.
2. Contributions and costs/charges that are shown as a monetary amount reduction are made halfway through the year.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
4. Charges and costs are deducted before applying investment returns.
5. Switching cost are not considered in the lifestyle strategy.
6. Inflation is assumed to be 2.5% each year.
7. No future contributions are assumed.
8. Values shown are estimates and not guaranteed.
9. The nominal projected growth rates for each fund are as follow:
   a. Lifestyle drawdown strategy: from -1.3% to 2.1% (adjusted depending on term to retirement)
   b. L&G World (Ex-UK) Equity Index: 2.9%
   c. L&G UK Equity Index: 3.4%
   d. L&G Cash Fund: -1.3%
   e. L&G Over 5 Year Index Linked Gilts Index: -1.3%
10. Transactions costs and other charges have been calculated by WTW based on information provided by L&G and cover the period 1 July 2017 to 30 June 2019.
11. Pension scheme's normal retirement age is 65.
12. Example members
    a. Youngest: age 24, total contribution: nil, starting fund value: £2,000
    b. Average: age 45, total contribution: nil, starting fund value: £15,000
    c. Approaching retirement: age 60, total contribution: nil, starting fund value: £30,000

The assessment of value for members

In accordance with regulation 25(1)(b) of the Charges and Governance Regulations, the Trustee assessed the extent to which the above charges represented good value for members (VFM) in relation to the benefits and services provided by or on behalf of the Trustee over the period between 1 July 2019 to 30 June 2020 .

The DC Code of Practice states there are four key areas Trustee Boards should consider as a minimum when they assess value for members:-

- Scheme Management and Governance
- Administration
- Investment governance
- Communications

The standards that trustees should meet on each of these areas are covered in the Code and the Pensions Regulator (TPR) expects trustees to use these as a starting point. Although in previous years the Trustee has been able to confirm that the Plan's DC arrangements have offered good value when compared with other similar trust arrangements, in this Plan year there was a significant change in regulation which was to change the DC market place. September 2019 marked the start of the new master trust authorisation regime. A master trust is a multi-employer trust-based pension arrangement in which each employer commonly has its own section within the master arrangement. Although master trusts have been around for a while, in 2019 they had to go through an application process to demonstrate to TPR that they could meet high and consistent standards of governance.

The Plan's DC section over the years reduced to just 19 active members and around 2,500 deferred members. TPR says that trustees of all smaller schemes need to consider whether they are able to offer value for members or whether savers are better served in larger schemes, which typically benefit from economies of scale. Although 2,500 members may not seem small, if this is compared to the 38 "Authorised Master Trust" DC arrangements in the UK, which cover 16 million members, the difference becomes more apparent.

The conclusion of a thorough review by the Company and the Trustee was that the Plan's DC section (including DC AVCs) should be moved to a master trust. The economies of scale that can be achieved by a master trust can provide better value to our members and meet the ever increasing regulatory demands for high standards of governance. The master trust requirement to demonstrate to TPR that they meet and will continue to meet high governance standards means that standards will not drop in the future.

Specifically advantages of transferring to the AMT are:

- **Competitive charges** - The AMT default fund charges are 0.29% per annum. In comparison, the charges in the main default fund of the LUPP charges are 0.37% per annum and significantly lower than the charges in the Zurich AVC scheme which are between 0.95% and 1.00% per annum (depending on the fund).
- **Proactive management** - The investment strategy and asset allocation of the AMT default fund is proactively managed to adapt to market conditions.
- **Increased range of investment funds** – The AMT offers 26 funds to invest in, compared to 10 funds in the LUPP DC section and 5 funds in the Zurich AVC scheme. Investment options are monitored and reviewed to seek "best in class" investment managers. Wider investment choices can help meet varying risk and return appetites.
- **Access to much wider retirement options and flexibilities** - The AMT offers full access to lump sum, drawdown and annuity options making it easier for members to access their pension in a way they choose.
- **Flexibility to transfer in funds from other UK registered pension schemes** simply and easily - Many members have other pensions elsewhere and may find it beneficial to consolidate them all into one place. LUPP does not allow transfers-in of benefits from other pension schemes but AMT does allow transfers-in.
- **Enhanced administration and support** ensuring processes which are most important to members are tracked and they can contact the team by phone, email or web chat.
- **Oversight and governance** by professional, experienced and fully independent trustees.
- **A member website and app** so members can have access to information and tools to help them with pension planning.
- **Tailored and regular communications** to ensure that members get the most out of the scheme.

Scheme Management and Governance

The Trustee considered their own list of services to the member and can confirm that the scheme was well managed and governed during the Plan Year. There was an element of the services (annual management charges) paid for by the member, but most of the costs (Trustee and Secretariat, Trustee training, DC Consultant, legal advice, Plan annual audit) were paid for by the employer. On this basis the costs to members were considered reasonable and good value. Oversight and governance by professional, experienced and fully independent trustees in a master trust does, however, represent a more sustainable scheme management and governance model going forward as membership numbers continue to drop and DC governance requirements continue to rise.

Administration

The list of services demonstrates the Plan was administered in accordance with good practice as outlined by the DC Code. Some of the services were paid for by the employer (member tracing, maintenance of member records, monitoring Service Level Agreements, contribution reconciliation, handling of member complaints, safeguarding data). One significant benefit under the Plan was that members could use their DC pot to offset the Tax Free Cash Sum entitlement arising from Final Pay benefits (and a process has been agreed with the AMT so that members still have this benefit). These services and benefits were considered good value to the member as they were without cost. There were some services paid for by members via the annual Total Expense Ratio which gave them access to the L&G administration platform which provided modern technical solutions such as online fund switches, online fund values and 24 hour benefit statements. The range and quality of services paid for by the member were considered good value, however, the Trustee felt these could be further improved in a master trust. Under the AMT, members have the new opportunity to transfer in benefits from other UK pension arrangements and consoldate funds. Members also have new ways to access benefits on retirement, e.g. the opportunity to take multiple lump sums or full income drawdown without the need to transfer out of the arrangement.

Investment Governance
The list of services demonstrates the Plan had a well governed fund range of white labelled funds. The DC Sub-Board had a documented investment decision making process and received advice from Willis Towers Watson (WTW, the DC Consultant) on the range of funds to offer and the appropriate default arrangement following detailed membership analysis to assess member needs. These services were paid for by the employer and on this basis represented good value to the member. For the investment management charges paid explicitly by the member, WTW were able to confirm that L&G fund manager costs were competive in comparision with other trust and contract arrangements. Because of economies of scale, the AMT offers a much more proactive management style at more competitive fund management costs and offers a wider choice of funds to members. The AMT default fund charges 0.29% per annum. In comparison, the main default fund in LUPP charges 0.37%. The charge of 0.29% is still available in the decumulation options within the AMT, offering a competive rate whilst members access their funds via lump sum or drawdown.

Communications and Guidance
The list of services demonstrates a wide range of methods of communications that were paid for by the employer (member website, annual newsletter, bespoke booklet, helpline, help with annual allowance or lifetime allowance issues and the paid for services of Hargreaves Lansdown retirement income adviser) and on this basis represented good value to the member. Some of the communications costs were explicitly paid for by the members as part of the Total Expense Ratio, such as those provided by the L&G website (including retirement modellers, risk profiling tools, online view of funds and legal and regulatory updates) and were considered by the DC Sub-Board to represent value for members. The AMT offers similar and in some cases better communication options such as a Member App for mobile phones and communications targeted to different age groups.

Contributions
The employee contributions were matched by the employer initially up to 5% and double matched up to 10% from the third April after employees joined the Plan, then up to 12% after the tenth April. This scale was considered as comparatively generous and enjoyed by members during their active membership. This view was supported by the Willis Towers Watson FTSE 350 DC Pension Survey 2020. The same contribution scale has been adopted in the AMT for the active members.

Conclusion
The L&G charges negotiated for the Plan were competitive and represented good value compared to similar trust schemes and the cost of the default lifestyle arrangement (growth phase) of 0.37% was well within the statutory charge cap of 0.75% for default funds. This year, however, with the emergence of the master trust authorised market, the Plan cannot match the lower charges found in master trusts due to their economies of scale. As a result of the assessment process the Trustee is able to confirm that members were receiving good value in relation to the charges incurred and the services received for a trust-based scheme but when compared with what could be achieved in a master trust, the Trustee would no longer be able to give this confirmation. The Trustee made the decision in December 2019 to move members to a master trust in 2020.

Trustee knowledge and understanding (TKU)
The Trustee has a strong TKU process in place which together with the advice available to them enables the Trustee Directors to exercise their functions in respect of the Plan. The Trustee is satisfied that the Trustee Directors have met their knowledge and understanding duties during the 2019/2020 Governance Year and their approach to meeting the TKU requirements includes:

- 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.
- Along with a requirement to complete the Trustee Toolkit, new Trustee Directors are given access to an electronic library of Trustee documents, enabling them to quickly become conversant with Plan Documents and an induction course on key elements of the Plan.
- There were no new Trustee Directors during the Plan Year. An induction process is in place for new Trustee Directors, including formal training and individual sessions with the Plan's key advisers if required.
- The DC Sub-Board is supported by an experienced and qualifed Secretariat team with an average of 36 years' experience in the industry.
- The DC Sub-Board takes advice from the DC Investment Consultant (Willis Towers Watson – a Company whose research team is one of the deepest in the market). The Consultant is authorised to give advice under the Financial Conduct Authority. The Committee also takes advice from their Legal Adviser.
- An annual assessment of the Board'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 annual assessment was made on 10 June 2020 and the next will be in 2021. No gaps were identified in 2020 in the knowledge levels due to the significant level of experience of the Directors.
- A regular assessment, (usually annual), is made regarding the effectiveness of the Board. The last assessment was made on 19 September 2018.
- At the end of each Trustee Board meeting, the Board now has 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.
- Ongoing and regular training is incorporated into Trustee meetings via the Secretariat and from advisers. Legal and Regulatory updates are prepared for every Board and DC Sub-Board meeting to keep knowledge current. The Trustee Directors receive email alerts from their advisers about matters relevant to the Plan, attend video conferencing, conferences, seminars and webinars. Seminars attended included "Master Trusts" and "Diversified Growth Funds" and specific training was provided for the DC Sub-Board on "Sustainable Investments". The Trustee Directors are required to keep a log of their training.

Compliance Statement

On behalf of the Trustee of the Lafarge UK Pensions Plan, I confirm that the Trustee is comfortable that the Plan has met the minimum governance standards as defined in the Occupational Pension Scheme (Charges and Govenance) Regulations 2015 during the period 1 July 2019 to 30 June 2020.

Signed on behalf of the Trustee

Roger Mountford
Chair of the Trustee of the Lafarge UK Pension Plan
Date: 20 January 2021

THE LAFARGE UK PENSION PLAN

STATEMENT OF INVESTMENT PRINCIPLES

DEFINED CONTRIBUTION SECTION

September 2020

Lafarge UK Pension Plan
Statement of Investment Principles – Defined Contribution Section

1 Introduction

1.1 This document describes the defined contribution ('DC') investment policy pursued by the Lafarge UK Pension Plan (the "Plan") Trustee.

1.2 The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Plan operates a closed defined benefit section, known as the "Final Pay" Section, and a DC Section, known as "PensionBuilderplus" which is open to new joiners. This document purely relates to the DC Section of the Plan.

1.3 The Plan is a registered pension scheme under the Finance Act 2004.

1.4 The DC Section is operated though a bundled provider, Legal & General who provides administration, investment and communication services.

1.5 There is an AVC policy with Zurich which enabled members of the DB Section to pay additional contributions on a money purchase basis. This policy is closed to contributions.

1.6 The Trustee is currently in the process of moving all the DC assets under the Plan to a separate Master Trust arrangement.

1.7 The purpose of this Statement is to document those investment principles, guidelines and procedures which are appropriate for the Plan, in a manner consistent with the requirements of the Pensions Act 1995 ("the Act") and the Pensions Act 2004 ("the 2004 Act").

1.8 The Plan's Trustee Directors ("the Trustee") have received advice from their investment adviser (Willis Towers Watson) and the Company has been consulted regarding this Statement as required by the Act.

1.9 The Trustee will review the SIP, in consultation with the Investment adviser at least every three years; and without delay after any significant change in investment policy.

1.10 When choosing investments, the Trustee and the Investment Managers, to the extent delegated, are required to have regard to the criteria for investment set out in the Occupations Pension Scheme (Investment) Regulations 2005 and the principles contained in this statement.

1.11 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers, which may include an insurance company or companies. The Investment Managers shall provide the skill and expertise necessary to manage the investments of the Plan competently.

1.12 The Pensions Regulator has a number of regulatory tools, including issuing Codes of Practice to enable it to meet its statutory objectives. Codes of Practice provide practical guidelines on the requirements of pensions legislation. This document has been drafted in the light of the DC Code of Practice and specifically its recommendations relating to the content of Statements of Investment Principles generally.

2 Objectives and long term policy

Objectives

2.1 The main investment objectives offered to members via the Plan are:

- To provide members with a diversified range of investment options to meet various risk/return requirements.
- To ensure the individual fund options are suitably invested and managed to maximise the return commensurate with an acceptable level of risk.
- To provide members with a diversified range of investment options designed to give members the freedom to structure his/her own investment policy to suit his/her individual risk, return, liquidity and funding requirements.

2.2 The Trustee is aware that members' investment needs change as they progress towards retirement age. Younger members have a greater need for real growth to attempt to ensure their investments keep pace with inflation and if possible, salary escalation. Younger members will also, all other things being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement in which markets may come back in line from any temporary low. Older members will have differing investment needs depending on how they wish to withdraw their retirement savings.

2.3 The Trustee is aware that different members will have different personal circumstances and different attitudes to risk. The Trustee therefore believes that members should be given freedom over the investment policy of their own pension accounts subject to reasonable practical constraints.

Policy

2.4 Pooled funds are made available across the main asset classes, reflecting the changing requirements of members as they progress towards retirement.

2.5 The Trustee carried out an investment review in 2016 which took into account an in depth analysis of the Plan's membership profile. As a result of the review the Trustee made changes to its default strategy and investment options to reflect the new pension flexibility options that were made available to members.

2.6 The Trustee makes available three lifestyle strategies where members' investments are initially allocated to a passively implemented diversified growth fund and are progressively switched into lower risk investments as retirement approaches. Each lifestyle strategy is focussed towards a different retirement outcome – annuity purchase, cash withdrawal and drawdown, and reflect these target outcomes in their asset allocations at retirement.

2.7 The Trustee has selected a **cash focussed** lifestyle strategy as the Plan's default strategy. The objective of this lifestyle strategy is to generate capital growth over the long term through investing in a diversified portfolio that provides an appropriate balance between risk and return. In the 5 years prior to retirement, the strategy aims to reduce the volatility of the member's expected pension fund by investing in cash. This option is designed mainly for members looking to use their retirement account to take a one off cash payment at retirement age. At the member's target retirement date, there is a 100% allocation to cash.

2.8 In designing both the default strategy and the other investment options under the Plan, the Trustee in conjunction with their investment advisers gave in-depth consideration to the Plan's demographic profile and the retirement outcome needs and risk tolerance of the membership. Due consideration was also given to charge cap compliance.

2.9 The Trustee understands the new requirement from 1 October 2020 to include disclosing the Trustee's policies with the Plan's DC asset managers. However, it is anticipated that the Plan's DC assets will be moved out of the Plan in the very near future and the DC asset managers appointments will at that point cease. The Trustee has for this reason decided not set out its policies with the DC asset managers.

3 Risk management

3.1 The Trustee recognises a number of risks involved in the investment of assets of the Plan, including:

- Capital risk – the risk that the value of the investment will fall in value over any period of time. The Trustee has made available a cash fund for the purpose of managing this risk.
- Inflation risk – the risk that the contributions fail to provide an adequate amount of benefit. This could be by failing to achieve an adequate amount of return in excess of price inflation commensurate with the term of investment. The Trustee has made available equity funds for the purpose of managing this risk.
- Manager risk - addressed through ongoing monitoring of the Managers.
- Pension conversion risk – the risk that the value of a member's account does not reflect the change in the cost of purchasing an annuity at retirement. The Trustee has made available an index-linked bond fund (for those members wanting an annuity that increases during retirement) and a Pre-Retirement Fund which also features in the Annuity lifestyle strategy for the purpose of managing this risk.

- Currency risk – where members invest in funds with an exposure to overseas securities, there will be an element of currency risk as these securities are converted back into Sterling. The Global Equity 30/70 Index Fund and the World (ex UK) Equity Index Fund are both currency hedged to address this risk.
- Contribution shortfall risk – the risk that members do not contribute sufficiently to the Plan and are therefore left with an inadequate pension at retirement. This is a difficult risk for the Trustee to address as all members' circumstances will be different, but where possible and appropriate, encouragement will be given to contribute adequately to the Plan. It should be noted that the majority of members have left employment and are deferred members of the Plan.
- Political risk - the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
- Liquidity risk – the risk that assets are not easily realisable such that cash is not readily available to meet cash flow requirements. The Trustee has had regard to this in selecting appropriate funds.

3.2 The Trustee Board continues to monitor these risks on a regular basis.

4 Member investment options

4.1 Based on the objectives described in Section 2, the Trustee has selected a range of investment options available to members.

4.2 Contributions are invested with Legal & General Investment Management ('LGIM') through the bundled arrangement with Legal & General which aims to track the performance of their respective benchmarks.

4.3 The range of investment options is set out in the table below:

Asset class	Fund	Objective and Benchmark	Total Annual Charge
Equities	UK Equities Fund	To track the sterling total returns of the FTSE All-share Index (including re-invested income)	0.27%
	World ex UK Equity Index Fund (Currency Hedged)	To track the FTSE World (ex UK) Index (less withholding tax if applicable) – GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% per annum for two years out of three	0.32%
	Global Equity (30:70) Index Fund (Currency Hedged)	To capture the total returns of the UK and overseas equity markets as represented by the FTSE All Share Index and FTSE AW- All World (ex UK) Index overseas while maintaining a fixed 30/70 weighting between UK and overseas assets. A total of 75% of the overseas assets (excluding emerging markets) will be currency hedged (GBP)	0.31%
	Global Emerging Market Equity Index Fund	To track the sterling total returns of the Standard & Poor's/IFC Investable Composite Global Emerging Markets Index (including re-invested income, less withholding tax) to within +/- 1.5% per annum for two in three years.	0.62%
Diversified	Legal & General Diversified Fund	To provide long-term investment growth through exposure to a diversified range of asset classes, benchmarked against FTSE Developed World Index (50% hedged to GBP)	0.37%
Fixed Interest	Over 15 Year Gilts Index Fund	To track the sterling total returns of the FTSE A Government (Over 15 Year) Index to within +/- 0.25% per annum for two years in three	0.25%
	AAA AA A Corporate Bond Over 15 Year Index Fund	To track the sterling total returns of the iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index (including re-invested income) to within +/- 0.50% per annum for two years in three	0.29%

Asset class	Fund	Objective and Benchmark	Total Annual Charge
	Pre-Retirement Fund	To provide diversified exposure to sterling assets that reflect the broad characteristics of investments underlying the pricing of a typical non-inflation linked annuity product	0.29%
Index-linked	Over 5 Year Index-Linked Gilts Index Fund	To track the sterling total returns of the FTSE A Index-linked (Over 5 Year) Index (including re-invested income) to within +/- 0.25% per annum for two in three years	0.25%
Cash	Pension Cash Fund	To provide capital protection with growth at short term interest rates. The fund invests in the short-term money markets such as bank deposits and Treasury bills.	0.27%

Lifestyle strategies

4.4 There are three lifestyle strategies:

- Cash lifestyle (the default strategy) – initially invests in the LGIM Diversified Fund during the growth period and then 5 years from target retirement age gradually switches into the LGIM Cash Fund. This strategy is designed for those members who want to withdraw their whole DC fund as a cash payment.
- Annuity lifestyle - initially invests in the LGIM Diversified Fund during the growth period and then 5 years from target retirement age gradually switches automatically to the Pre-Retirement Fund and then 3 years from target retirement age partially switches to the LGIM Cash Fund. The final fund holding at target retirement age is 75% in the Pre-Retirement Fund and 25% in the LGIM Cash fund. This strategy is designed for those members who want to use their DC fund to purchase a non-increasing annuity and also take tax-free cash.
- Drawdown lifestyle - initially invests in the LGIM Diversified Fund during the growth period and then 5 years from target retirement age partially switches to the Pre-Retirement Fund and then 2 years from target retirement age partially switches into the Cash Fund. The final fund holding at target retirement age is 60% in the LGIM Diversified Fund, 15% in the Pre-Retirement Fund and 25% in the LGIM Cash fund. This strategy is designed for those members who want to keep their DC fund invested and transfer to a drawdown arrangement and take 25% tax free cash.

AVCs

4.5 The Plan provides a facility for members to pay AVCs to enhance their benefits at retirement. The Trustee believes that the same objectives and principles apply to the investment of AVCs as apply to ordinary contributions. The Trustee’s objective is therefore to provide a range of funds, which will provide a suitable long term return for members, consistent with members' reasonable expectations and risk preferences. The range of options made available for AVCs is the same as that offered for ordinary contributions.

4.6 There is a legacy AVC policy with Zurich which closed to contributions from 1 November 2011. The funds are managed by Threadneedle Asset Management Limited (except for the With-Profits Fund). Details of the fund options and charges are set out below:

Fund	Objective	Total Annual Charge
Equity Managed 2 EP Fund	The selection consists of a broad spread of companies from the major world markets which in the managers’ views, hold good growth potential. It may also include fixed interest stocks, cash and property	0.95%

Fund	Objective	Total Annual Charge
UK Equity 2 EP Fund	A broad spread of UK equities are held, ranging from relatively secure, blue chip and high yielding stocks to more adventurous small companies	0.97%
Managed 2 EP Fund	The selection consists of a range of stocks and shares, Government securities and property in first class locations. The fund may also hold cash from time to time	0.95%
Long Dated Gilt 2 EP Fund	The fund invests in long dated gilts but may also invest in shorter dated gilts from time to time. It is designed to offer a high degree of security	0.99%
With-Profits EP Fund	The fund shares out its profits and losses to policyholders and invests in fixed and variable interest investments, shares, property, cash and more complex financial instruments	0.98%

Fee basis

4.7 Members bear the management charges on the funds in which they invest which cover the provision of administration and investment services. These fees are charged by an adjustment to the unit prices within the funds, calculated daily on the value that day. The Trustee believes the charging structure is appropriate and in line with standard market practice.

5 Monitoring and reviewing investments

5.1 The Trustee will monitor investment performance and review the nature of the Plan's investments periodically. In carrying this out, the Trustee will consider all relevant factors in determining whether this Statement and the associated risks remain appropriate.

Monitoring investment performance

5.2 The funds the Trustee has made available to members through the Legal & General platform are all passively managed index tracking funds (with the exception of the Cash Fund). The Trustee will receive regular performance monitoring data from its investment advisers on at least a bi-annual basis. Due to the passive nature of the funds, the Trustee will monitor investment performance insofar as to ensure they are tracking the relevant indices within a reasonable level of tolerance which will be determined by the investment adviser. Any tracking errors outside of the tolerance level will be raised with Legal & General in the first instance. If a fund continually fails to meet its benchmark over a period of time, the Trustee reserves the right to replace the fund with an appropriate alternative.

Reviewing the investment options under the Plan

5.3 The Pensions Regulator expects trustees to regularly review their investment fund ranges and consider the demographics of the membership when doing so.

5.4 The Trustee undertook a review of the Plan's investment options including the default strategy in May 2019 and concluded that no changes were required. The next review is scheduled to take place 2022, or earlier if the need arises.

Investment manager monitoring

5.5 The continuing suitability of the Plan's investment managers will be reviewed by the Trustee at least annually. The review will be based on the results of the Trustee's regular monitoring of the Investment Managers' performance and investment processes and their compliance with the requirements of the Pensions Act concerning diversification and suitability of investments, where relevant.

6 Sustainable investing

6.1 The Trustee takes account of financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of members' investment time horizons and objectives. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.

6.2 The Trustee's policy is that day-to-day decisions relating to the investment of the Plan's assets is left to the discretion of the investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. The Trustee explores these issues with its advisers to seek assurances as to how the investment managers exercise these duties in practice.

6.3 When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its adviser, look to take account of the approach taken by investment managers with respect to sustainable investing including engagement and voting policies where relevant.

6.4 Member views on non-financial matters are not currently taken into account.

Rights attaching to investments

6.5 The Trustee's policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investment to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers, via its adviser, to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

Lafarge UK Pension Plan

Defined Benefits Section

Annual Implementation Statement – Plan year ending 30 June 2020

December 2020

Table of Contents

1. Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of Lafarge UK Pension Plan ("the Plan") covering the plan year ("the year") to 30 June 2020.

The purpose of this statement is to:

- detail any reviews of the Statement of Investment Principles (SIP) the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review;
- set out the extent to which, in the opinion of the Trustee, the Plan's Statement of Investment Principles ("SIP") required under section 35 of the Pensions Act 1995 has been followed during the year;
- describe the voting behaviour by, or on behalf of, the Trustee over the year;
- set out the extent to which, in the opinion of the Trustee, the engagement policy under the SIP has been followed during the year.

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 and seeks to give effect to 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.lafargeukpensions.com/page/docs--other-info

2. Review of, and changes to the SIP

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

1. September 2018
2. September 2019

The SIP was updated as at September 2019 in relation to new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2019 – paragraphs 2.10 – 2.17 were added / amended regarding:

- How financially material considerations are taken into account over the appropriate time horizon of the investments, including in the selection, retention and realisation of investments.
- The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.
- Policies in relation to stewardship, including engagement with firms and exercise of voting rights.
- Policies in relation to undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

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 2019. All elements that were included in the previously agreed SIP (dated September 2018) remained in the September 2019 SIP.

Since the end of the Plan Year, a new version of the SIP was adopted as at September 2020 to reflect new regulatory requirements coming into force from 1 October 2020.

3. Adherence to the SIP

DB Section

The Trustee believes the SIP has been followed during the year. Specifically:

Investment Objectives

As outlined in the SIP, the Trustee has three key objectives which seek to ensure the acquisition of suitable assets to generate sufficient income and capital growth to meet the costs of benefits, limit the risk of the assets failing to meet the liabilities and minimise the long term costs of the Plan by maximising the return on assets. No changes were made to these objectives during 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 between October 2019 and March 2020, following the 2018 triennial actuarial valuation. 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 within guidelines set by the Trustee; including asset allocation, manager and geographical diversification, and foreign currency exposure. Over the year, the guidelines were updated to; include and define a new asset category (alternative risk premium); to reflect the revised Journey Plan end date; and amend the allocation constraint for the Global Equity Focus Fund managed by the Fiduciary Manager. The Fiduciary Manager is required to report any breach of these guidelines to the Trustee. No breaches were reported during 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 actuarial valuation in 2018.

The Fiduciary Manager monitors and reviews the Plan's investments and managers on a regular basis to ensure that the investment strategy remains 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). Throughout the year, the Fiduciary Manager monitored the Plan's funding position and progress relative to the triggers daily using its proprietary system, the Asset Liability Suite. No triggers were breached during the year.

The Trustee has a policy to ensure that the Plan's cashflow requirements can be readily met without disrupting its investments. The Fiduciary Manager maintains a liquidity buffer within the portfolio, the size of which is regularly reviewed against the Plan's cash flow requirements. The Fiduciary Manager can make adjustments to the Plan's allocation to cash when necessary within guidelines set by the Trustee – for example, during the period of heightened market volatility in Q1 2020, the Fiduciary Manager increased the amount of cash held in the portfolio relative to normal market conditions to ensure that the Plan had sufficient collateral to maintain its liability hedge ratio. The Trustee monitored the 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. 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 Investing ("SI") / Environmental, Social and Governance ("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 (in the majority of cases) with the expectation of a long-term relationship.

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 dedicated report on annually) as well as commentary on an exceptions basis regarding performance with significant deviation from benchmark/target.

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) in compliance with Sections 34 and 36 of the Pensions Act. As such the Fiduciary Manager is also responsible for managing the sustainability of the portfolio and how ESG factors are allowed for in the portfolio.

Consistent with the Trustee's view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Fiduciary Manager believes that sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes.

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 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 October 2019.

The policies and processes described above have impacted the Plan's investments in numerous ways. A couple of examples of this are outlined below.

- Through the Towers Watson Secure Income Fund, the Plan accessed a fund focused on looking to take advantage of a perceived supply and demand imbalance in relation to UK solar assets. This investment provided an opportunity to enter two further co-investments alongside this manager with positive ESG credentials.
- The Plan is invested in the Towers Watson Global Equity Focus Fund which has banned controversial weapon companies from the Fund's portfolio in accordance with MSCI's criteria. These categories of weapons are widely considered to be controversial as they can have indiscriminate, anti-humanitarian impacts on civilians, including weapons of mass destruction. Many are also subject to international conventions and agreements which several countries have ratified.

Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake 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 Hermes EOS via the Client Advisory Council (chaired by Willis Towers Watson). Engagement activities by Hermes EOS on public policy over the year included:

- Participation in a series of meetings with the UK Government's Department for Business, Energy and Industrial Strategy in order to help set out the UK's decarbonization roadmap and steps to achieve agreed climate targets,
- Feedback/assistance on the production of a new anti-microbial resistance benchmark with the aim of reducing the use of anti-biotics in agriculture
- Co-signing of an investor letter to the Brazilian government in support of the Amazon Soy Moratorium, an agreement which aims to limit damage and deforestation caused by soy production, supporting expansion only on existing agricultural land.
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. EOS is among over 370 investors with over $35tn under management who have signed up to the initiative. Further, they are leading or co-leading the engagement on 27 companies and collaborating with other investors on another 14 companies as part of this initiative.

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

- Tier 1 signatory of the UK Stewardship Code
- A signatory of the Principles for Responsible Investment (PRI) and active member of their working group for ESG / Sustainable Development Goals in Strategic Asset Allocations
- A member of the Institutional Investors Group on Climate Change (IIGCC)
- A founder of the Coalition for Climate Resilient Investment (with the World Economic Forum)

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

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.

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. Responses received are provided in the tables below. Where managers provided multiple examples of "significant votes" we show three demonstrative examples. The Plan's equity holdings were invested across six pooled funds during the year and one segregated account:

- Towers Watson Investment Management (TWIM) – Global Equity Focus Fund – a global equity fund managed by a firm affiliated with the Fiduciary Manager which invests in a number of underlying manager strategies
- Manager A – an emerging market equity fund
- Manager B – a developed markets long only equity fund
- Manager C – a China equity fund
- Legal and General Investment Management (LGIM) Heitman Global Prime Property Securities – a global equity fund focused on equity related to prime properties
- Legal and General Investment Management (LGIM) Infrastructure Equity MFG Fund – a global equity fund focused on equity related to infrastructure companies
- Manager D – a global value equities segregated account

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 and Manager A, B, C and D. 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.

The majority of the Plan's equity assets were held within the Fiduciary Manager's pooled equity vehicle, the Towers Watson Global Equity Focus Fund. The Fiduciary Manager delegates voting rights and the execution of those rights to the underlying managers for the securities they hold. The Fiduciary Manager has also appointed EOS to provide voting advice to the asset managers and to engage with the companies on their behalf, or in collaboration with them.

The Plan's equity holdings held with Legal and General Investment Management ("LGIM") is in pooled investment vehicles and are managed on a passive basis relative to a defined index. As such, the voting entitlements in the fund lie with LGIM as the legal owner of the securities in the fund. The Fiduciary Manager's view is that LGIM leads its peers in terms of proactivity and taking visible stances on topics they believe to be important. However, the Fiduciary Manager continues to engage with LGIM on areas for development, not least around resourcing, and improving the breadth and depth of corporate engagements. During the year, the Fiduciary Manager rated LGIM positively for ESG integration, voting and engagement.

The Fiduciary Manager views Manager A's approach to SI as acceptable. Over the year, Manager A has made improvements to its practices relating to ESG integration and engagement by upgrading its third-party research provider to Sustainalytics, developing a Stewardship Policy and enhancing its ESG Policy. The Fiduciary Manager continues to engage for further improvement.

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

TWIM – Global Equity

<table>
<tr><td rowspan="1">Voting activity</td><td colspan="4">Number of votes eligible to cast: 2,522
Percentage of eligible votes cast: 99.4%
Percentage of votes with management: 89.8%
Percentage of votes against management: 10.0%
Percentage of votes abstained from: 0.2%</td></tr>
<tr><td rowspan="5">Most significant votes cast</td><td>Company</td><td>Raytheon</td><td>Amazon</td><td>Visa</td></tr>
<tr><td>Size of holdings</td><td>0.8%</td><td>2.5%</td><td>1.1%</td></tr>
<tr><td>Resolution</td><td>Approve merger agreement</td><td>Shareholder proposal for report on lobbying payments and policy</td><td>Say on Pay</td></tr>
<tr><td>Decision /Vote</td><td>For</td><td>For</td><td>For</td></tr>
<tr><td>Rationale for decision</td><td>Diversified both companies and increased resilience</td><td>Promotes transparency</td><td>Compensation deemed fair</td></tr>
</table>

	Rationale for classifying as significant	Major change to the structure of the Company	Consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.	Consider executive compensation structures a key factor in determining management strength and sound governance practices.
Use of proxy voting	The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote investors' shares. As described elsewhere, TWIM also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers are ultimately responsible for the votes.			

Manager A – an emerging market equity fund

Voting activity	Number of votes eligible to cast: 670 Percentage of eligible votes cast: 100.0% Percentage of votes with management: 87.3% Percentage of votes against management: 9.6% Percentage of votes abstained from: 3.1%			
Most significant votes cast	**Company**	China Literature Ltd	Kering	AIA Group Ltd
	Size of holdings	1.66%	1.03%	1.88%
	Resolution	Authorize Reissuance of Repurchased Shares	Modification of the minimum number of shares that each director is required to own and amendment of Article 10 of the Company's Articles of Association Company Management - Board of Directors to bring it into line with the provisions of the Pacte Law relating to the Directors representing employees	To grant a general mandate to the directors to allot issue and deal with additional shares of the company not exceeding 10% of the number of shares of the company in issue as at the date of this resolution and the discount for any shares to be issued shall not exceed 10%
	Decision /Vote	Against	Against	Against
	Rationale for decision	Shares bought back should be cancelled	This is against the manager's policy	This is against the manager's policy
	Rationale for classifying	Material Issue - Preference for shares to be	Material Issue - Against manager's policy guidelines so as to	Material Issue - Preference for equal/ proportional rights of

	as significant	cancelled so as to avoid dilution of shares of existing shareholders	prevent unequal voting classes and voting power	subscription for all shareholders so as to avoid dilution of shares of existing shareholders
Use of proxy voting	The manager does not outsource the voting of shares as they believe it forms part of their investment offering and approach - it is only those that are close to a company that can make an appropriate determination on the merits of different resolutions and impact to long-term shareholders returns. That being said, the manager uses ISS, a large third-party proxy voting advisor, to access ISS research and voting recommendations. Analysts review this information in order to gain additional context on complex votes and to be aware when we are taking views that are not in line with the broader market.			

Manager B – a developed markets long only equity fund

Voting activity	Number of votes eligible to cast: 452 Percentage of eligible votes cast: 100.0% Percentage of votes with management: 89.9% Percentage of votes against management: 0.9% Percentage of votes abstained from: 0.2%			
Most significant votes cast	**Company**	United Airlines Holdings, Inc.	United Airlines Holdings, Inc.	Tesco Plc
	Size of holdings	0.91%	0.91%	7.50%
	Resolution	Report on Lobbying Payments and Policy	Report on Global Warming-Related Lobbying Activities	Approve Remuneration Report
	Decision /Vote	For	For	For
	Rationale for decision	Additional reporting on the company's lobbying-related practices and policies, such as its trade association payments, benefits shareholders in assessing their management of related risks	The company and its shareholders are likely to benefit from a review of how the company's and its trade associations' lobbying positions align with the Paris Agreement, especially in light of the increasing risks to the company related to climate change	The company's proposed remuneration policy was viewed by the manager to be in line with the value brought to the company by the individual/s in question and therefore in line with the fiduciary responsibility of the manager
	Rationale for classifying as significant	The manager voted against management	The manager voted against management	The manager voted against ISS

Use of proxy voting	The Firm maintains a Proxy Voting Policy that is designed to ensure that the Firm will make best efforts attempt to vote proxies with respect to client securities in the best interests of its clients. The Firm has engaged a service provider, ISS Europe Limited ("ISS") to provide corporate research and to facilitate the voting process, but it has not delegated the proxy voting decisions.

Manager C – a China equity fund

Voting activity	Number of votes eligible to cast: 654 Percentage of eligible votes cast: 100.0% Percentage of votes with management: 98.5% Percentage of votes against management: 1.5% Percentage of votes abstained from: 0.0%			
Most significant votes cast	**Company**	Haier Smart Home	China Telecom	Sun Art Retail Group Limited
	Size of holdings	0.95%	2.63%	1.33%
	Resolution	Amendments to The Company's Articles Of Association; Amendments To The Rules of Procedure Governing Shareholders General Meetings	Authority to Issue Shares without Pre-emptive Rights	Election of Directors
	Decision /Vote	Against	Against	For
	Rationale for decision	Shortened notice period; not ideal to change the notice period before AGM from 45 days to 20 days	Concerns about potentially excessive dilution. Company also does not need to issue new shares given a healthy balance sheet.	Having two Auchan representatives out of 6 people on the Audit Committee is probably acceptable in this case, as Auchan no longer runs the operation. In fact, their presence on the Audit Committee could be useful in preventing influence of Alibaba from becoming excessive with regards to financial arrangements.
	Rationale for classifying as significant	Against management	Against management	Vote against provider recommendations

Use of proxy voting	The manager is advised of corporate actions such as proxy voting by its custodians. The Head of each asset class or their authorised signatory is responsible for ensuring that all company resolutions are reviewed and an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in the Proxy Voting policy. Once the proxy voting intentions have been confirmed, they must communicate the decision to the Company Engagement team in an agreed format by the pre-advised cut-off. The Company Engagement team has sole responsibility for instructing the relevant custodian of the proxy voting instruction and will maintain records of all proxy voting decisions in a format which will allow the dissemination of this data to relevant customers. The manager will only vote in the best interests of its customers. It is Manager C's duty to put any other relationship or interest to one side when deciding how to vote on behalf of customers.

LGIM – Global listed equity focussed on prime property

Voting activity	Number of votes eligible to cast: 867 Percentage of eligible votes cast: 100.0% Percentage of votes with management: 84.2% Percentage of votes against management: 15.7% Percentage of votes abstained from: 0.1%
Most significant votes cast	No information was provided by the investment manager
Use of proxy voting	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions To ensure LGIM's proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

LGIM – Global listed equity focussed on infrastructure assets

Voting activity	Number of votes eligible to cast: 1050 Percentage of eligible votes cast: 96.8% Percentage of votes with management: 85.0% Percentage of votes against management: 14.9% Percentage of votes abstained from: 0.1%
Most significant votes cast	No information was provided by the investment manager
Use of proxy voting	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions To ensure LGIM's proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Manager D – a global value equities segregated account

Voting activity	Number of votes eligible to cast: 654 Percentage of eligible votes cast: 100.0% Percentage of votes with management: 93.0% Percentage of votes against management: 7.0% Percentage of votes abstained from: 0.0%			
Most significant votes cast	**Company**	Banco de Sabadell SA	Cigna Corporation	Facebook, Inc.
	Size of holdings	0.73%	2.69%	3.55%

	Resolution	Fix Maximum Variable Compensation Ratio of Designated Group Members	Report on Gender Pay Gap	Require Independent Board Chair
	Decision /Vote	Against	For	For
	Rationale for decision	Lack of adequate alignment of pay and performance and related oversight at the company.	The disclosures requested would be very low cost to for the company to produce and shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives. It would demonstrate that the company took the concerns seriously.	Company would benefit from independent oversight to help manage potential conflicts of interest between management and shareholders.
	Rationale for classifying as significant	The manager believed it was significant both given their firmwide shareholding (as a percentage of outstanding shares) and their engagement efforts.	The manager believed it was significant both given their firmwide shareholding (as a percentage of outstanding shares) and their engagement efforts.	Shareholder proposals to require an independent chair are common in the US. The manager selected this vote as representative of this class of proposals with regard to their engagement and vote on such matters.
Use of proxy voting	The manager votes according to their voting policy and have partnered with ISS for proxy ballot aggregation and research/reporting services.			

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. The Fiduciary Manager left a proportion of the Plan's foreign currency exposure unhedged for diversification and return perspective. 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 by investing in pooled funds where the Plan's assets are held by a separate custodian appointed by the manager. In addition, any uninvested cash was 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 periodic 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. The Fiduciary Manager considers political risk when determining whether to allocate capital to an investment and in determining the relative sizing of an investment.

- Sponsor risk: as mentioned previously, the Trustee has established an IRM framework, whereby it receives and evaluates information relating to the Sponsor covenant on a regular basis. In addition, the Trustee engages an independent covenant assessor at each triennial valuation. The Trustee has agreed a contribution and funding schedule commensurate with the strength of the Sponsor and the Plan's journey plan.

Lafarge UK Pension Plan

DC Section and AVCs

Annual Implementation Statement – Plan year ending 30 June 2020

December 2020

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1. Introduction

This document is the annual Implementation Statement prepared by the Trustee of the Lafarge UK Pension Plan ("the Plan") covering the period from 1 July 2019 to 30 June 2020. This statement relates to the DC Section of the Plan and the Trustee's Additional Voluntary Contribution ("AVC") arrangements.

The purpose of this statement is to:

- Detail any reviews of the Plan's DC Statement of Investment Principles ("SIP") the Trustee has undertaken, and any changes made as a result of the review
- Set out the extent to which, in the opinion of the Trustee, the Plan's DC SIP has been followed during the reporting period
- Describe the voting behaviour by, or on behalf of, the Trustee over the period.

Important context to consider when reading this statement

During the reporting period, the Trustee made the decision to undertake a bulk transfer of all DC assets out of the Plan and into the Aon Master-trust. The Trustee made this decision on 5 December 2019.

From this date, the focus of the Trustee's activities was to plan and execute a successful transfer of assets out of the Plan. The Trustee primarily used its time and resources for this purpose.

The bulk transfer was due to take place in June 2020, however due to heightened market volatility at the time, the Trustee made the decision to postpone the transfer. Therefore, the DC assets remained in the Plan throughout the duration of the reporting period.

Since the end of the reporting period, the Trustee has successfully transferred all DC assets out of the Plan. The bulk transfer took place on 2 October 2020.

2. Review of, and changes to the SIP

The Trustee reviewed and subsequently updated the SIP in September 2019 to reflect new regulatory requirements to describe the Trustee's policy on sustainable investment, the extent to which non-financial matters are taken into account (if at all) and its policy on voting and engagement. These requirements came into effect from 1 October 2019.

Prior to the start of the reporting period, the Trustee received training from its DC investment advisers on the new requirements and discussed the Trustee's policies in each of the new areas. The Trustee's policies were finalised and incorporated in the SIP during the reporting period as set out below:

- The Trustee felt that sustainable investment factors, such as those arising from Environmental, Social and Governance (ESG) considerations, including climate change are important factors which should be considered in the context of the Plan's broader risk management framework.
- The Trustee acknowledged that due to the structure of the DC Section of the Plan, day-to-day investment decisions were made at the discretion of the investment managers the Trustee had appointed. This includes consideration of ESG-related issues and the exercising of ownership rights (including voting rights) attaching to investments.
- Given that day to day investment making decisions are made by the Plan's investment managers, the Trustee agreed that it would seek to understand and keep abreast of the managers' ESG policies and how they were being exercised in practice. The Trustee also agreed to take the managers' approach into account on appointment or review.

- The Trustee considered whether to take non-financial matters into account such as members' views on sustainable investing. Overall, the Trustees felt that as this was a relatively new area it would be appropriate to adopt a watching brief and reassess this over the coming year.

The updated SIP was agreed and came into effect on 5 September 2019.

3. Adherence to the SIP

The Trustee believes the content of the SIP has been followed during the reporting period and the justification for this is set out in the remainder of this section.

Overall DC investment objectives

The Trustee's overall DC investment objectives are set out on the first page of the DC SIP which can be accessed https://www.lafargeukpensions.com/page/docs--other-info

The Trustee meets these objectives by reviewing the Plan's investment strategy on at least a three-yearly basis. The last review was undertaken in May 2019. Each review considers such matters as: the demographic profile of the membership, the likely income choices members will make at retirement, developments in the DC market and any relevant legislative changes.

Further details on the latest review can be found in the 2018/19 Chair's Statement which can be accessed here https://www.lafargeukpensions.com/page/plan-literature-and-forms

How does the Trustee meet its DC investment obligations?

The Trustee established a Defined Contribution Board ("DC Board") in 2006 to manage the operation of the DC Section of the Plan, including investment monitoring, under the oversight of the Trustee. Its responsibilities are set out in a Terms of Reference document, under which the DC Board operates.

The DC Board met five times over the reporting period to conduct its business – including monitoring the DC Section (and AVC arrangement) fund performance. The DC Board provides a report of its activities to the Trustee at each subsequent Trustee meeting.

The Plan's investment adviser updates the Trustee in between these meetings if a particular issue arises with Legal & General or one of the funds available under the Plan.

Setting investment strategy

The current investment strategy was set in July 2016 following a detailed review undertaken by the Trustee's investment advisers. The strategy was reviewed in May 2019 and the Trustee concluded that it remained appropriate with no changes required.

No review of the strategy was scheduled or undertaken during the reporting period. However, the Trustee monitored the performance of the underlying funds on a quarterly basis and has kept abreast of any legislative or investment changes that would necessitate an interim review.

Consideration of DC risks

The Trustee has considered and identified the key DC risks members are exposed to. These are shown on page 3 of the DC SIP which can be accessed here

https://www.lafargeukpensions.com/page/docs--other-info

The Trustee does not consider risk in isolation, but in conjunction with expected investment returns and outcomes for members.

Default fund

For members that do not make an active investment choice, in line with its overall investment objectives, the Trustee has chosen a strategy which manages overall risk and return through the member's journey to retirement.

The default investment strategy balances the trade-off between risk and expected returns both through the de-risking strategy (switching into lower risk assets as members approach retirement) and the diversification within the growth fund (Legal & General Diversified Fund) which is managed by Legal & General using a strategic asset allocation framework.

The alternative lifestyle strategies are structured in a similar way, albeit with different de-risking profiles. As part of its monitoring, the DC Board reviewed the performance of the component funds over long and short periods at two of its five meeting during the reporting period and identified no material issues.

Self-select funds

In relation to the self-select funds, the Trustee has selected a range of funds which attempt to address the key DC risks the Trustees have identified. The Trustee reviews the utilisation of the Plan's investment choices to address these risks on an ongoing basis.

Professional advice
The Trustee has appointed Willis Towers Watson to provide professional DC investment advice. In accordance with this engagement, Willis Towers Watson provides a triennial strategy review which includes recommendations in relation to the default investment strategy and wider fund range.

Willis Towers Watson also supports the Trustee as needed in its investment monitoring activities and highlights any significant issues with the Plan's funds.

During the reporting period the Trustee established investment adviser objectives. Due to the transfer of DC assets out of the Plan after the reporting period, these have now fallen away from a DC perspective.

Investment monitoring

The Trustee regularly monitors the performance of the DC investment options and the Plan's DC investment managers.

The DC Board reviewed the performance of the component funds over long and short periods at two of the five DC Board meetings during the reporting period. In doing this, the Trustee discussed the market context alongside assessing how closely each of the passively managed funds had tracked their respective indices. For the active funds, the Trustee considered how each of the funds had performed against their respective benchmarks.

Socially responsible investment and corporate governance

The Trustee discussed and agreed their principles and polices in this area prior to the reporting period and updated the SIP to reflect this (as described in a previous section of this statement).

Members of the DC Board were provided with the following documents in August 2019:

- LGIM Climate Change Policy
- LGIM Climate Change Impact Pledge 2019
- LGIM response to the Stewardship Code
- LGIM Corporate Governance and responsible investment website

Willis Towers Watson also provided an overview of Legal & General's ESG credentials at the DC Board meeting on 28 August 2019.

On 5 December 2019, the Trustee made the decision to undertake a bulk transfer of all DC assets from the Plan to the Aon Master-trust. Following this decision being made, the Trustee focussed its attention, time and resources on planning and executing the transfer. Consequently, and given the short time horizon of the DC assets within the Plan, the Trustee did not undertake any further monitoring of the DC investment managers' ESG practices. However, the Trustee's DC investment adviser regularly monitors managers' ESG related activities and would have informed the Trustee if there had been a significant departure from Legal & General's current framework and activities.

4. Voting and engagement

The Trustee has delegated all voting and engagement activities to the underlying managers.

As the vast majority of the DC assets are managed by LGIM the Trustee focused its reporting on this manager.

LGIM has recently introduced a custom voting policy, which requires companies, among other things, to have a higher level of independence and diversity on the board, or to provide more in-depth disclosure regarding executive compensation.

The below table lays out the voting statistics for the LGIM Diversified Fund for the year ending 30/06/2020.

Fund	Number of resolutions eligible to vote on	Proportion eligible votes voted	Of resolutions voted:		
			For	**Against**	**Abstained**
Diversified Fund	82,954	98.81%	80.9%	18.8%	0.3%

Note: Resolution percentages have been rounded to 1 decimal place

LGIM has identified its vote against electing Darren W. Woods as Director of ExxonMobil as one of their most significant votes during the period. By way of context, in June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, it announced that it will be removing ExxonMobil from its Future World fund range, and would be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, LGIM also announced that it would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, LGIM's voting policy sanctioned the reappointment of the directors responsible for nominations and remuneration. LGIM believes that this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company.

LGIM's voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.

Wider engagement

LGIM's Investment Stewardship team engaged 739 times in respect of 493 companies during 2019, often collaborating with industry peers. Climate change was the single most frequent engagement topic (249 times), and the UK was the second biggest engagement market (195) after North America (230). The most frequently engaged companies were BP (10 engagements), HSBC (8), GlaxoSmithKline and Royal Dutch Shell (5 each).

One example of LGIM's active engagement was BP, as with other shareholders they put forward a proposal calling the company to explain how its strategy is consistent with the Paris Agreement on climate change. The proposal was passed and LGIM has since met BP repeatedly. BP has recently announced industry-leading targets (e.g. net zero emissions from its operations, or a 50% reduction in the carbon intensity of all the products it sells).

LGIM's 2020 engagement policy can be accessed at the following web link:
https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf.