Statement of Funding Principles

Lafarge UK Pension Plan – Non-LRPS Section (referred to as the "Blue Circle Section" in this document)

The Trustee of the Lafarge UK Pension Plan ("the Plan") has produced this statement of funding principles in relation to the Blue Circle Section of the Plan and it is designed to comply with Section 223 of the Pensions Act 2004.

For the purpose of this statement:

- "**Employer**" is defined as in Section 1.3 of the Plan's Deed of Amendment Adopting Definitive Trust Deed and Rules dated 29 October 2012 ("the Rules").
- The "**Blue Circle Section**" includes:
  - the Standard Final Pay Section, the Blue Circle Final Pay Section, the Blue Circle Executive Section, the LUPP Executive Section and the Lafarge Executive Section (as defined in the Rules).

It sets out:

- our policy for assessing the "technical provisions" – that is the amount of money the Blue Circle Section should aim to hold from time to time in order to have a reasonable expectation of being able to make provision for the Blue Circle Section's liabilities; and
- how we intend to achieve the objective of holding this amount of money in the Blue Circle Section (this is known as meeting the "statutory funding objective").

This statement has been prepared as part of the Plan's actuarial valuation as at 30 June 2024. We have taken advice from the scheme actuary, Aaron Punwani, when drawing up this statement, and we have agreed its provisions with Lafarge SA, as the Principal Company of the Plan ("the Company") and on behalf of the Employer.

1. Statutory funding objective

The statutory funding objective is that the Blue Circle Section should have sufficient and appropriate assets to cover its technical provisions, and this statement sets out the Trustee's policy for securing that this objective is met. The Trustee and Company have agreed a journey plan to reaching a low-risk funding target which is expected to be consistent with the projected cost of settling the Blue Circle Section's liabilities through insurance. Consistent with this journey plan, the Trustee wishes the technical provisions basis to converge with the low-risk funding target.

2. Technical provisions

The actuarial method used to calculate the technical provisions is the projected unit method. The technical provisions should be calculated using the assumptions set out in Appendix 1 to this document.

We chose this method and these assumptions with the agreement of the Employer, as required by law. In arriving at them, we took advice from the scheme actuary, and we took account of various relevant factors (in particular the ability of the Employer to support the Plan).

3. Recovery plan (if there is a failure to meet the statutory funding objective)

If the value of the Blue Circle Section's assets is less than the technical provisions, we are required to set a recovery plan, with the agreement of the Employer, that is designed to eliminate the difference by the payment of additional "deficit" contributions.

Recognising the covenant support provided to the Plan by the Company and Holcim as part of the 2015 valuation agreement, any funding shortfall identified in the Blue Circle Section at an actuarial valuation should be eliminated over a reasonable time frame by taking into account the expected returns on the asset portfolio held in respect of that Section of the Plan. If these expected returns are not anticipated to eliminate the funding shortfall over a reasonable period of time, the Employer shall make additional deficit contributions over the recovery period at a rate that can be reasonably afforded. In determining the actual recovery plan at any particular valuation, the Trustee's principles are to take into account the following factors:

- the size of the funding shortfall;

- the investment strategy adopted, in particular the risk that the value of the assets may deteriorate further against the Technical Provisions and the solvency liabilities;

- the maturity/profile of the membership;

- the strength of the covenant with the Employer; and

- any additional security provided by the Employer, such as guarantees or contingent assets.

The assumptions underlying the Recovery Plan are set out in Appendix 1.

4. Discretionary benefits

There has been no recent history of discretionary increases or discretionary benefits being awarded under the Blue Circle Section. In line with this past practice, I have therefore made no specific allowance in the valuation for discretionary increases or benefits being granted in future.

5. Payments to the Employer

In the event of a surplus following the wind-up of the Plan, the Rules permit payments to the Employer subject to the Trustee exercising their fiduciary responsibilities in line with Rule 15.3(6) and 15.6(3). If this situation arises, the Trustee will make appropriate decisions taking into account relevant factors at the time.

6. Contributions other than from the Employer who sponsors the Scheme or the members

There are no arrangements in place for any contributions to be paid to the Blue Circle Section other than by the Employer or the Company.

7. Cash equivalent transfer values

The Trustee will ask the scheme actuary to advise it, at each valuation, of the extent to which assets are sufficient to provide cash equivalent transfer values for all non-pensioners without adversely affecting the security of the benefits of other members and beneficiaries (also measured on a cash equivalent basis). The Trustee's policy is not to reduce cash equivalent transfer values paid to members if the scheme actuary advises that the Blue Circle Section's assets are at least sufficient to provide cash equivalent transfer values in full to all members, on the method and assumptions adopted for that purpose.

8. Reviewing the valuation position and this statement

We will normally commission a full actuarial valuation at least once every three years. The scheme actuary will provide an estimate of the up-to-date financial position of the Blue Circle Section, relative to the statutory funding objective, as at each 30 June for which a full valuation is not requested.

The Trustee may call for a formal funding valuation at any date if it is of the opinion that events have made it unsafe to rely on the results of the previous valuation for funding purposes. In reaching such a view, the Trustee will consider the advice of the scheme actuary and consult with the Company.

This statement replaces the previous statement, which was dated 22 September 2022. We will review and, if necessary, revise this statement as part of each valuation. We may review it at other times.

This statement of funding principles was prepared on 2 July 2025. The contents of this Statement have been determined by the Trustee, having obtained actuarial advice, and have been agreed by the Company on behalf of the Employer:

Signed on behalf of the Trustee of the Plan (Lafarge UK Pension Trustees Limited):	Agreed on behalf of the Employer:
Signature: ……………………………………….………...	Signature: ……………………………………….………...
Name: …………………………………………….………...	Name: ……………………………………………….…………
Position: Trustee Director	Position: Vice President, Corporate Finance
Date: 2 July 2025	Date: 2 July 2025

Lafarge UK Pension Plan – Blue Circle Section
Statement of Funding Principles
Actuarial method and assumptions

Appendix 1

The method and assumptions for calculating the technical provisions are set out in detail below.

Actuarial method underlying calculation of the technical provisions.

Projected unit method.

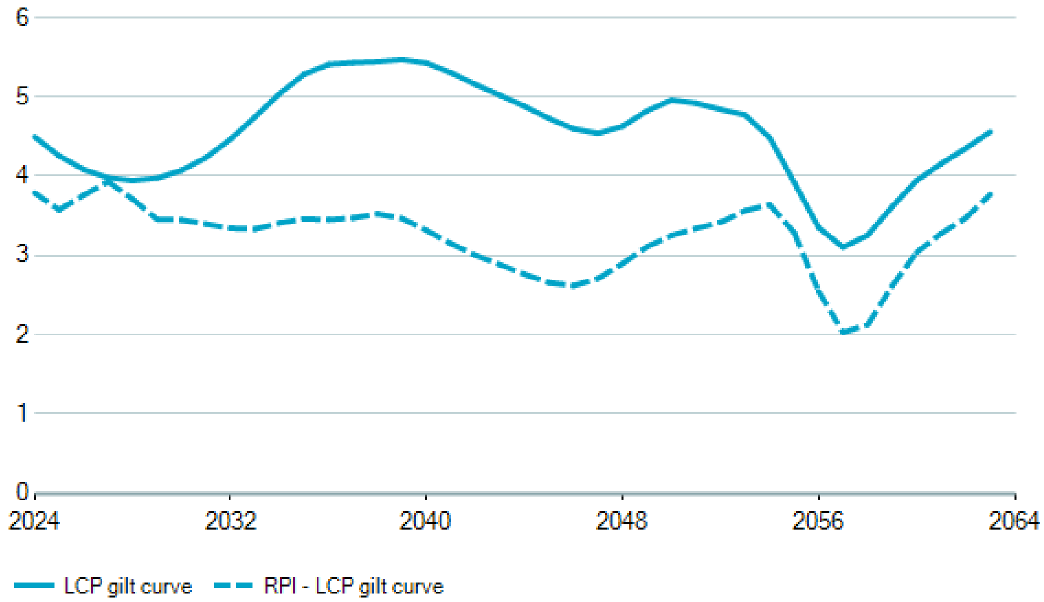
Gilt return and price inflation assumptions

The assumptions for the future return on gilts and price inflation are derived consistently as described below:

- The return from gilts over each future year is taken from the LCP gilt yield curve as at the valuation date for fixed interest gilts.
- Price inflation as measured by the Retail Prices Index ("RPI") over each future year is as derived from the LCP breakeven RPI curve.
- Price inflation as measured by the Consumer Prices Index ("CPI") over each future year is calculated as the corresponding assumption for RPI less 0.7% pa until 2030, and then reducing to a gap of 0.2% pa from 2030 onwards.

For illustration, as at 30 June 2024, the assumptions for the return on gilts and RPI inflation were as shown in the chart below:

Gilt returns and implied RPI inflation as at 30 June 2024



For illustration, as at 30 June 2024 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) were:

	Rate
Gilt returns	*4.5% pa*
RPI inflation	*3.5% pa*
CPI inflation (based on a weighted average pre / post 2030 RPI-CPI gap)	*2.9% pa*

Investment returns

Projected future benefit payments (as described below) are discounted on rates derived as described in the table below:

Item	Derivation
Discount rate	The return from gilts +2.0% pa at 30 June 2021, reducing linearly over the period to 30 June 2029 to the return on gilts +0.6% pa

Other financial assumptions

Future benefit payments are projected using the assumptions set out below.

Increases to pensions in payment

Increase	Assumption
Accrued pension (GMP and excess)	The assumption for RPI inflation in that year and market implied adjustments to allow for the minimum of 0% pa and maximum of 5% pa.
Discretionary	No allowance for discretionary pension increases.

Revaluation of deferred pensions

Revaluation rate	Assumption
Guaranteed minimum pensions (GMPs)	At the required statutory rate
Pensions in excess of GMP subject to statutory increases in deferment	Deferred pensions in excess of GMP increase in line with RPI or CPI increased subject to a maximum of 5% pa for benefits accrued prior to 6 April 2009 and subject to a maximum of 2.5% pa for benefits accrued after 5 April 2009, assessed over the whole period to retirement.

Demographic assumptions

- All retirements of deferred pensioners to take place at the earliest age at which the pension is payable unreduced (which is age 65 for most members), or immediately if the member is over their Normal Retirement Age. An adjustment is made for any accrued Barber pension as appropriate.
- Non-pensioners are assumed to commute 20% of their pension on retirement on cash commutation factors in force at the valuation date (the current term being 17.9 at age 65).
- The mortality assumptions will be based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for improvements in longevity. The mortality tables used for the valuation at 30 June 2024 are as follows for uninsured members and for insured members covered by the longevity swap:

Mortality	Assumption
Base table	Males: 103% (insured) / 105% (uninsured) of S4PMA_M tables Females: 115% (insured) / 110% (uninsured) of S4PFA_M tables;

Future improvements	from 2017 in line with the CMI 2023 projections with a smoothing parameter of 7, an initial improvement parameter of 0.50% pa, a w parameter of 20% (20% weighting to 2022 and 2023 data), with long term improvement rates of 1.5% pa for both males and females.

- 90%/ 70% of male/ female members are assumed to be married or have a spouse/civil partner/dependant at retirement (or earlier date of death) and then decreasing with mortality.
- Spouses/civil partners are assumed to be three years younger (male members) or three years older (female members) than the member.
- Administrative and other expenses, including Pension Protection Fund levies and fees paid to advisers and the Fiduciary Manager, are met from the Plan; a reserve is included of £30m in the technical provisions of the Blue Circle Section as at 30 June 2024 to meet such expenses. In addition an allowance for expenses relating to the longevity swap has been included in the technical provisions.
- A prudent £2m reserve has been included in the technical provisions for unclaimed deferred pensions based on membership data provided by the Plan administrators.
- An allowance for the cost of adjusting benefits to remove any inequalities arising from Guaranteed Minimum Pensions has been made by increasing the technical provisions by 1.3%.

Valuing the longevity swap

An adjustment has been added to the liabilities equal to the difference between the present value on the technical provisions financial assumptions of the fixed leg (including reinsurer expenses) and the floating leg swap cashflows calculated using the technical provisions demographic assumptions. This is in recognition that there were some benefit simplifications priced into the swap contract and to ensure that the actual Plan benefits are valued within the technical provisions.

Given the above adjustment**,** the assessed value of the longevity swap shown in the Scheme accounts **is also excluded** from the asset value. This is to avoid double counting.

Recovery Plan assumptions

The assumptions underlying the recovery plan are the same as those underlying the technical provisions, except for the following:

- an allowance is made in the recovery plan for the cash commutation terms to reduce by an assumed 10% compared to the current terms in force at the valuation date.

Lafarge UK Pension Plan – Blue Circle Section
Statement of Funding Principles
Glossary of terms

Appendix 2

Actuary

The actuary is a professionally qualified person who helps the trustees to manage the financing of the Plan. They do this by providing advice on a range of issues, in particular on the method and assumptions that we adopt to calculate the Plan's technical provisions.

Actuarial valuation

Once every three years, the actuary calculates the technical provisions and provides advice to the trustees to enable us to establish a funding plan with the employer. This process is called an actuarial valuation.

Discontinuance

Cessation of contributions and future accrual of benefits. Discontinuance may, in due course, lead to wind-up of the Plan.

Mortality tables

The published results of actuarial research into life expectancy.

Pension Protection Fund ("PPF")

The PPF provides limited compensation to defined benefit scheme members whose employers become insolvent with insufficient assets in their pension schemes.

The PPF is funded by a levy on all eligible defined benefit schemes.

Transfer value

Instead of having a pension paid from the Plan when they reach retirement age, a member who has left pensionable service may currently request the trustees to pay a cash sum in lieu. This sum is called a transfer value. It must be paid to another suitable pension arrangement.

Winding up

A pension scheme winds up when, following discontinuance, the assets are realised and applied to secure benefits for members as described in the rules, usually by purchasing annuities and deferred annuities from an insurance company.