



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

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

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

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

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

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

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

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

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

Requirements for processing financial transactions

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

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

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

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

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

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

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

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

Trustee knowledge and understanding

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

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

Signed on behalf of the Trustee

Alan Baker
Chair of the Trustee
Date: 19 December 2023