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ADVICE ON YOUR ANNUAL IMPLEMENTATION STATEMENT

***MICHELIN PENSION AND LIFE ASSURANCE PLAN
04 SEPTEMBER 2025***

***THIS NOTE HAS BEEN PREPARED FOR THE TRUSTEE OF
THE MICHELIN PENSION AND LIFE ASSURANCE PLAN
(THE "PLAN") IN RESPONSE TO YOUR REQUEST THAT WE
PROVIDE A DRAFT IMPLEMENTATION STATEMENT ("IS")
FOR THE PLAN.***

BACKGROUND AND INTRODUCTION

There is a requirement for most trust-based defined benefit (“DB”) and defined contribution (“DC”) pension Schemes to produce an IS which covers the report and accounts year (which is the 12 months to 31 March 2024 for the Plan).

The Department for Work and Pensions (“DWP”) issued **Statutory Guidance** in June 2022 which applies to any IS that trustees are required to prepare in respect of pension scheme year ends on or after 1 October 2022. The guidance gives an overview of the items which Trustees “must”, “should”, are “encouraged”, “could” or “may” include in their IS.

“Must” items are requirements imposed by legislation. “Should” items are expected to be followed, and if not followed, trustees should describe concisely the reasons for deviating from the guidance approach. For “Could”, “May” and “Encouraged” items, it is hoped that trustees will address them where possible but they are not expected to explain reasons if not followed. We have included all “must” and “should” items, with the aim of keeping the Statement as streamlined as possible. Let us know if you would like to follow a different approach.

The guidance states that the Pensions Regulator is the primary audience for the IS, but it should be written in plain English as far as possible so that members could reasonably interpret and understand the disclosures. Trustees are encouraged to consider producing member-facing summary versions of the IS (with signposting to the full IS). Please let us know if you would like us to prepare a “member friendly” summary version of the IS.

The DWP has stated that it is important that trustees understand and consider financially material Environmental, Social and Governance (“ESG”) factors and stewardship approaches in their investment decisions.

The IS should set out how, and the extent to which, the Trustee has followed the Statement of Investment Principles (“SIP”) during the Plan Year, as well as details of any review of the SIP during the Plan Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. The Trustee should seek to demonstrate they have had regard to the Statutory Guidance.

The IS is also required to include a description of the voting behaviour by, or on behalf of, Trustees (including the most significant votes cast by trustees or on their behalf) during the Plan Year and state any use of the services of a proxy voter during that year.

The DWP’s guidance states: “where Trustees use the voting policy of the asset manager, they should briefly summarise in the IS whether the asset manager’s voting behaviour was aligned with the Scheme’s stewardship priorities”.

As agreed, our draft Statement covers the DB Section and the Plan’s DC advisers are producing the Statement for the DC Section.

KEY POINTS

We have produced the draft IS in this note based on our understanding of the regulatory requirements and the DWP's stewardship guidance. Ultimately it is the Trustee's responsibility to produce a compliant IS and the Pensions Regulator can impose fines for non-compliance. Therefore, you may wish to obtain legal advice to ensure that all requirements have been met.

There is interest in the IS from the Pensions Regulator, policymakers, and the media; as such **please ensure you are comfortable with the content being in the public domain.**

The Plan held no listed equities with voting rights over the Plan Year.

We contacted the Plan's other asset managers who do not hold listed equities, to ask if any of the assets had voting opportunities over the period. Some of these managers provided commentary on their voting practices, and commentary from these managers is set out in Section 9.

NEXT STEPS

We propose that you review the IS and include it within your Report & Accounts ending 31 March 2024 to comply with the relevant regulations. The Report & Accounts need to be finalised within seven months of the end of the Plan Year, i.e. by 31 October 2024.

You are required to publish your IS on a website for public access as soon as reasonably practicable after the Report & Accounts are signed off.

We expect you will use the same location for the Statement as last year. It remains very important that the website is readily and publicly available. A specific web address for the location of the published materials on the internet must be included in members' Annual Benefit Statements (where members do not receive one, they must be sent a separate notification containing this information).

Please let us know if you have any questions.

CONTACT DETAILS

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MICHELIN PENSION AND LIFE ASSURANCE PLAN

***IMPLEMENTATION STATEMENT, COVERING THE PLAN
YEAR FROM 1 APRIL 2024 TO 31 MARCH 2025***

The Trustee of the Michelin Pension and Life Assurance Plan (the “Plan”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Plan Year, as well as details of any review of the SIP during the Plan Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

This Statement is based on the Plan’s latest DB SIP which was in place during the Plan Year – dated September 2024. This Statement should be read in conjunction with the latest SIP which can be found here:

<https://pensions.michelin.co.uk/library>.

1 INTRODUCTION

Over the Plan Year, the Trustee adopted a new long-term investment strategy which is to hold a bulk annuity policy ("buy-in") in respect of over 95% the Plan's liabilities.

The Plan's SIP was reviewed and updated during the Plan Year in September 2024 to reflect the completion of the buy-in, as well as the secondary market sale of the Plan's holding in the BGO UK Secured Lending Fund III LP (and related changes to the Plan's investments).

The review process involved the following:

- The Trustee obtained and considered the written advice from its investment consultant. The Trustee considered the statements made in the SIP and decided that they are appropriate.
- The employer was consulted and confirmed it was comfortable with the changes.
- A copy of the final SIP was also published on a website in a publicly searchable location. Members are also informed of its availability.

The Trustee has, in its opinion, followed all of the policies in the Plan's SIP during the Plan Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2 INVESTMENT OBJECTIVES

As a result of the buy-in that was completed in 2024, the Trustee updated its objectives. The objectives now focus on maximising the expected return on the Plan's non-bulk annuity assets as they mature, whilst managing and maintaining investment risk at an appropriate level. The Trustee also had an objective for the Plan to be fully funded on a technical provisions basis (ie the asset value should be at least that of its liabilities on this basis)

As at 31 March 2025, the Plan had achieved these objectives, the remaining illiquid assets in the Plan were performing positively and the Plan was fully funded on a technical provisions basis.

The Plan's funding level and progress against the long-term journey plan is reviewed by the Trustee regularly, as part of quarterly performance monitoring reports, provided by the Plan's DB Section investment adviser which shows key metrics and information on the Plan.

The Trustee is satisfied that the Plan's investment strategy in place over Plan Year met its stated investment objectives under the SIP of achieving additional returns without excessive risk.

3 INVESTMENT STRATEGY

The Trustee, with the help of its adviser and in consultation with the employer, reviews the investment strategy on an ongoing basis, considering the Plan's funding level and the objectives described in Section 2.

The Trustee reviewed the DB investment strategy over the Plan Year and the refinements to the investment strategy were reflected in the SIP dated September 2024.

In consultation with the employer, the Trustees agreed a new long term investment strategy which is to hold a bulk annuity policy in respect of over 95% the Plan's liabilities.

The Trustee also holds the following portfolios:

Category	Purpose / context
LDI & hedging assets – LDI, gilts, & liquidity funds	Hedge the majority of the interest rate and inflation risk associated with those liabilities not currently covered by the bulk annuity policy, and hold any further residual capital in liquidity funds
Run-off portfolios - Opportunistic credit and private credit	Illiquid positions that are returning capital to the Plan over time as their underlying investments mature

In conjunction with its DB Section investment advisers, the Trustee monitored the asset allocation on a regular basis during the Plan Year. Cash returned to the Plan from the run-off portfolios were mainly used to meet Plan liabilities over the year.

4 CONSIDERATIONS IN SETTING THE INVESTMENT ARRANGEMENTS

When the Trustee reviewed the DB investment strategy it considered the investment risks set out in Section 4.1 of this Statement. It also considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee also considered the need for diversification and specific circumstances of the Plan (e.g. the investment objectives, funding position, level of contributions and strength of the sponsor covenant).

The Trustee's updated SIP, dated September 2024, maintained the following climate-related considerations that were integrated during the previous Plan Year:

- Recognising that climate change is a “financially material systemic issue” that presents risks and opportunities for the Plan over different time periods;
- Acknowledging that voting and engagement are important and can create long term value which may be in the best interest of the Plan's members; and
- Recognising the Trustee's role in encouraging managers to improve their voting and engagement practices.

¹The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Trustee invests for the long term, to provide for the Plan's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers (and a bulk annuity provider) whose stewardship activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Plan's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Plan invests in, or any material change in the level of diversification in the fund.

The Trustee monitors the performance of the Plan's investment managers on a regular basis, using the monthly performance report from Northern Trust, the Plan's custodian, and the quarterly performance monitoring report from LCP. The report format was updated during the Plan Year to reflect the completion of the full buy-in and now focuses on the run-off portfolios.

The Trustee also periodically monitors its managers' responsible investment capabilities in conjunction with its investment adviser, including as part of its annual TCFD (Task Force on Climate-related Financial Disclosures) report. This report contains carbon emissions data of the Plan's investments over the Plan Year (as well as other metrics).

POLICY TOWARDS RISK

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register and this is discussed regularly at quarterly meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Plan's investment adviser or information provided to the Trustee by the Plan's investment managers. These include credit risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, as part of LCP's quarterly investment performance monitoring reports, the Plan was more than fully funded on a technical provisions basis. The Trustee also considered the projected cashflows on an ongoing basis to ensure it could meet the Plan's cashflow requirements.

Following the completion of the buy-in, the interest rate and inflation risk for the vast majority of the Plan's liabilities are being hedged through the policy with Aviva. However some residual liabilities remain which have not yet been insured, namely the Winding Up Lump Sums ("WULS") liabilities and the capital value of the GMP equalisation costs. In August 2024, the Trustee has agreed to target a broad 80% hedge against interest rate and inflation movements of these liabilities. The Plan's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report.

As at 31 March 2025, the Plan's hedging levels were within tolerance levels of the target hedging profile. The Trustee monitored collateral adequacy within the LDI portfolio on a frequent basis. As at the end of the Plan Year, the Trustee was satisfied that there was sufficient collateral in the LDI portfolio.

Together, the investment and non-investment risks set out in the SIP give rise generally to funding risk. The Trustee formally reviews the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings.

Diversification risk and investment manager risk were considered as part of the activities described in Section 5 'Implementation of the investment arrangements'. Illiquidity/marketability risk and valuation risk were considered as part of the activities described in Section 6 and similarly Environmental, Social and Governance ("ESG") and climate risks in Section 7. In the Trustee's opinion, the policy in the SIP in respect of risks has been met during the Plan Year.

5 IMPLEMENTATION OF THE INVESTMENT ARRANGEMENTS

The Trustee relies on its investment adviser's research to understand managers' investment approaches, and ensure they are consistent with the Trustee's policies prior to any new appointment.

The Trustee also received advice from its covenant advisor and pension risk transfer adviser as part of the implementation of the full buy-in.

The Trustee monitors the performance of the Plan's investment managers on a regular basis, using the monthly performance report from Northern Trust, the Plan's custodian, and the quarterly performance monitoring report from LCP. The Northern Trust report shows the performance of each manager over the month, quarter, one, three and five years, and since inception. Performance is considered in the context of the manager's benchmark and objectives. The most recent reporting showed that all managers have produced performance broadly in line with expectations over the long-term.

6 REALISATION OF INVESTMENTS

The Trustee reviews the Plan's net current and future cashflow requirements on a regular basis. The Trustee does this with the assistance of the Plan's Chief Investment Officer (CIO) who carries out cashflow forecasting on a rolling monthly basis, which takes into account both short and long-term expected payments in and out of the Plan. The CIO reports to the Trustee on this at each quarterly meeting and works with the Trustee to inform the relevant investment manager of any cash requirements.

Over the Plan Year, the Trustee had access to sufficient liquid assets in order to meet outflows, while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.



FINANCIALLY MATERIAL CONSIDERATIONS, NON-FINANCIAL MATTERS

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations).

Over the Plan Year, the Trustee contracted with a bulk annuity policy provider (Aviva) who is responsible for paying pension benefits for the majority of the DB Section members (over 95% of the Plan's liabilities). The provider's investment and climate practices were taken into account by the Trustee at the point of selecting the provider and before entering into the contract, and the Trustee was comfortable with their processes and philosophy at this point.

In February 2025, LCP provided a detailed review of manager climate practices, focusing on the approach taken for the specific funds that the Plan invests in. The assessment of portfolios was based on LCP's ongoing investment research and monitoring process. The Trustee used the outcome of this review to drive engagement with the Plan's illiquid managers about areas which they could improve their practices, with the Trustee being comfortable with their responses.

The Trustee was satisfied with the responses it received and continued to engage with managers over the topic of Responsible Investment throughout the Plan Year.

The Plan participates in TCFD (Taskforce on Climate-related Financial Disclosures) reporting for large pension schemes. As part of TCFD reporting during the Plan Year, the Trustee had:

- updated its risk-register in light of the buy-in with Aviva;
- conducted climate scenario analysis to assess climate risks and opportunities over the short, medium and long term; and
- reviewed four climate-related metrics to monitor on an ongoing basis, collected data from the investment managers and calculated the metrics, maintaining the target for one of these metrics. Further details of the actions are set out in the Plan's TCFD report which is available online: <https://pensions.michelin.co.uk/library>.

The Trustee also received quarterly updates on ESG and Stewardship related issues from its investment advisers.

The Trustee did not take into account any non-financial matters over the Plan Year (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return). No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

Further details of the Trustee's monitoring of and engagement with managers to improve ESG practices is included in Section 8 below.

8 VOTING AND ENGAGEMENT

The Trustee does not engage directly with debt or equity issuers. In addition, the Trustee has not used any proxy voting services over the Plan Year. Any voting and engagement activities in respect of the underlying assets of the Plan's investments are undertaken by the Plan's investment managers and bulk-annuity provider. However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers and escalating as necessary.

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. Over the Plan Year the Trustee maintained the existing stewardship priorities for the Plan, which are: Climate Change, Human Rights, and Business Ethics.

These priorities were selected because the Trustee believes that it is a key market-wide risk and areas where good stewardship and engagement can improve long-term financial outcomes. The stewardship priorities were then communicated to the Plan's investment managers in April 2023. As part of this the Trustee reiterated to the managers its expectations of them when carrying out responsible investment on its behalf, including in respect of those priorities.

These stewardship priorities were not updated during the Plan Year as the Trustee is comfortable that these remain areas where good stewardship and engagement can improve long-term outcomes.

The Trustee recognises the importance of voting and engagement practices of the Plan's managers by incorporating this consideration as one of the Trustee's key investment beliefs as set out in the SIP.

The Trustee is conscious that responsible investment, including engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

DESCRIPTION OF VOTING BEHAVIOUR DURING THE PLAN YEAR

The Plan held no listed equities with voting rights over the Plan Year.

The Trustee contacted the Plan's asset managers that do not hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the Plan Year. Comments received from the managers are provided below:

Alcentra (opportunistic credit)

"Loan and bond investments generally do not confer creditors voting rights unlike for equity holders. Where we have minority equity interests in deals we frequently aren't asked to vote as the corporate documents are set-up so that the sponsor can pass any shareholder resolutions needed without our participation in any event. Also our rights are usually limited to certain minority protections. Where we own companies we exercise control by including language in the deal documentation requiring the board to seek investor consent for matters that we want to approve as the manager. This is usually done via the Alcentra investor representative on the board (where relevant) rather than having a formal shareholder vote.

The Fund may hold equity positions in stressed and distressed issuers. Our seasoned analysts are in close contact with these firms and closely monitor their respective situations. We will use our voting rights to push through our support all initiatives that benefit our end investors. Any such initiative will be in accordance with the spirit and the letter of the various ESG initiatives, such as UN PRI or TCFD, to which we are signatories.

For example, on a select few investments, Alcentra has board representation. From these positions, Alcentra representatives then regularly engage with the credit analysts to provide them with the benefit of their experiences to help with transparency and commerciality across a number of ESG factors and best practices.

Outlined below are typical board matters that we may vote on when holding a board position – we will have voted in favour of several of the below in the ordinary course of business, but are not able to cite specific examples.

- appoints or removes any operational director of the Group, any officer or any member of the executive management committee
- institutes, engages in, settles or takes any material decision in relation to any legal proceedings
- appoints any external advisor where the fees of such external adviser are anticipated to exceed a certain threshold
- makes any public announcement other than in the ordinary course of trading
- incorporates any new company within the Group
- appoints any committee of the Board, establishes its terms of reference and regulation of proceedings, or appoints any member to such committee
- approves the annual consolidated financial accounts of the Group

- incur any new borrowings (or modifies the key terms thereof) or enters into foreign exchange contracts, in excess of a certain threshold
- commences an Exit process (including selection of advisers)
- makes material changes to the nature or long-term strategy of the business or enters into a new business line
- approves or amends the Annual Budget
- makes any material amendment to the capital structure of any Group Company”

The Trustee was comfortable with Alcentra’s processes as described above.

SVP (opportunistic credit)

“We primarily purchase the distressed debt of securities and as such are generally not eligible to participate in proxy voting because we lack an equity stake. In private companies where we may have influence or control (i.e. hold a board seat), we would consider voting practices to be confidential.”

SVP confirmed that given the debt-focused nature of the strategy, the firm infrequently holds securities for which proxy votes are required.

On balance, the Trustee was comfortable with SVP’s feedback on this matter.

The Plans other managers did not hold any assets with voting rights over the Plan Year.