

MICHELIN PENSION AND LIFE ASSURANCE PLAN

***IMPLEMENTATION STATEMENT, COVERING THE PLAN YEAR
FROM 1 APRIL 2025 TO 31 MARCH 2026***

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 (1 April 2025 to 31 March 2026), 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:

pensions.michelin.co.uk/library

1 INTRODUCTION

The Plan's long-term investment strategy, which was in place during the Plan Year, is to hold a bulk annuity policy ("buy-in") in respect of over 95% of the Plan's liabilities.

No review of the Plan's SIP was undertaken during the Plan Year. The SIP that was in place during the Plan Year was last reviewed and updated 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 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 one so.

2 INVESTMENT OBJECTIVES

The Trustee's objectives 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 (i.e., the asset value should be at least that of its liabilities on this basis).

As at 31 March 2026, 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 Plan's long-term investment strategy, which was in place during the Plan Year, is to hold a bulk annuity policy ("buy-in") in respect of over 95% of 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 in the previous Plan Year 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).

No review of the Plan's SIP was undertaken during the Plan Year. The SIP that was in place during the Plan Year was last reviewed in September 2024, and maintains the following climate-related considerations:

- 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.

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 stewardship¹ 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 previous 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).

4.1 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 in 2024, the interest rate and inflation risk for the vast majority of the Plan's liabilities are being mitigated 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. Over the Plan Year the Trustee targeted 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 2026, 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.

¹ The 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.

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 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.

7 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).

The Trustee is 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.

During the previous Plan Year, 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. LCP will refresh this analysis during the next Plan Year.

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.

For the 2024-25 Plan Year, the Trustee prepared TCFD (Taskforce on Climate-related Financial Disclosures) reporting for large pension schemes. As part of preparing TCFD reporting for the 2024-25 Plan Year, during the 2025-26 Plan Year the Trustee:

- 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 2024-25 TCFD report which is available online: pensions.michelin.co.uk/library

Given the lower value of the Plan's net assets (excluding buy-ins) as at the start of the 2025-26 Plan Year, the Trustee received legal advice that TCFD reporting for the 2025-26 Plan Year is not mandatory. As such, the Trustee has decided to cease this activity after considering the nature of the Plan's remaining (non-buy-in) assets, and the cost of this activity.

The Trustee did not take into account any non-financial matters over the Plan Year (i.e., 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:

BSP (opportunistic credit)

"As a credit manager, proxy voting is not material within the context of our activities. The number of occasions when Benefit Street Partners Limited ("BSP Ltd") will be engaged in proxy voting will be limited. It is most likely to occur with high yield bond investments, where an allocation may take on formal voting rights. In such instances, BSP Ltd uses the opportunity to vote on matters concerning governance and corporate responsibility.

BSP Ltd generally will not be called upon to vote for proxies for its syndicated loan and Direct Lending investments because of the nature of the instruments involved in the investment strategy (i.e., loans rather than securities). An exception may be when BSP Ltd holds loan investments which could be converted to voting securities.

Proxy votes are also not generally conducted for corporate bonds. Proxy votes may take place from time to time in respect of structured credit investments, in the vast majority of cases this would be where our funds hold the equity tranche. This is typically regarding matters such as calling or refinancing the deal. Sometimes AAA holders, and even more rarely holders of other tranches, are asked to vote on CLO deal documentation matters such as CLO Weighted Average Life (WAL) test extension. When voting in proxy for our structured credit investors we will act in the best economic interests of each fund or account that is entitled to vote, i.e. with a view toward enhancing the economic value of the aggregate investments in that CLO issuer held by each fund or account. This may lead to BSP Ltd submitting different proxy vote responses on behalf of the various funds or accounts it manages.

When engaged by a client to provide discretionary advisory services, BSP Ltd is typically delegated the responsibility to vote on matters considered at portfolio companies' shareholder meetings, usually by means of a proxy ballot ("proxy voting"). In these instances, BSP Ltd has a duty to monitor corporate events and to vote proxies in the best interest of its client and not subrogate the interests of its clients to its own interests. This generally means voting with a view toward enhancing the economic value of the investment.

When it has voting responsibility, BSP Ltd will make every attempt to vote when given an opportunity to do so. However, there may be instances when the Firm is unable or unwilling to vote because of legal or operational difficulties or because it believes the administrative burden and/or associated cost exceeds the expected benefit to a client. BSP Ltd reviews the circumstances for each vote to determine which stance would best serve its clients and aims to act accordingly."

The Trustee was comfortable with BSP'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.