

Continental Teves UK Employee Benefits Scheme ('the Scheme')

Annual Implementation Statement for the Year Ended 31 December 2023

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") for the DB Section and DC Section (the "DB SIP" and "DC SIP", respectively) produced by the Trustees has been followed during the year running from 1 January 2023 to 31 December 2023 (the "Scheme Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant versions of the DB SIP and DC SIP that were in place for the Scheme Year, which was the SIPs dated September 2020, superseded during the Scheme Year by the SIPs dated August 2023.

Section 2.1 of this statement sets out the investment objectives of the Scheme.

Section 2.2 of this statement sets out how, and the extent to which, the policies in the DB SIP and DC SIP have been followed. **The Trustees can confirm that all policies in the DB SIP and DC SIP have been followed in the Scheme Year.**



A copy of the SIP is available at <https://www.continentaltevesukltd.co.uk>.

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers within each Section of the Scheme.



2. Statement of Investment Principles

2.1. Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the objectives they have set.



The objectives for the DB Section of the Scheme specified in the DB SIP are as follows:

- To achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.
- To maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.



For the DC Section of the Scheme, the Trustees' objective is to provide members with an investment strategy aligned to the needs of their members that will produce an acceptable level of return on investments in order to build up a savings pot which will be used in retirement.

2.2. Assessment of how the policies in the DB SIP and DC SIP have been followed for the Scheme Year

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the DB SIP and DC SIPs in place during the Scheme Year (SIPS dated September 2020, superseded in August 2023), relating to the DB Section and DC Section of the Scheme.



In summary, it is the Trustees' view that the policies in the DB SIP and DC SIP have been followed during the Scheme Year.



Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustees consult a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 3 of the DB SIP and Section 1 of the DC SIP.



How has this policy been met over the Scheme Year?

No changes were made to the Scheme's DB investment strategy over the year to 31 December 2023.

After year-end, the Trustees received formal advice from Mercer regarding the proposed de-risking of the Scheme's DB investment strategy.



How has this policy been met over the Scheme Year?

No changes were made to the Scheme's DC investment strategy over the year to 31 December 2023.

A triennial investment strategy review was started during the Scheme Year and provided to the Trustees post year end, which the Trustees are considering. Should any recommendations be agreed, formal advice will be provided to the Trustees on that basis.

Realisation of Investments

Policy

The Trustees' policy is that the Scheme's assets should offer sufficient liquidity to meet ongoing cashflow requirements, so that realisation of assets will not disrupt the Scheme's overall investment policy and objectives.



Policy

Further details are set out in Section 5 and Appendix 2 of the DB SIP.

How has this policy been met over the Scheme Year?

Over the year, the Scheme held a diversified portfolio consisting mostly of readily-realiseable assets.

Income is distributed from the Scheme's assets, where appropriate, on a monthly basis and is paid into the Trustee bank account. This is then used to meet cashflow requirements of the Scheme.

The Scheme is invested in daily-dealt funds, which the Trustees are confident provide sufficient liquidity to meet ongoing cashflow requirements.



Policy

Further details are set out in Section 3 and Section 6 of the DC SIP.

How has this policy met over the Scheme Year?

Members' investments within the DC Section are traded and priced on a daily basis to ensure ongoing cash flow can be met. There were no issues with liquidity during the Scheme Year.

As part of the annual Small Scheme Value for Members assessment and Chair Statement, the promptness and accuracy of core financial transactions (such as receipt of contributions, settlement of transfer values and payment to scheme beneficiaries) was reviewed and considered reasonable.



Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustees' policies

Policy

The Trustees' policy is set out in Section 6 of the DB SIP and Section 7 of the DC SIP.



How has this policy been met over the Scheme Year?

As the Trustees invest in pooled investment funds, they accept that they cannot specify the risk profile and return targets for these funds. However, appropriate funds have been selected to align with the investment strategy.



How has this policy been met over the Scheme Year?

The Trustees invest in exclusively pooled investment funds, they accept that they cannot have further specifications of the risk profile and return targets for these funds.

Evaluation of the asset manager's performance and the remuneration for asset management services

Policy

The Trustees' policy is set out in Section 6 of the DB SIP and Section 7 of the DC SIP.



How has this policy been met over the Scheme Year?

Over the year to 31 December 2023, the Trustees received an annual investment performance report, which included both one-year and longer-term performance metrics for all of the Scheme's investment mandates at both an asset class and investment manager level.



How has this policy been met over the Scheme Year?

Over the year to 31 December 2023, the Trustees received updates regarding Scheme fund performance vs their benchmarks over both quarter and longer-term periods at each Trustee meeting. Performance is also considered as part of the annual Value for Members assessment, which concluded the Scheme's net performance represented reasonable value for members.

The charges paid to LGIM for their services were analysed as part of the annual Small Scheme Value for Members assessment for the DC Section, which was conducted by the Scheme's Investment Consultant. The Investment Consultant determined that the funds available to members were competitively priced.

Both performance and fees were also assessed as part of the investment strategy review, started during the Scheme Year.



Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Trustees' policy is set out in Section 6 of the DB SIP and Section 7 of the DC SIP.



How has this policy been met over the Scheme Year?

As noted in the SIP, the Trustees do not explicitly monitor portfolio turnover costs with respect to the DB Section of the Scheme. Investment manager performance was reported gross of fees and net of turnover costs.



How has this policy been met over the Scheme Year?

Transaction costs are disclosed in the annual Chair's Statement and Small Scheme Value for Member Assessment. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager.

The duration of the arrangement with the asset manager

Policy

The Trustees are a long-term investor and do not seek to change the investment arrangements on a frequent basis. The Trustees' policy is set out in Section 6 of the DB SIP and Section 7 of the DC SIP.



How has this policy been met over the Scheme Year?

Over the year to 31 December 2023, there were no strategic changes to the Scheme's investments.

After year-end, the Trustees, after taking advice from Mercer, agreed to reduce risk within the DB section by fully redeeming the Scheme's holdings in the Columbia Threadneedle Multi-asset Fund and subsequently restructure the Scheme's bond portfolio in order to better hedge the broad characteristics of the Scheme's liabilities arising from movements in interest rates and inflation rates.



How has this policy been met over the Scheme Year?

Over the year to 31 December 2023, there were no strategic changes to the Scheme's investments.

The triennial investment strategy review commenced in the latter part of the Scheme Year and the Trustees considered the outcome of this review after the Scheme Year.



Environmental, Social and Governance (“ESG”)

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

The Scheme’s SIP outlines the Trustees’ beliefs on ESG factors (including climate change). Further details are included in Section 4 of the DB SIP and Section 5 of the DC SIP. The Trustees keep their policies under regular review.

How has this policy been met over the Scheme Year?



The Trustees review the ESG rating provided by Mercer as part of the Scheme’s regular monthly valuation reporting.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments.

The Trustees do not require the Scheme’s investment managers to take non-financial matters into account in their selection, retention and realisation of investments.

In April 2023, after the Scheme Year-End, the Trustees received training from Mercer on the DWP’s new regulations regarding the requirement for pension scheme trustees to agree upon a definition of “most significant votes” and provide the necessary voting disclosures within the annual Implementation Statement. The Trustees’ agreed definition is outlined in the section on “most significant votes”.

An investment strategy review was commissioned for the DC section during the Scheme Year (concluded post year end). As part of this, ESG factors and Mercer ESG ratings were considered when reviewing investment funds and managers.



Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters).

Policy

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the investment managers. Further details are set out in Section 4 of the DB SIP and Section 5 of the DC SIP.

How has this policy been met over the Scheme Year?



The Trustees have delegated the decision on how to exercise voting rights to their investment managers under the terms of the investment arrangements with the managers. The Trustees expect the investment managers to exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourages the Scheme's underlying manager who is regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Investment managers are expected to take into account current best practice, including UK Corporate Governance Code and the UK Stewardship Code and to provide reporting on a regular basis, at least annually including stewardship monitoring results.

The Trustees expect the Scheme's investment manager to use their influence as major institutional investors to pursue the Trustees' rights and duties as an investor in the pooled fund including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good governance, accountability, and positive change.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees (having sought advice) will exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme's membership.

The Trustees monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers.

The DB and DC Section invests solely in pooled funds, and therefore the Trustee requires the investment managers to engage with the investee companies on its behalf.

Section 3 sets out some examples of engagement activity undertaken by the Scheme's investment managers over the period and section 4 sets out a summary of voting activity and the most 'significant votes' (as defined by the Trustees) which were cast on behalf of the Trustees by these investment managers.



Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments



Policy

The Trustees' policy on the kinds of investments to be held and the balance between different kinds of investments can be found under Section 4 of the DB SIP.

How has this policy been met over the Scheme Year?

The Trustees regard the basic distribution and balance of the assets to be appropriate for the Scheme's objectives and liability profile.

After year-end, the Trustees agreed to fully redeem their growth assets and restructure the assets within the Scheme's bond portfolio to better match the Scheme's liability profile. This was implemented in order to reduce the interest rate and inflation risks, as well as overall portfolio risk.



Policy

The Trustees' policy on the kind of investments to be held and the balance between different kinds of investments can be found under Section 3 of the DC SIP.

How has this policy been met over the Scheme Year?

The default investment strategy is designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach in so far as is practical, to meet the needs of the Scheme's members. The Trustees, with the help of their Investment Consultant, carry out regular assessments of the performance of the default investment strategy and its design to ensure it continues to remain appropriate for the membership.

The Trustees recognise that the default investment strategy might not meet the needs of all members and as such, alternative investment options are available for members to choose from a range of self-select funds.

The strategic asset allocation and member demographics of the default lifestyle option is reviewed on a triennial basis. The Trustees began the latest review during the Scheme Year with assistance from the Scheme's investment consultant. The Trustee considered the recommendations from this review following the Scheme Year.



Risks, including the ways in which risks are to be measured and managed

Policy

The Trustees recognise a number of risks involved in the investment of the assets and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under Section 5 of the DB SIP and Section 6 of the DC SIP.

How has this policy been met over the Scheme Year?

The Trustees consider and manage these risks during the year as described in Section 5 of the DB SIP and Section 6 of the DC SIP. A risk register is maintained and regularly updated by the Trustees in order to monitor these risks.

3. Examples of Engagement Activity by the Scheme's Investment Managers



Threadneedle engages with Air Liquide on its energy transition plans

Air Liquide is a French multinational company in the CAC 40 index, that specialises in supplying industrial gasses to a variety of industries, including medical technology, chemical engineering and electronics companies.

Threadneedle believed that the company's transparency surrounding their transition plans was somewhat lacking and wanted to get better insight on the investment and growth plans around hydrogen and, more broadly, energy transition technologies. Threadneedle also sought an update from the company on their progress towards their explicit net zero targets. In the first instance, Threadneedle arranged a call with the CEO, attended by the portfolio manager and the Responsible Investment analyst, to discuss their concerns.

Off the back of their discussions and engagement with the company, Air Liquide continues to make improvement in its climate targets without having any negative impact on their financials. Threadneedle believes that the company is well positioned to increase its exposure on hydrogen and is part of numerous hydrogen projects in the EU. The company is focused on providing a full range of products to its customers that add value across the value chain of the energy transition, from carbon capture projects and uses of carbon capture, to green hydrogen production.

The call provided valuable insight on how the company is enabling different energy transition technologies and maximising the growing opportunities.



LGIM engages with Nucor Corp on decarbonisation

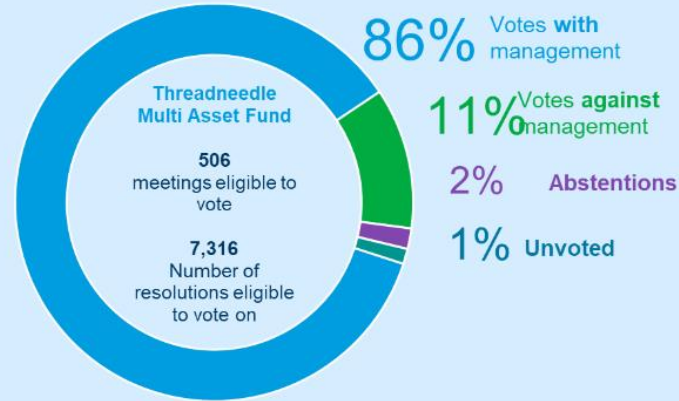
Nucor Corp, one of the "dial-mover" companies selected under LGIM's Climate Impact Pledge, has made a significant commitment towards achieving net-zero emissions. LGIM is pleased to see that Nucor has announced a net-zero emissions commitment with interim targets and a published decarbonisation plan. As the largest steel producer in the US and among the top 20 globally, Nucor plays a pivotal role in the energy transition, particularly in the auto industry and renewable energy infrastructure.

LGIM's engagements under the Climate Impact Pledge are guided by sector-specific frameworks and "red lines," which include a commitment to achieving net-zero operational emissions. In the 2023 AGM, LGIM voted against the Chair of Nucor for failing to meet this "red line", so LGIM welcome the announcement of the Company's commitment, interim targets and plan.

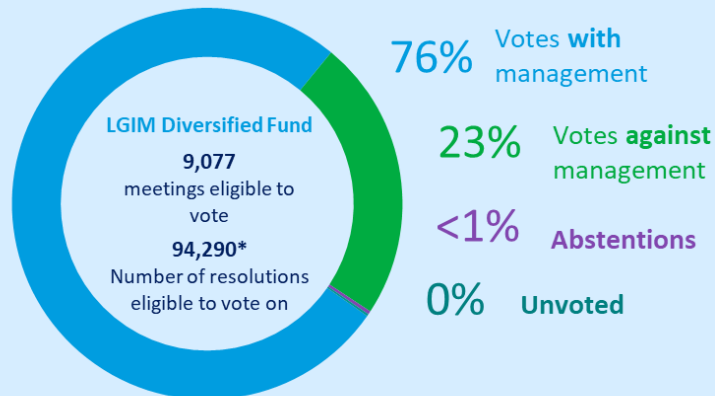
LGIM's engagement with Nucor will continue as part of the Climate Impact Pledge in 2024. The next Climate Impact Pledge update, scheduled for June 2024, will provide information on voting and divestment sanctions, as well as any reinstatement decisions. LGIM remains committed to driving market-level improvements and looks forward to further collaboration with Nucor in achieving their shared sustainability goals.

4. Voting Activity during the Scheme Year DB DC

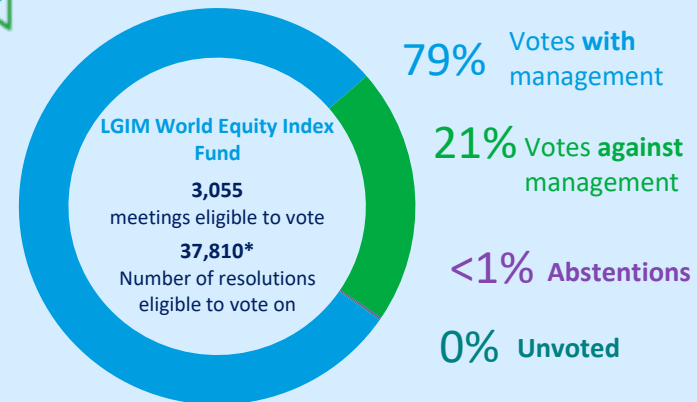
Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DB and DC Sections of the Scheme. Funds where voting is not applicable (i.e. most non-equity funds) are not included in the list below.



98.8% of resolutions voted on



*99.8% of resolutions voted on



*99.9% of resolutions voted on

Voting data covering the period from 1 January 2023 to 31 December 2023.
 Source: Investment managers, data may not sum due to rounding.



Most significant votes









A “Significant Vote” is defined as one that is related to the Scheme’s beliefs and stewardship priorities, which refers to voting in relation to reduction in carbon emissions and board diversity and/or it is a significant proportion of the portfolio. The top 3 votes (by approximate size of holding) per fund included below are those that the Trustee believe to be most significant based on the Trustee’s beliefs and stewardship priorities.















Resolution **not** passed



Resolution passed

Manager	Approximate Portion of Fund (%)	Fund	Company	Date of vote	How the Manager voted	Rationale of Manager vote and next steps	Final outcome following the vote	Why vote is significant
 Threadneedle	0.81%	Multi Asset Fund	Amazon.com, Inc	24 May 2023	Threadneedle voted to report on the impact of the Company’s climate change strategy, consistent With Just Transition guidelines	Threadneedle believes that climate change presents ongoing and serious risks to shareholder value. Additional information on the company’s strategy and competitive positioning is merited		The Trustee has deemed votes related to climate change to be a significant vote.
					Threadneedle abstained from voting to report on the Company’s efforts to reduce plastic use			The Trustee has deemed votes related to climate change to be a significant vote.
					Threadneedle voted against reporting on climate risk in the Company’s retirement plan options			The Trustee has deemed votes related to climate change to be a significant vote.
	0.20%		NIKE, Inc.	12 September 2023	Threadneedle voted for a report on Median Gender/Racial Pay Gap	The proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management.		The Trustee has deemed board diversity to be a significant vote.
	0.10%		TotalEnergies SE	26 May 2023	Threadneedle voted for Align Targets for Indirect Scope 3 Emissions with the Paris Climate Agreement (Advisory)	Threadneedle are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company’s existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. Current disclosure does not sufficiently provide investors such information.		The Trustee has deemed votes related to climate change to be a significant vote

Manager	Approximate Portion of Fund (%)	Fund	Company	Date of vote	How the Manager voted	Rationale of Manager vote and next steps	Final outcome following the vote	Why vote is significant
 LGIM	0.35%	Diversified Fund	NextEra Energy, Inc	18 May 2023	LGIM voted against (against management recommendation) the election of Director Sherry S Barrat	Independence: A vote against is applied as LGIM expects the Lead Director to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. .		The Trustee has deemed votes related to board diversity to be a significant vote.
 LGIM	0.42%	Diversified Fund	Prologis, Inc.	4 May 2023	LGIM voted against electing Director Jeffrey L. Skelton	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Additionally, the company has an all-male Executive Committee. LGIM will continue to engage with their investee companies, publicly advocate our position on this issue and monitor company and market-level progress.		The Trustee has deemed votes related to board diversity to be a significant vote.
 LGIM	0.30%	Diversified Fund	Shell Plc	23 May 2023	LGIM voted against the approval of the Shell Energy Transition Progress	Climate change: LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the leadership in pursuing low carbon products. However, they remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory. LGIM continues to undertake extensive engagement with Shell on its climate transition plans.		The Trustee has deemed votes related to climate change to be a significant vote.
 LGIM	1.63%	World Equity Index Fund	Amazon.com	24 May 2023	LGIM voted for the Report on Median and Adjusted Gender/Racial Pay Gaps	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as they believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society. LGIM will continue to engage with the company and monitor progress.		The Trustee has deemed votes related to diversity to be a significant vote.

Manager	Approximate Portion of Fund (%)	Fund	Company	Date of vote	How the Manager voted	Rationale of Manager vote and next steps	Final outcome following the vote	Why vote is significant
 LGIM	1.56%	World Equity Index Fund	NVIDIA Corporation	22 June 2023	LGIM voted against electing Director Stephen C. Neal	<p>Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>		The Trustee has deemed votes related to board diversity to be a significant vote.
 LGIM	0.74%	World Equity Index Fund	Tesla, Inc.	16 May 2023	LGIM voted against electing Director Robyn Denholm	<p>Diversity: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least 1 female.</p> <p>A vote AGAINST audit committee chair Robyn Denholm is warranted given concerns on the risk oversight function of the board, in light of the pledging of a significant amount of the company's stock by certain directors and executives.</p>		The Trustee has deemed votes related to board diversity to be a significant vote.

Source: Investment managers.

Proxy Voting Policies



Columbia Threadneedle deploy their specialist corporate governance team on the most complex and sensitive cases, while voting on more routine, straightforward votes are cast using the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) who also provide recordkeeping and vote disclosure services. Threadneedle retain Glass, Lewis & Co., IVIS (in the UK) and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities. Other internal and external research is used to support vote decisions as appropriate.



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 strategy decisions. To ensure their proxy provide votes in accordance with our position on ESG, they have put in place a custom voting policy with specific voting instructions.