

Cummins UK Pension Plan

Chair's Governance Statement for the Plan Year to 31 December 2021

Introduction

The Chair's statement is designed to provide members with key information and assurances regarding the proper running of the Plan and the value it provides. The Plan is used as a qualifying scheme for auto-enrolment purposes.

This statement has been prepared by the Plan Trustee in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. It describes how the Trustee has met the statutory governance standards in relation to the Defined Contribution ('DC') arrangements during the Plan year ended 31 December 2021 in the following areas:

- the default investment arrangements;
- requirements for processing core financial transactions;
- assessment of charges and transaction costs;
- performance of the Plan's investments;
- assessment of value for members; and
- the requirement for Trustee Knowledge and Understanding.

The Trustee has agreed that the 'charges year' for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 shall be the same as the Plan year (the year to 31 December).

The statement also includes information relating to charges and transaction costs and includes 'pounds and pence' illustrations demonstrating the potential impact of costs and charges on a member's DC savings over the course of their Plan membership.

COVID-19

During 2020 and 2021, the Trustee Directors worked closely with their advisors and service providers to monitor the impact of COVID-19 on the Plan. This work included close monitoring of the administration service and investment performance and considering the pandemic's long-term implications on the Plan's DB and DC Sections.

Default investment arrangements

Appended to this statement is a copy of the Trustee's latest Statement of Investment Principles ('SIP'). This document governs the Trustee's investment decisions, including its aims, objectives and policies for the Plan's default investment arrangement. This document is prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. In particular, the SIP covers how the default investment arrangements are intended to ensure that assets are invested in the best interests of members and their beneficiaries.

The Plan's default investment arrangement is one of the Plan's 'Lifestyle options' (previously known as 'Flexicycle options'). The Lifestyle options provide members with a 'hands-off' way of investing their Personal Account (the individual savings account that each DC Section member has).

The main aim of the Lifestyle options is to invest in funds which have the potential to increase in value over time for an appropriate level of risk. In principle, investing in higher-risk funds (like equities) while members are a long way from retirement means that Personal Accounts have time to grow, but also have time to recover if these funds fall in value. As members approach retirement, their investments are gradually moved

from higher-risk funds into more stable funds (like bonds and cash), while also targeting a specific form of retirement benefit.

The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the Plan's default arrangement(s). The Trustee monitors the performance of all investment options on a quarterly basis. The Trustee will periodically, and on no less than a three-yearly cycle, review the appropriateness of the default arrangement for the Plan membership, and if necessary, make changes to the design. It will undertake an earlier review if there are any significant changes in investment policy or member demographics.

The Trustee carried out its most recent triennial investment strategy review in 2020, discussing and agreeing the strategy at various meetings throughout the year, including ISC meetings on 19 February, 6 May and 7 August and the Trustee meeting on 9 June. The review was carried out with the help of the Trustee's investment advisor. It considered the Plan's member demographics, including member risk tolerance and expected retirement decisions based on past choices made by Plan members and wider industry experience.

The Trustee agreed the changes to the default investment options which came into effect from 1 December 2020 and as summarised below.

- Employees who are automatically enrolled into the Plan are automatically invested in the 'Continued growth' Lifestyle, this is known as a default investment arrangement. The 'continued growth' Lifestyle does not target a specific retirement option, rather invests in a way that would be suitable for a member taking any retirement option. Members who were more than three years from retirement as at 1 December 2020 who were in the previous default investment arrangement were transferred to this Lifestyle.
- Members within three years of their selected retirement date remained in the Lifestyle that targets taking a guaranteed income (by purchasing an annuity from an insurance provider at retirement). This is also classed as a default investment arrangement.

Details of all the Plan's investment options, including the Lifestyle options and the self-select fund range, are explained in the **Investment Guide** which was last reviewed and updated in March 2021. This can be found on the Plan website: <https://www.cumminsukpensions.co.uk/>.

Processing of core financial transactions

With the help of the Plan administrator, Premier Pensions, the Trustee regularly monitors the Plan's core financial transactions. These include the investment of contributions, transfers of assets into and out of the Plan, fund switches, and payments out of the Plan to and in respect of members.

Premier Pensions has provided the Trustee with assurances that there were adequate internal controls in place to ensure core financial transactions were processed promptly and accurately during the Plan year. With the help of Premier, the Trustee regularly monitors the Plan's core financial transactions. An unqualified opinion was issued with respect to Premier Pensions' latest AAF Report. No exceptions were identified within the Report. Disaster recovery plans are in place and no issues relating to financial transactions are outstanding at the year end.

Premier Pensions has various controls in place to ensure core financial transactions are completed in a timely and accurate fashion. These include a payment authorisation process, with payments below £75,000 being authorised by one person, and payments greater than this amount being authorised by two people. There are maximum limits on who can authorise payments by employee seniority. Suitable documentary evidence must be obtained and appended to all transactions, both payments and receipts. This is reviewed by all parties authorising the payment to ensure that the payment is genuine and processed correctly.

All payments, receipts and cash flow notices are raised, tracked and authorised through Premier Pensions' electronic workflow management system. The system enforces mandatory processes and protocols to ensure authorisations are carried out by the correct individuals. The work management system is only accessible by Premier Pensions' administration team. The Treasury team monitor bank accounts daily and reconcile them monthly. Contributions are reconciled with the Cummins administration team and at the year-end as part of the accounts process.

During the review period, the Trustee considered the controls the administrator had in place to monitor and process core financial transactions and was satisfied that reporting from the Plan administrator evidenced that such financial transactions were processed promptly and accurately. Quarterly reporting demonstrated that the administrator was operating within the agreed service levels and within the statutory disclosure limits. There were no issues or breaches raised in the quarterly reports during the Plan year.

The Trustee, having considered these reports, has concluded that the Plan's core financial transactions have been processed promptly and accurately during the Plan year.

Assessment of charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are the annual fund management charges plus any additional fund expenses (such as custody costs, but excluding transaction costs), which in total is known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Trustee is also required to separately disclose the transactions costs borne by members over the period.

The Trustee has calculated the 'charges' and the 'transaction costs', borne by members during the Plan year based on information provided to the Trustee by the Plan's investment manager taking account of the statutory guidance for the calculations and provision of information relating to charges and transaction costs.

For these purposes 'charges' means Plan administration charges excluding transaction costs, costs relating to certain court orders, charges relating to pension sharing under the Welfare Reform and Pensions Act 1999, winding up costs, or costs solely associated with the provision of death benefits. 'Transaction costs' are those incurred as a result of buying, selling, lending or borrowing investments.

The table below lists the charges and transaction costs applying to all the Plan's DC investment funds. The charges paid by members relate solely to accessing the investments. Costs associated with the provision of administration and communications services is met by the Trustee. Further details are provided in the Value for Members section below.

All charges and transaction cost information has been provided by LGIM, the Plan's investment platform provider. None of the charges or transaction cost information is missing for the year to 31 December 2021.

It should be noted that, due to the universal method used to calculate transaction costs, transaction costs reported by the investment platform provider can be negative, meaning the price of a trade when transacted was lower than when the instruction to make the trade took place.

Fund Name	Charges			Transaction Costs	Total Annual Charge	Default Arrangements
	Annual Management Charge	Additional Expenses	Total Expense Ratio			
Lifestyle options Funds						
Accelerated Growth Fund	0.19%	0.00%	0.19%	0.04%	0.23%	Yes
Moderate Growth Fund	0.18%	0.02%	0.20%	-0.04%	0.16%	Yes
Pre-retirement Fund	0.14%	0.00%	0.14%	-0.02%	0.12%	Yes
Cash Fund	0.12%	0.00%	0.12%	0.02%	0.14%	Yes
Self-Select Funds						
UK Equity Fund	0.10%	0.08%	0.18%	0.02%	0.20%	No
Ethical Global Equity Fund	0.30%	0.00%	0.30%	0.00%	0.30%	No
World Equity Fund	0.13%	0.00%	0.13%	-0.01%	0.12%	No
World Equity (GBP Hedged) Fund	0.15%	0.00%	0.15%	0.03%	0.18%	No
World Emerging Market Equity	0.34%	0.02%	0.36%	0.02%	0.38%	No
AAA-AA-A All Stocks Bonds Fund	0.15%	0.00%	0.15%	-0.03%	0.12%	No
Property Fund	0.74%	0.14%	0.88%	-0.32%	0.56%	No
HSBC Islamic Titans	0.35%	0.00%	0.35%	0.13%	0.48%	No
Cash Fund	0.12%	0.00%	0.12%	0.02%	0.14%	No

For the Plan's default arrangements, the 'continued growth' Lifestyle and the 'annuity protection' Lifestyle, a member's investments change automatically as they approach their selected retirement age. Depending on a member's term to retirement, and therefore the asset allocation, the charges and transaction costs applied to a member's investments on an annual basis will differ.

In addition to the default arrangements, members also have the option to invest in a Lifestyle targeting cash withdrawal at retirement, and a variety of self-select investments listed above.

Charges for the Plan's default arrangements are comfortably below the 'charge cap' of 0.75% per annum (this cap applies to pension schemes where members are automatically enrolled in line with legislation) during the Plan year.

Performance of investment funds

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for trustees of relevant occupational pension schemes. From 1 October 2021 trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges and recorded in the Chair's Statement.

As the Plan uses Lifestyles where the net returns will vary depending on member age, the Trustee has shown age specific results for savers aged 25, 45, and 55 at the start of the reporting period.

Fund Name	1 year performance (%)	3 year performance (per annum) (%)	5 year performance (per annum) (%)
Lifestyles			
<i>Continued growth</i>			
Member aged 25	20.1	15.2	10.5
Member aged 45	20.1	15.2	10.5
Member aged 55	9.1	9.8	6.6
<i>Annuity protection</i>			
Member aged 25	20.1	15.2	10.5
Member aged 45	20.1	15.2	10.5
Member aged 55	9.1	9.8	6.6
<i>Cash focused</i>			
Member aged 25	20.1	15.2	10.5
Member aged 45	20.1	15.2	10.5
Member aged 55	9.1	9.8	6.6
Self-Select Funds			
Accelerated Growth Fund	20.1	15.2	10.5
Moderate Growth Fund	9.1	9.8	6.6
Pre-retirement Fund	-5.1	5.7	3.9
Cash Fund	-0.1	0.2	0.2
UK Equity Fund	17.8	8.3	5.4
Ethical Global Equity Fund	25.0	20.4	13.7
World Equity Fund	22.7	19.5	13.1
World Equity (GBP Hedged) Fund	23.5	20.2	13.4
World Emerging Market Equity	0.7	9.1	7.5
AAA-AA-A All Stocks Bonds Fund	-3.9	3.5	2.6
Property Fund	19.2	6.3	6.0
HSBC Islamic Titans	27.4	26.4	17.9

Whilst it is important to understand the Plan's investment performance, it is also important to remember that pensions are a long-term investment. Members shouldn't make decisions based solely on short-term investment performance (either up or down). Also remember that investments can go down as well as up, and you may not get back the amount that you invest.

Pounds and pence illustration

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to produce a '£ and pence illustration' showing the compounded effect of charges and transaction costs on a member's retirement savings. Over a period of time, the charges and transactions costs that are taken out of a member's retirement savings can reduce the amount available to the member at retirement.

The following table gives a summary of the projected fund and the impact of charges and transaction costs from current date up to a target retirement age of 65. The figures are presented against three member examples:

- The Plan's youngest member;
- an average member; and
- a member approaching retirement.

Additionally, the table includes the performance of the funds over different time periods depending on the age of the member. The Trustee has decided to show the impact of investing in four of the available investment options. Whilst these funds may not be the most expensive or have the highest expected return, the Trustee has selected these as they have a significant amount of assets invested or are used by a significant proportion of the membership. These investments and funds combined represent c99% of the Plan's total DC assets. These are the:

- **Continued growth Lifestyle** – the default investment option for all new members;
- **Guaranteed income focused Lifestyle** – the existing default investment option for members within 3 years of their selected retirement date;
- **Pre-Retirement Fund** – fund with a significant amount of assets invested; and
- **Cash Fund** – fund with the lowest expected return before costs.

The Trustee has taken account of the DWP's statutory guidance on 'Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes' when preparing these illustrations. The assumptions used to calculate the illustrations are included at the end of this statement. **It is important to note that the projected fund values are shown in today's terms. The figures are produced for illustrative purposes only and are in no way guaranteed.**

Example Member	Years	Lifestyle – Continued growth option		Lifestyle - Guaranteed income focussed option		Pre-Retirement Fund		Cash Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member	1	£2,400	£2,400	£2,400	£2,400	£2,400	£2,400	£2,400	£2,400
	3	£7,600	£7,600	£7,600	£7,600	£7,100	£7,100	£7,100	£7,100
	5	£13,100	£13,000	£13,100	£13,000	£11,800	£11,700	£11,700	£11,700
	10	£28,700	£28,300	£28,700	£28,300	£23,100	£22,900	£23,000	£22,800
	15	£47,200	£46,300	£47,200	£46,300	£34,000	£33,600	£33,700	£33,400
	20	£69,100	£67,400	£69,100	£67,400	£44,500	£43,800	£44,000	£43,500
	25	£95,200	£92,300	£95,200	£92,300	£54,600	£53,600	£53,800	£53,000
	30	£126,100	£121,300	£126,100	£121,300	£64,300	£62,900	£63,200	£62,100
	35	£158,700	£151,600	£158,700	£151,600	£73,600	£71,800	£72,200	£70,800
	40	£190,000	£180,300	£189,800	£180,200	£82,600	£80,300	£80,900	£79,000
	45	£217,500	£205,200	£213,100	£201,100	£91,200	£88,400	£89,100	£86,800
49	£235,000	£220,700	£222,800	£209,500	£97,900	£94,700	£95,400	£92,800	
Average member	1	£57,300	£57,100	£57,300	£57,100	£55,000	£54,900	£54,900	£54,900
	3	£72,300	£71,900	£72,300	£71,900	£64,700	£64,400	£64,500	£64,300
	5	£88,300	£87,500	£88,300	£87,500	£74,200	£73,700	£73,900	£73,500
	10	£130,600	£128,400	£130,600	£128,400	£97,400	£96,300	£96,600	£95,700
	15	£173,900	£169,900	£173,700	£169,800	£119,700	£117,900	£118,300	£116,800
	20	£215,100	£209,000	£210,900	£205,000	£141,100	£138,500	£139,100	£136,900
	24	£244,300	£236,400	£232,200	£224,900	£157,700	£154,300	£155,100	£152,300
Member approaching retirement	1	£75,700	£75,600	£75,300	£75,100	£74,200	£74,100	£74,200	£74,100
	3	£87,600	£87,100	£85,900	£85,500	£83,200	£82,900	£83,000	£82,700
	5	£99,100	£98,400	£95,700	£95,000	£92,100	£91,500	£91,600	£91,100

Before charges – represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs.

After charges – represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

Assessment of Value for Members ('VFM')

The Trustee is committed to ensuring that members receive value from their Plan membership (i.e. the contributions invested, and the charges deducted from their Personal Accounts provide good value in relation to the benefits and services provided by or on behalf of the Plan). The Trustee has undertaken a VFM assessment, with support from WTW. In line with the requirements of the Pensions Regulator's DC Code of Practice, this assessment considers the extent to which services paid for by members offer good value relative to those costs. It also considers more generally the range and quality of services and benefits associated with Plan membership.

Whilst it is difficult to give a precise legal definition of "good value", in forming its conclusions, the Trustee considered matters including the Plan's management and governance, administration, investment governance and communications and the general characteristics of the Plan's membership.

The table below provides the high-level results of this year's assessment carried out on 31 March 2022. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits). Whilst the legal requirements of VFM assessments only focus on the benefits and services that are paid for by members, the Trustee has also considered the broader value provided to members which is not paid for by the member).

Benefit service category and description	Paid for by	Value for Members	Broader Value
1. Charges The competitiveness of the charges through benchmarking against both legislative and market comparators and research.	Members	Excellent value	Not Relevant
2. Scheme governance and management Oversight and governance of the Trustee, ensuring the Scheme is compliant with relevant legislation, such as the charge cap, holding regular meetings to address issues that may impact members.	Trustee/ Company	Not Relevant	Excellent value
3. Investment The range and appropriateness of the investment options and strategies, as well as the objectives of the funds and performance against these objectives.	Members	Excellent value	Excellent value
4. Administration Oversight of the efficiency of the administration processes and the performance of the administrator, not only in terms of cases completed but also considering any complaints received, how these were dealt with and interactions with members.	Trustee/ Company	Not Relevant	Excellent value
5. Communications The quality and range of communications provided and available to members in written form, face to face and online, as well as support services available to members.	Trustee/ Company	Not Relevant	Excellent value

Key:

Excellent value	Good Value	Sufficient Value	Poor Value	Not Relevant
-----------------	------------	------------------	------------	--------------

The rating for administration has been increased from last year's assessment. This is due to the significant improvement of performance against service level agreements that has been achieved during the Plan year. The administrator completed 99% of cases within SLA over the Plan year.

All other ratings remain unchanged and the Trustee believe that members receive excellent value from all areas of the Plan provisions. The Trustee define excellent value as:

‘Excellent value’ – A scheme offers excellent value for members if the scheme demonstrates it offers services that are of good / excellent quality and meet the specific needs of the membership. This would typically mean that the VFM assessment demonstrates several areas of strength and has no areas of weakness.

It should be noted that when assessing value, this does not necessarily mean the lowest cost or fee, the Trustee considers the overall quality of the services members receive and considers whether the cost of this provides value for money. The Trustee’s assessment included a review of the performance of the Plan’s investment funds (after all charges) in the context of their investment objectives. This is carried out by the investment sub-committee at quarterly intervals. The investment returns on the funds, which are largely passive investments, were in line with their stated objectives over the Plan year.

The Trustee has concluded that overall, the Plan provides **‘Excellent value’** for its members because the charges borne by members are competitive, both in absolute terms (i.e. when compared to typical levels of charges in the pensions market) and in relative terms (i.e. when considered in the context of the range and quality of services and benefits associated with Plan membership for which the member does not bear the cost).

There are many other factors that contribute to the Trustee’s rating of **‘Excellent value’**, in particular:

- Charges for the Plan's default arrangements are materially below the ‘charge cap’ of 0.75% per annum (this cap applies to pension schemes where members are automatically enrolled in line with legislation). The transaction costs incurred by the investments are reasonable and are a necessary result of investing members contributions.
- Members have access to various investment options, all of which have competitive fund management charges, and have been designed based on the Plan’s membership demographics. These include Lifestyles that target different retirement options and provide members with a range of self-select investment options. All investment options have performed in line with the Trustee’s expectations and the objectives stated in the SIP.
- Members do not currently pay for the Plan’s administration costs, professional adviser costs or any costs (other than fund management) associated with the operation of the Plan.
- The Trustee’s advisors have confirmed that the fund charges are competitive for the types of fund available to members. The default charges have been benchmarked against WTW’s 2021 FTSE 350 DC survey results.
- The Trustee is pleased with the quality and efficiency of the administration processes and performance over the year. In particular, given the improvement of performance against targets over the year.
- Members are provided with high quality communications.
- The high level of oversight and governance provided by the Trustee and its sub-committees (investment, governance and communications sub-committees).
- The availability of salary sacrifice arrangements.
- Members have access to flexible retirement options and support on a basis which is in-keeping with similar schemes. Members also have access to an advised annuity broking service at retirement.

Trustee Knowledge and Understanding ('TKU')

The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively and are committed to completing training either at relevant meetings or by personal study. Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee Directors believe they are well placed to exercise their functions as Trustee Directors of the Plan properly and effectively.

All Plan documents are reviewed by the Trustee and are available on a dedicated and secure Trustee website. At Trustee meetings, key Plan documents are referred to and reviewed if required to ensure these are being adhered to correctly when making decisions, including when deciding individual member cases. The Trustee Directors are conversant with the Plan's SIP, Trust Deed and Rules and various documents setting out the Trustee's policies and procedures. The Trustee understands when these documents require review, when and how to make changes to these documents and policies. The Trustee also believes that it has sufficient knowledge of the legal and regulatory requirements relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

There is a training log in place which is set up to meet the needs of the Trustee to ensure its knowledge is up to date. The training log is monitored regularly in line with best practice to ensure that gaps in knowledge are identified and external specialist training can be arranged as necessary. All the Trustee Directors are committed to completing training, either at relevant meetings or by personal study.

Evidence of conversance and knowledge of the key Plan documents over the reporting period included:

- production of the investment Implementation Statement, which in short is the Trustee's review of whether the investment strategy set out in the Statement of Investment Principles has been followed in practice. The Statement also includes details of investment manager voting behaviour;
- reviewing the conflicts of interest and cyber security policies.

During the Plan year, the Trustee's approach to meeting the TKU requirements included:

- receiving training sessions from its advisers during quarterly meetings to ensure the Trustee maintains an appropriate level of knowledge and understanding of current and general issues affecting pensions (2021 training topics included: TCFD, non-advised annuities, actuarial valuation assumptions, GMP equalisation, single Code of Practice, balance of powers and a scenario exercise);
- 'hot topics' and general updates being presented to the Trustee Board during regular meetings, as well as details of forthcoming training events;
- the three Trustee Directors appointed in September 2021 recently completed the Pensions Regulator's Toolkit. All other Trustee Directors have completed the relevant modules of the Toolkit, three of which have also completed the Pension Regulator's scams module;
- the Trustee Directors attend external events and webinars and provide feedback to the wider group at quarterly meetings; and
- training needs were regularly discussed during the Plan year. The Trustee's advisers continue to recommend potential training topics for the Trustee to consider. A training plan for topics has been agreed with its advisers for 2022.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustee is satisfied that it has met the relevant legislative requirements in this area.

The Governance Sub-committee reviews on an annual basis what training is deemed necessary, taking into account training that has been done over recent years, market developments and forthcoming Plan activity.

The Trustee has worked with WTW to review the Plan's compliance with the Pensions Regulator's DC Code of Practice in February 2021. Based on the findings of the review, the Trustee determined that the Plan was compliant with all legal requirements and the Plan met 147 of the Pensions Regulator's 148 expectations.

The Trustee also determined that it had exceeded the expectations of the Pensions Regulator in two areas, firstly because of the effective way the Trustee operates sub-committees to assist with decision making and the governance of the Plan, and secondly because the Trustee continues to provide members with engaging communications and support.

The Trustee Directors use their combined knowledge and understanding to:

- Manage the Plan effectively, in line with its governing documents.
- Ensure that Plan specific policies and procedures continue to be appropriate.
- Operate a communications approach which positively supports member education and retirement planning.

The Trustee Directors have also taken advice from specialist pensions (WTW), investment (LCP) and legal (CMS Cameron McKenna and Hogan Lovells) advisors, to help them to achieve their goals effectively for the year. Relevant advisors are present at Trustee and sub-committee meetings. The Trustee reviews its advisors on an annual basis. The professional advisors proactively raise any changes in governance requirements and other relevant matters as they become aware of them and will typically deliver training on such matters at Trustee meetings or specific training sessions.

The Trustee Board is made up of a diverse group of Trustee Directors. There is representation from all parts of the business and the Member Nominated Director appointment process is designed to promote diversity on the Board.

Additional Voluntary Contributions (AVCs)

There are a number of AVC arrangements linked to the Plan's DB Section. Most AVCs are now invested in the same funds available to the Plan's DC Section. The exceptions to this are with-profits funds with Aviva and Prudential, and a Prudential Deposit fund. This is due to the complexity of these products and the potential disadvantages to members of exiting these funds prior to retirement.

The Trustee has concluded that the AVC arrangements represent '**good value**' for money for members.

The Statement regarding DC Governance was approved by the Trustee and signed on its behalf by:

**Chair of the Trustee Company
Cummins UK Pension Plan**

Pounds and Pence Illustration – Assumptions

1. *Each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be.*
2. *Projected retirement account values are shown in today's terms and do not need to be adjusted for future inflation.*
3. *The illustrations are estimates and are not guaranteed. They should not be relied upon to make investment decisions. They do not indicate the likely variances and volatility in the possible outcome from each fund. The illustrations are only for the purpose of understanding the long-term effect of charges on pension saving in the different investment fund available in the Plan fund range.*
4. *Contributions and costs/charges that are shown as a monetary amount reduction are paid halfway through the year.*
5. *Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.*
6. *Charges and costs are deducted before the application of investment returns.*
7. *Charges and transaction cost information has been provided by Legal and General Investment Management, the Plan's platform provider.*
8. *Inflation is assumed to be 2.5% each year.*
9. *Contributions are assumed from age 16 to 65 and increase in line with assumed earnings inflation of 0% per year in real terms.*
10. *The real projected annual growth rates for each fund are as follow:*
 - **Lifestyle – continued growth option:** from 0.65% to 3.51% (adjusted depending on term to retirement)
 - **Lifestyle – Guaranteed income focused option:** from -0.37% to 3.51% (adjusted depending on term to retirement).
 - **Pre-Retirement Fund:** -0.77%.
 - **Cash Fund:** -0.88%.
11. *Transactions costs have been provided by Legal and General Investment Management and cover the period 1 January 2018 to 31 December 2021. Transaction costs have been averaged by WTW using a time-based approach.*
12. *Illustrations are rounded to the nearest £100 for simplicity.*
13. *The Plan's normal retirement age is 65.*
14. *Example members:*
 - **Youngest member:** age 16, total contribution: £2,400, starting fund value: nil, contribution rate: core + 4% matched.
 - **Average member:** age 41, total contribution: £5,300, starting fund value: £50,100, contribution rate: core + 3% matched.
 - **Member approaching retirement:** age 60, total contribution: £5,100, starting fund value: £69,700, contribution rate: core + 3% matched.