

Cummins UK Pension Plan

Chair's governance statement

for the Plan year to 31 December 2022



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 2022 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
- 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).

This statement also includes information relating to charges and transaction costs and provides 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.

Default investment arrangements

Alongside 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. The SIP 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. The lifestyle options provide members with a 'hands-off' way of investing their pension fund (the individual savings account held by each DC Section member).

The Trustee's long-term objective for the DC Section is to help members build up enough capital to meet their retirement objectives. In seeking to achieve this objective, the Trustee is mindful of the need to provide DC Section members with access to an appropriate range of investment options with appropriate liquidity that will generate income and capital growth which, together with new contributions from members and the participating employers, will provide a fund at retirement to target the member's selected retirement objectives.

The objective of the DC Section's default investment strategy is to generate returns significantly above inflation while members are far from retirement, and then to switch a member's pension fund automatically and gradually to lower-risk and lower-expected-return investments as they get closer to retirement, with the asset allocation at retirement designed to be appropriate for members taking income drawdown.

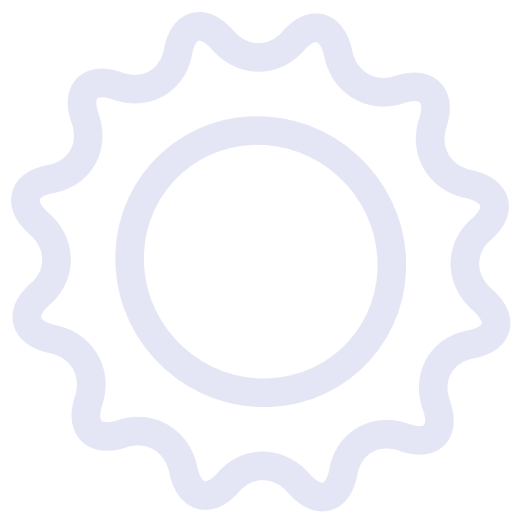
The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the Plan's default arrangement(s). The Trustee monitors the performance of all investment options on a quarterly basis. The Trustee will periodically, and on no less than 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, for example, there are any significant changes in investment policy or member demographics.

The Trustee carried out its most recent triennial investment strategy review in 2020. It considered the Plan's member demographics, including member risk tolerance and expected retirement decisions based on past choices made by Plan members, as well as wider industry experience. The Trustee also considered the outcome targets for each stage of the lifestyle options in August 2021. The Trustee agreed to make changes to the component funds that make up the lifestyle strategies.

These changes included:

- introducing a 40% allocation in the accelerated growth fund to a climate-tilted equity fund, the LGIM Low Carbon Transition Global Equity Fund
- adding a 20% allocation to equities (the equity allocation currently used for the accelerated growth fund) to the moderate growth fund
- replacing the LGIM Pre-Retirement Fund with the BlackRock Short Duration Credit Fund in the pre-retirement fund used in the continued growth lifestyle
- renaming the pre-retirement fund used in the annuity protection lifestyle to the annuity focused fund.

These changes became effective during February 2023. 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 February 2023. This can be found on the Plan website: 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, which identified no exceptions. Disaster recovery plans are in place, and no issues relating to financial transactions were 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 based on 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 at Premier monitors bank accounts daily and reconciles them monthly. Contributions are reconciled with the administration team and at the year-end as part of the accounts process.

During the review period, the Trustee considered the controls Premier Pensions 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 Premier Pensions 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 ongoing 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 transaction 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 on the next page 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 are met by the Trustee. Further details are provided in the **value-for-members section** on page 12.

All charges and transaction cost information has been provided by Legal and General Investment Management (LGIM), the Plan's investment platform provider. None of the charges or transaction cost information is missing for the year to 31 December 2022.

It should be noted that, due to the universal method used to calculate transaction costs, these 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
	Annual management charge	Additional expenses	Total expense ratio		
Lifestyle funds					
Accelerated growth fund*	0.19%	0.01%	0.20%	0.13%	0.33%
Moderate growth fund*	0.18%	0.02%	0.20%	0.03%	0.23%
Pre-retirement fund*	0.14%	0.00%	0.14%	0.08%	0.22%
Cash fund*	0.12%	0.00%	0.12%	0.03%	0.15%
Self-select funds					
UK equity fund	0.10%	0.08%	0.18%	0.04%	0.22%
Ethical global equity fund	0.30%	0.00%	0.30%	0.00%	0.30%
World equity fund	0.13%	0.00%	0.13%	0.07%	0.20%
World equity (GBP hedged) fund	0.15%	0.00%	0.15%	0.18%	0.33%
World emerging market equity	0.34%	0.02%	0.36%	0.06%	0.42%
AAA-AA-A All stocks bonds fund	0.15%	0.00%	0.15%	-0.02%	0.13%
Property fund	0.72%	0.08%	0.80%	-0.07%	0.73%
Amanah fund	0.33%	0.02%	0.35%	-0.02%	0.37%
Cash fund	0.12%	0.00%	0.12%	0.03%	0.15%

*Used as part of the default investment strategy.

Source: L&G as at 31 December 2022.

In the Plan's default arrangements, the continued growth lifestyle (DC Section members) and the cash focused lifestyle (DB members with AVCs), 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 their investments on an annual basis will differ.

(Please note that as at December 2020, members within three years of retirement were in a default arrangement – called the guaranteed income focused lifestyle – which targeted annuity purchase at retirement).

As an alternative to the default arrangement, members may choose to invest using one of two other lifestyle options, either targeting annuity purchase or cash withdrawal at retirement, or they can choose from the range 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

In line with the Occupational Pension Schemes (*Administration, Investment, Charges and Governance*) (*Amendment*) Regulations 2021 (the 2021 Regulations) the Trustee is required to calculate and state the return on investments from the default and self-select funds, net of transaction costs and charges and document them in the Chair's statement.

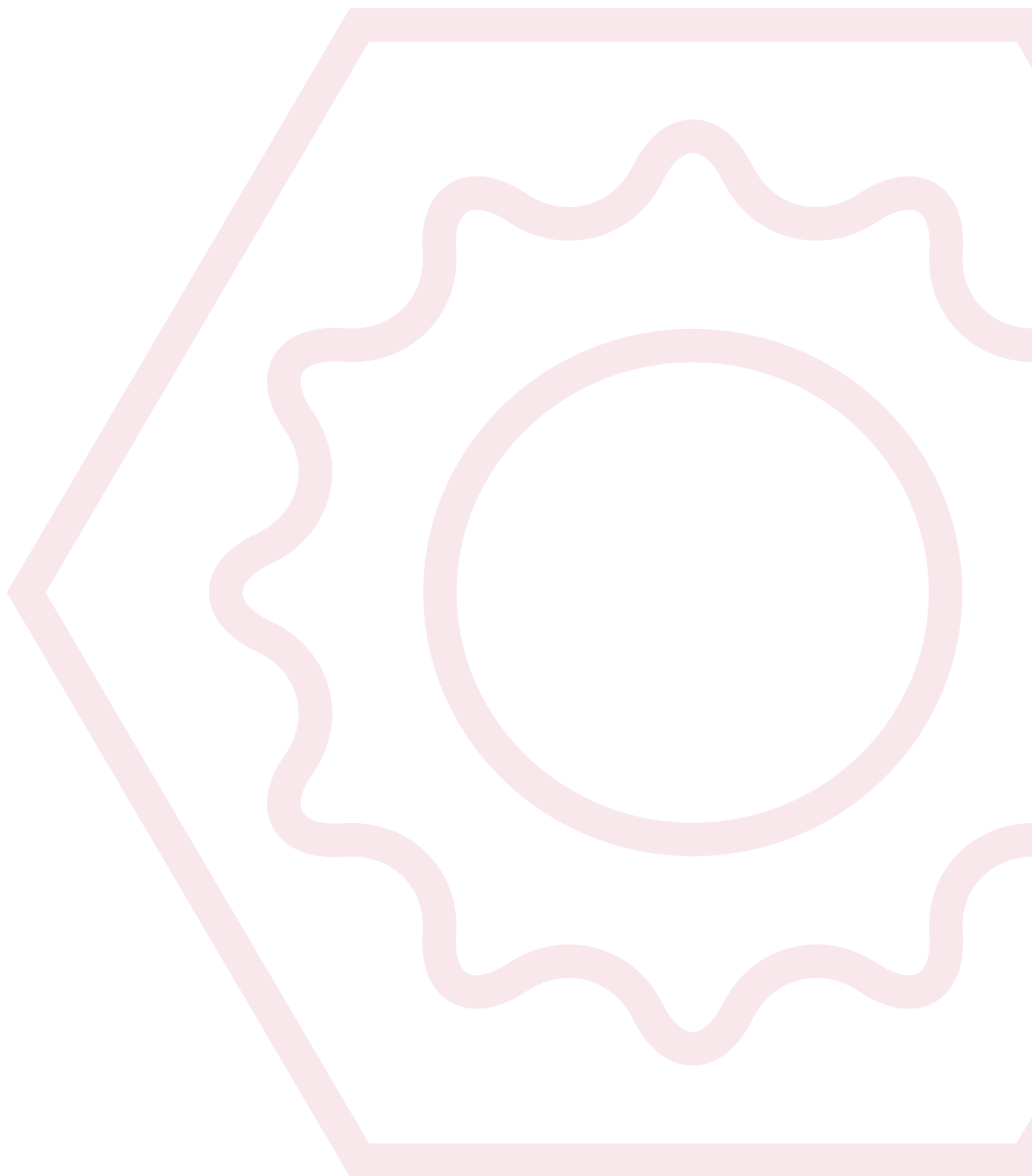
As the Plan uses lifestyle options where the net returns will vary depending on member age, the Trustee has shown age-specific results for savers aged 25, 45 and 55 at the start of the reporting period.

	Fund name	1-year performance (%)	3-year performance (% p.a.)	5-year performance (% p.a.)
Lifestyle options	Continued growth			
	Member aged 25	-1.0	7.8	6.8
	Member aged 45	-1.8	6.2	5.1
	Member aged 55	-10.2	0.2	1.5
	Annuity protection			
	Member aged 25	-1.0	7.8	6.8
	Member aged 45	-1.8	6.2	5.1
	Member aged 55	-10.9	-1.0	0.3
	Cash focused			
	Member aged 25	-1.0	7.8	6.8
	Member aged 45	-1.8	6.2	5.1
	Member aged 55	-9.1	1.5	3.1
Self-select funds	Accelerated growth fund	-1.0	7.8	6.8
	Moderate growth fund	-9.1	1.5	3.1
	Pre-retirement fund	-29.4	-9.3	-3.9
	Cash fund	1.2	0.4	0.5
	UK equity fund	0.8	2.4	3.1
	Ethical global equity fund	-6.6	9.0	9.4
	World equity fund	-7.6	8.4	8.6
	World equity (GBP hedged) fund	-16.0	5.0	5.8
	World emerging market equity	-7.6	1.2	1.9
	AAA-AA-A All stocks bonds fund	-17.3	-5.2	-1.9
	Property fund	-8.6	2.4	2.5
	Amanah fund*	-15.8	9.7	12.0

Source: L&G as at 31 December 2022.

* The Amanah fund (HSBC Islamic titans fund) was launched in October 2018, therefore performance since inception has been shown.

While it's important to understand the Plan's investment performance, it's 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, so 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 pounds-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 transaction costs that are taken out of a member's retirement savings can reduce the amount available to the member at retirement.

The table on the next page gives a summary of the projected pension fund and the impact of charges and transaction costs from current date based on a target retirement age of 65. The figures are presented against three member examples:

- the Plan's youngest member
- an average member
- a member approaching retirement.

Additionally, the table includes the performance of the investment 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. While 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 and/or are used by a significant proportion of the membership. These investments and funds combined represent approximately 98% 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 legacy default investment option for members within three years of their selected retirement date
- Annuity focused fund – a fund with a significant amount of assets invested
- Cash fund – a 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. These figures are produced for illustrative purposes only and are in no way guaranteed.

Example member	Years	Continued growth lifestyle		Guaranteed income focused lifestyle		Annuity focused fund		Cash fund	
		Before charges*	After charges**	Before charges*	After charges**	Before charges*	After charges**	Before charges*	After charges**
Youngest member	1	£3,300	£3,300	£3,300	£3,300	£3,200	£3,200	£3,200	£3,200
	3	£10,100	£10,100	£10,100	£10,100	£9,500	£9,500	£9,500	£9,400
	5	£17,400	£17,300	£17,400	£17,300	£15,800	£15,700	£15,600	£15,600
	10	£38,000	£37,500	£38,000	£37,500	£31,200	£31,000	£30,500	£30,300
	15	£62,400	£61,100	£62,400	£61,100	£46,300	£45,700	£44,600	£44,200
	20	£91,200	£88,700	£91,200	£88,700	£61,000	£60,000	£58,100	£57,400
	25	£125,200	£120,900	£125,200	£120,900	£75,300	£73,800	£70,900	£69,800
	30	£165,300	£158,300	£165,300	£158,300	£89,300	£87,200	£83,100	£81,600
	35	£207,100	£196,900	£207,100	£196,900	£102,900	£100,100	£94,700	£92,700
	40	£246,600	£233,000	£246,400	£232,800	£116,200	£112,700	£105,800	£103,200
	45	£281,700	£264,800	£276,900	£260,200	£129,200	£124,800	£116,300	£113,200
49	£304,700	£285,500	£291,100	£272,500	£139,400	£134,200	£124,400	£120,800	
Average member	1	£54,000	£53,900	£54,000	£53,900	£52,100	£52,000	£51,800	£51,700
	3	£68,900	£68,500	£68,900	£68,500	£62,300	£62,000	£61,500	£61,300
	5	£84,900	£84,000	£84,900	£84,000	£72,400	£72,000	£71,000	£70,600
	10	£127,200	£124,900	£127,200	£124,900	£97,300	£96,200	£93,900	£93,000
	15	£170,600	£166,400	£170,600	£166,400	£121,700	£119,700	£115,800	£114,300
	20	£212,600	£206,300	£210,000	£203,800	£145,400	£142,400	£136,500	£134,300
	25	£250,400	£242,000	£239,600	£231,500	£168,500	£164,400	£156,300	£153,300
Member approaching retirement	1	£73,100	£73,000	£72,800	£72,700	£72,000	£71,800	£71,600	£71,500
	3	£85,400	£85,000	£84,000	£83,600	£81,800	£81,400	£80,700	£80,400
	5	£97,300	£96,600	£94,300	£93,700	£91,600	£90,900	£89,600	£89,100

***Before charges** – represents the projected pension savings assuming an investment return with no deduction of member-borne fees or transaction costs.

****After charges** – represents the projected pension savings 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 – namely that the contributions invested and the charges deducted from their pension fund 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, the Plan’s actuarial adviser. 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.

While it’s 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 3 May 2023. 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*). While 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. Plan governance and management Oversight and governance of the Trustee, ensuring the Plan 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	Good 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 changed from excellent value to good value from last year's assessment. This is due to some service issues being identified during the review period, which we are currently working with Premier to resolve. Premier completed 97% of cases within the SLA over the Plan year.

All other ratings remain unchanged from last year's assessment and the Trustee believes that members receive excellent value from all other areas of the Plan provisions. The Trustee defines excellent value and good value as:

- Excellent value – a scheme offers excellent value for members if the scheme demonstrates it offers services that are of good or 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.
- Good value – a scheme offers good value for members if the scheme demonstrates it offers services that are of reasonable or good quality and broadly meet the specific needs of the membership. This would typically mean that in the VFM assessment record demonstrates some areas of strength with few identified areas of weakness.

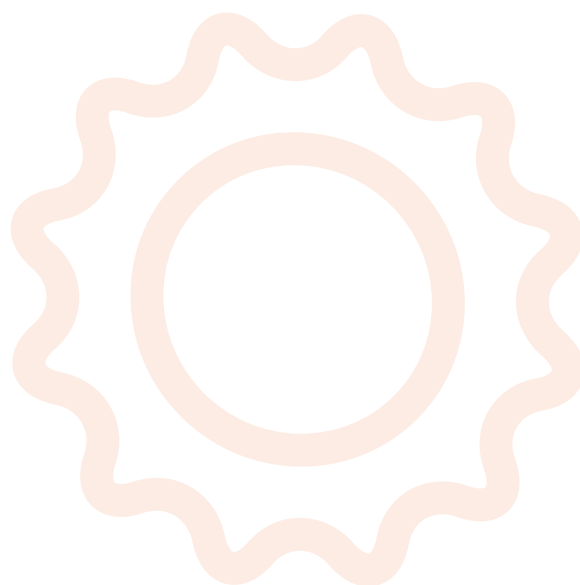
It should be noted that when assessing value, this does not necessarily mean the lowest cost or fee. The Trustee considers the overall quality of the services members receive and considers whether the cost of this provides value for money. The Trustee's assessment included a review of the performance of the Plan's investment funds (after all charges) in the context of their investment objectives. This is carried out by the Trustee's 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 (when compared to typical levels of charges in the pensions market) and in relative terms (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 lifestyle strategies that target different retirement choices, as well as 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 advisers have confirmed that the fund charges are competitive for the types of funds available. The default charges have been benchmarked against WTW's 2022 DC savings survey results.
- The Trustee is pleased with the quality and efficiency of the administration processes and performance over the year.
- Members are provided with high-quality communications. Members have access to a Plan-specific website, as well as recent newsletters and regularly updated key documents.
- The high level of oversight and governance provided by the Trustee and its sub-committees, covering investment, governance and communications.
- 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 while attending meetings) received from the appointed professional advisers (e.g. investment consultants, legal advisers), 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 regularly 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 its 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:

- Review and updates to the SIP, which was agreed in July 2022 and published online.
- Production of the investment Implementation statement, which is the Trustee's review of whether the investment strategy set out in the SIP has been followed in practice. This statement also includes details of investment manager voting behaviour.
- Reviewing the cyber security and incident response policies, the data privacy policy, the quick reference guide on data protection and confidentiality, GDPR policies and privacy notices.
- The Trustee also reviewed and updated its remuneration, succession and director 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. Training topics for 2022 included: DB asset classes and de-risking, back to basics on investment, data breaches, personal data, flexi-access drawdown and master trusts, Task Force on Climate-Related Financial Disclosures (TCFD) requirements and the Pensions Regulator's Single Code of Practice.
- 'Hot topics' and general updates being presented to the Trustee board during regular meetings, as well as details of forthcoming training events.
- All Trustee directors have completed the relevant modules of the Pension Regulator's toolkit, seven 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.
- 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 2023.
- The Trustee carried out a competency review during 2022. Considering the level of proficiency and understanding across a range of skills split into three categories: thought, result and people. The results of which were used to assist with planning for 2023.
- The Trustee carried out an extreme event scenario test exercise. The objective of the exercise was to see how the Trustee would react in the event of an unexpected extreme event taking place relating to investments. The Trustee worked with advisers and service providers to carry out the test scenario.
- The Trustee operates three sub-committees with detailed work plans agreed and updated during the year.
- Taking account of actions taken individually and as a Trustee body, and the professional advice available to it, 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 reviewed the Plan's position against the Pension Regulator's draft Single Code of Practice (or 'General Code') and commenced actions it expects to be required to meet the expectations of the final version. This includes setting up the new policies described above.

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 advisers on pensions (WTW), investment (LCP) and legal (CMS Cameron McKenna and Hogan Lovells) to help them to achieve their goals effectively for the year. Relevant advisers are present at Trustee and sub-committee meetings. The Trustee reviews its advisers on an annual basis. The professional advisers 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 (MND) appointment process is designed to promote diversity on the board.

Additional voluntary contributions (AVCs)

There are three AVC arrangements linked to the Plan's DB Section. Most AVCs are now invested in the same funds available to members of 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 last considered options to exit these legacy policies in Q1 2023 and decided to take no action at that time.

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**

Appendix

Pounds-and-pence Illustration – assumptions

Each member has a different amount of savings within the Plan. As such, the amount of any future investment returns and future costs and charges cannot be known in advance, so the Trustee has had to make a number of assumptions about what these might be. These are as follows:

- The projected pension fund values are shown in today's terms and do not need to be adjusted for future inflation.
- 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 savings invested in the different funds available in the Plan fund range.
- Contributions and costs/charges that are shown as a monetary amount reduction are paid halfway through the year.
- Investment returns and costs/charges as an annual percentage reduction are assumed to be deducted at the end of the year.
- Charges and costs are deducted before the application of investment returns.
- Charges and transaction cost information has been provided by LGIM, the Plan's investment platform provider.
- Inflation is assumed to be 2.5% each year.
- It is assumed that contributions will be paid from age 16 to 65 and increase in line with assumed earnings inflation of 0% per year in real terms.
- The real projected annual growth rates for each fund are as follows:
 - Lifestyle – continued growth option: from 0.66% to 3.41% (adjusted depending on term to retirement)
 - Lifestyle – guaranteed income focused option: from -0.25% to 3.41% (adjusted depending on term to retirement)
 - Annuity focused fund: -0.49%
 - Cash fund: -0.98%.
- Transaction costs have been provided by LGIM and cover the period 1 January 2018 to 31 December 2022. Transaction costs have been averaged by WTW using a time-based approach.
- Illustrations are rounded to the nearest £100 for simplicity.
- Members' target retirement age is in line with State pension age.

Example members	Age	Total contribution	Starting fund value	Contribution rate	Target retirement age
Youngest member	16	£3,200	nil	basic + 4% saver	68
Average member	40	£5,400	£46,900	basic + 3% saver	68
Member approaching retirement	60	£5,300	£67,000	basic + 3% saver	67

