Cummins UK Pension Plan

Annual Report

Year ended 31 December 2021

Scheme Registration Number: 10244007

CUMMINS UK PENSION PLAN

CONTENTS

	Page
Trustee and its Advisers	**1 - 3**
Trustee's Report	
Plan Constitution and Management	**4 - 5**
Membership and Benefits	**6 - 8**
Report on Actuarial Liabilities	**9 - 10**
Investment Management	**11 - 21**
Additional Information	**22 - 23**
Statement of Trustee's Responsibilities	**24**
Independent Auditors' Report to the Trustee	**25 - 27**
Fund Account	**28**
Statement of Net Assets (available for benefits)	**29**
Notes to the Financial Statements	**30 - 56**
Actuarial Certificate	**57**
Independent Auditor's Statement about Contributions	**58**
Summary of Contributions Payable	**59**
Appendix 1 – DC Governance Statement	
Appendix 2 – Implementation Statement	

CUMMINS UK PENSION PLAN

TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2021

Corporate Trustee
Cummins UK Pension Plan Trustee Limited
Yarm Road
Darlington
County Durham
DL1 4PW

Trustee Directors
KN Moore (Chair)
A Waller
B Daley
E Chapman* (appointed 15 September 2021)
G Davis* (resigned 15 September 2021)
G Griesinger
I Smith* (appointed 15 September 2021)
J Finlay* (resigned 31 December 2021)
J Guilfoyle
J Guyett* (appointed 15 September 2021)
L Thornton
M Bruniges*
N Morton*
P Bennett (appointed 16 March 2021)
P Hoskins* (resigned 15 September 2021)
SG Coughlan*
**Member nominated Directors*

Secretary to the Trustee Company
J Rose

Plan Actuary
A Mandley FIA
Willis Towers Watson

Plan Administrator
Premier Pensions Management Ltd

Independent Auditors
PricewaterhouseCoopers LLP

Banker
Virgin Money (Formerly Clydesdale Bank plc (trading as Yorkshire Bank))

Solicitors
CMS Cameron McKenna
Hogan Lovells
Goodwin Proctor

Investment Consultants
Willis Towers Watson (until 31 March 2021)
Lane Clark & Peacock LLP (from 31 March 2021)

Investment Managers
Advent International
Alcentra Global High Grade CLO Debt Fund
American Securities
AMX ARP Systematic
AMX Fulcrum
AMX Systematica
Ancala Infrastructure Fund II SCSp
Atlas Partners
Axiom Asia Private Capital
Brigade Credit Offshore Fund II Ltd
Cabot Square Capital
CB Richard Ellis Investors Limited
CDH Investments
Credit Suisse
Energy Capital Partners
Francisco Partners
Franklin Templeton Investors
Gallant Capital Partners
Goldman Sachs
Hayfin Direct Lending Fund LP
HSBC Global Asset Management
Legal & General Assurance Society (Insurance Policy)*
Legal & General Investment Management Ltd*
Mobeus Equity Partners
Morgan Stanley Alternative Investment Partners
SC Management
State Street Global Advisors
Sun Capital Partners
TIAA-CREF Global Agriculture
Towers Watson Investment Management
Waud Capital Partners
**Act as managers on both DB and DC Sections*

Investment Custodian
Northern Trust Company

AVC Providers
Aviva
Legal & General Assurance (Pensions Management) Limited
Prudential Assurance Company Limited
Utmost Life and Pensions Services Limited

Group Life Insurers
MetLife

TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2021

Sponsoring Employer
Cummins Limited
3rd Floor
Eastbourne Terrace
London
W2 6LG

Contact for Further Information
Premier Pensions Management Limited
AMP House
Dingwall Road
Croydon
CR0 2LX
Email: cummins.helpdesk@premiercompanies.co.uk

INTRODUCTION
Cummins UK Pension Plan Trustee Limited (the "Trustee") presents the Trustee's Report for the year 1 January 2021 to 31 December 2021.

PLAN CONSTITUTION AND MANAGEMENT

The Plan
The Cummins UK Pension Plan (the "Plan") is governed by a Definitive Trust Deed and Rules dated 29 April 1999 and subsequent amendments. The Plan is provided for all eligible employees of the Cummins Inc Group in the UK. The Principal Company of the Plan is Cummins EMEA Holdings Limited ("the holding company").

The Plan provides a number of different levels of benefits to the different categories of members. The Plan has a Defined Benefit Section and a Defined Contribution Section.

The Sponsoring Employer
The Sponsoring Employer ("The Company") is Cummins Limited (Registered No. 00573951) as stated on the cover page of this Report.

The Trustee and its Role
The Plan is managed by a corporate Trustee, Cummins UK Pension Plan Trustee Limited (Registered No. 03762337) as stated on page 1 of this Report. This company was set up especially for this purpose.

The Trustee holds the assets of the Plan on behalf of the members, pensioners and other beneficiaries in a trust fund that is completely separate from the Employer's assets. Its role is to administer the Plan in accordance with the Trust Deed and Rules. The Trustee uses its best endeavours to manage funding and investments in the Defined Benefit Section to meet the liabilities of that section. For the Defined Contribution Section the Trustee aims to provide members with a range of good quality investment options.

Appointment of Trustee Directors
The Trustee is appointed and removed in accordance with the Trust Deed.

Individual directors are appointed and removed in accordance with the Memorandum and Articles of Association of the Cummins UK Pension Plan Trustee Limited.

The Pensions Acts 1995 and 2004 and the regulations made under them set out requirements regarding the appointment and selection of Member Nominated Trustees ("MNTs"). The Trustee has written to Plan members setting out details of the process in place in respect of the appointment of member nominated directors.

Trustee Directors during the year are shown on page 1 of this Report. As at 31 December 2021 there were 6 member nominated, and 7 employer nominated Trustee Directors. It is a legal requirement that at least one third of the Trustee Directors should be member nominated. The arrangements of the Plan are such that there will be up to 14 Trustee Directors, with up to 7 being member nominated and up to 7 being employer nominated.

PLAN CONSTITUTION AND MANAGEMENT (CONTINUED)

Plan Governance

The Trustee has established a Governance Committee to consider the key risks affecting the Plan and to develop and monitor the effectiveness of controls implemented to mitigate these risks.

Regulatory and Legislative Changes

The Trustee Directors are required to keep up-to-date with changes in pension regulations and legislation and have worked to ensure that the Plan and its administration comply with the Codes of Practice and guidance material issued by The Pensions Regulator and the Department for Work and Pensions during the year.

Company Guarantee

The Company has put in place a PPF guarantee whereby Cummins Limited and/or Cummins Generator Technologies Limited have underwritten PPF liabilities for all other participating employers in the event that they are unable to meet their liabilities.

Financial Statements

The financial statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in accordance with regulations made under Sections 41 (1) and (6) of that Act.

MEMBERSHIP AND BENEFITS

Details of the membership of the Plan for the year are given below:

Defined Benefit Section

	Total 2021	Total 2020
Active Members		
Active members at the start of the year	**568**	*685*
Adjustments	**4**	*(52)*
New members	**17**	*12*
Members retiring	**(9)**	*(39)*
Members leaving with preserved benefits and deferred retirements	**(14)**	*(37)*
Deaths	**-**	*(1)*
Active members at the end of the year	**566**	*568*
Pensioners		
Pensioners at the start of the year	**4,475**	*4,429*
Adjustments	**2**	*47*
Members retiring	**75**	*145*
Spouses and dependents	**(19)**	*23*
Pensioners who died	**(136)**	*(168)*
Pensioners who commuted their benefits	**-**	*(1)*
Pensioners at the end of the year	**4,397**	*4,475*
Deferred Pensioners		
Deferred pensioners at the start of the year	**1,334**	*1,408*
Adjustments	**(3)**	*21*
Leavers with preserved benefits and deferred retirements	**14**	*37*
Deferred pensioners transferring out	**(14)**	*(19)*
Deferred pensioners retiring	**(66)**	*(106)*
Deferred pensioners who commuted their benefits	**(2)**	*(2)*
Deferred pensioners who died	**(3)**	*(5)*
Members with deferred benefits at the end of the year	**1,260**	*1,334*
Total Membership at the end of the year	**6,223**	*6,377*

Adjustments take into account member movements that occurred in the prior year, but were not confirmed until after the prior year's financial statements had been completed. Included within the pensioners above are 929 dependants (2020: 917). 3 pensioners' benefits are provided by income from annuities held in the name of the Trustee (2020: 3).

MEMBERSHIP AND BENEFITS (CONTINUED)

Details of the membership of the Plan for the year are given below:

Defined Contribution Section

	Total 2021	Total 2020
Active Members		
Active members at the start of the year	**3,654**	3,846
Adjustments	**1**	(139)
New members	**1,020**	373
New members – Life Assurance only	**11**	-
Deaths in service	**(3)**	(2)
Members retiring	**(6)**	(6)
Members leaving with no further benefits	**(57)**	(72)
Active members transferring out	**(4)**	(5)
Members leaving with refunds	**(3)**	-
Members leaving with preserved benefits and deferred retirements	**(403)**	(341)
Active members at the end of the year	**4,210***	3,654
Deferred Pensioners		
Deferred pensioners at the start of the year	**3,826**	3,370
Adjustments	**-**	310
Leavers with preserved benefits and deferred retirements	**404**	341
Preserved member re-joining	**-**	(11)
Leavers with refunds	**(8)**	-
Deferred pensioners transferring out	**(104)**	(117)
Deferred pensioners retiring	**(38)**	(58)
Leavers with no benefits	**(1)**	-
Deferred pensioners who died	**(3)**	(9)
Members with deferred benefits at the end of the year	**4,076**	3,826
Total Membership at the end of the Year	**8,286**	7,480

*Includes 179 (2020: 179) Life Assurance Only members

Upon retirement, the pensioners in the Defined Contribution Section purchase an annuity. They are therefore no longer a liability of the Plan.

New entrants include auto enrolment members. All the members who subsequently opted out and received a refund are included in members leaving with contribution refunds.

Adjustments take into account retrospective member movements that occurred in the prior year, for which no advice was received until after the prior year's financial statements had been completed.

Financial development of the Plan

The financial statements on pages 28 to 56 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund has increased from £1,980,563,000 as at 31 December 2020 to £2,103,146,000 as at 31 December 2021.

MEMBERSHIP AND BENEFITS (CONTINUED)

Pension Increases

The pensions in payment were increased as follows during the Plan year:

Newage International Sections	3.0% on the pre 1997 benefit; 0.5% on the post 1997 benefit and 0.5% on the post 2006 benefit (GMP); 0.5% on the post 1988 GMP.
Cummins Diesel Section	1.1% on the Blackwood Hodge benefit; 1.1% on the pre 1997 benefit; 0.5% on the post 1997 benefit and 0.5% on the post 2006 benefit (GMP); 0.5% on the post 1988 GMP.
Cummins Engine Company Section	1.1% on the pre 1997 benefit; 0.5% on the post 1997 benefit and 0.5% on the post 2006 benefit (GMP); 0.5% on the post 1988 GMP.
Power Group International Section	1.1% on the pre 2006 benefit in excess of the pre 1988 Guaranteed Minimum Pension (GMP); 0.5% on the post 1988 GMP and 0.5% on the post 2006 benefit.
Ex-Blackwood Hodge Section	Fixed 3.0% on the pre 84 – 78 – 84.

None of the above were discretionary increases, all being in accordance with the Plan rules.

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

A summary of the funding position as at 1 January 2021, the date of the latest Triennial Actuarial Valuation of the Plan, shows the following:

	£m
The Statutory Funding Objective (SFO) in relation to the liabilities:	(1,650.2)
Valuation of assets:	1,713.2
Surplus relative to the SFO:	63.0
Funding level:	103.8%

If the Employer goes out of business or decides to stop contributing to the Plan, the Plan may be "wound up" and the Employer would be required to pay additional money to buy all members' benefits from an insurance company. The comparison of the Plan's assets to the cost of buying the benefits from an insurance company is known as the "buy-out position". A pension scheme's buy-out position will often show a larger shortfall than the standard actuarial valuation, as insurers are obliged to take a very cautious view of the future, and they also seek to make a profit.

The Triennial Actuarial Valuation at 1 January 2021 showed that the Plan's assets would not have been sufficient to buy all members' benefits from an insurance company, as the "buy-out position" at that date was as shown below:

	£m
Estimated cost of buying benefits with an insurance company:	(1,960.1)
Value of assets:	1,713.2
Buy-out position deficit:	(246.9)
Funding level:	87.4%

A valuation is a snapshot of a Plan's funding position on any one particular day and it will change when, for example, there are changes in investment values or gilt yields, or if members live longer than expected.

As a result of the latest valuation that showed the Plan was in a surplus position, there was no need for the Employer and the Trustee to agree a Recovery Plan.

The Actuarial Certificate is included on page 57 of this annual report. The next full valuation is due to take place as at 1 January 2024.

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Method
The actuarial method used in the calculation of the technical provisions is the Projected Unit Credit Method.

Significant Actuarial Assumptions
The key assumptions used for calculating the technical provisions and future contribution requirement for the Plan were:

Discount interest rate: term-specific discount rates as follows:

- Non-pensioner and pensioner liabilities not covered by the buy-in policy: derived from the Willis Towers Watson Zero Coupon Gilt Nominal Yield curve at 31 December 2017. An addition of 1.5% p.a. is applied to this curve to the end of 2028 thereafter an addition of 0.5% p.a. is applied.
- Pensioner liabilities covered by the buy-in policy: derived from the Willis Towers Watson Zero Coupon Gilt Nominal Yield curve at 31 December 2017. A reduction of 1.15% p.a. is applied to this curve, with this margin reflecting the latest year-end valuation provided by LGAS.

Future Retail Price inflation: Term-specific assumptions for Retail Prices Index ("RPI") inflation are based on the Willis Towers Watson Zero-Coupon Gilt-Implied Breakeven Inflation ("BEI") curve.

Future Consumer Price inflation: term-specific Consumer Prices Index ("CPI") assumptions are based on the RPI assumptions less a margin of 1.0% p.a.

Pension increases: derived from the term-specific rates for future Retail and Consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Plan's rules.

Pay increases: term-specific real pay increases were set at 1.0% p.a. above the assumed rate of RPI price inflation.

Mortality: The following standard tables have been used in relation to mortality:

- For non-pensioners: 100% for males and 96% for females of the SAPS "S3" tables (S3PMA and S3PFA), projected from 2007 in line with the CMI's core 2017 projection model using a long-term trend for improvements of 1.5% p.a. and an addition of 0.25% p.a. from 2013 to 2020.
- For pensioners not covered by the buy-in: 100% of the SAPS "S3" tables (S3PMA and S3PFA), projected from 2007 in line with the CMI's core 2017 projection model using a long-term trend for improvements of 1.5% p.a. and an addition of 0.25% p.a. from 2013 to 2020.
- For pensioners covered by the buy-in: 101% for males and 106% for females of the SAPS "S3" tables (S3PMA and S3PFA), projected from 2007 in line with the CMI's core 2017 projection model using a long-term trend for improvements of 1.5% p.a. and an addition of 0.25% p.a. from 2013 to 2020.

INVESTMENT MANAGEMENT

Overview

Responsibility for the administration and management of the Plan's assets is vested in the Trustee, which is responsible for the overall investment policy of the Plan. The day-to-day management of the Plan's investments has been delegated by the Trustee to the investment managers.

The value of the Plan's portfolio (excluding the funds held in the defined contribution section and Additional Voluntary Contributions) as at 31 December 2021 is set out in Note 13 of the financial statements.

Investment Managers (Defined Benefit) Section

In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy but will delegate responsibility for selection of specific investments to appointed investment managers, which may include insurance companies. The investment managers will provide the skill and expertise necessary to competently manage the investments of the DB and DC Sections of the Plan.

The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Plan's long-term objectives and an acceptable level of risk. As part of this process, the Trustee has delegated the detailed monitoring of the Plan's investment managers to its investment consultant.

The Trustee also expects the investment managers, where appropriate, to engage with companies (and other relevant persons including, but not limited to, other investment managers, other stakeholders, and issuers/other holders of debt and equity) on matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest risks, and environmental, social and governance ("ESG") issues (including climate change and other ESG considerations) concerning the Trustee's investments. The Trustee believes such engagement incentivises the investment managers to protect and enhance the long-term value of its investments.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the mandate. In practice the Trustee notes that pooled fund managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. The Trustee assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

INVESTMENT MANAGEMENT (CONTINUED)

Investment Managers (Defined Benefit) Section (Continued)
The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

The Trustee carried out a review of the Plan's investment strategy and implementation of changes will take place during 2022. As part of this review, the Trustee established a new de-risking trigger framework, based on the required return on assets, to help reduce risk on the journey to the Trustee's Long-Term target.

Investment Managers (Defined Benefit) Section (continued)
The managers' investment objectives are as follows:

Manager	Investment Objective
Legal & General Investment Management Ltd	To track the total return of the relevant benchmark indices.
State Street Global Advisors (RAFI Equity)	To track the FTSE RAFI All-World 3000 Index - QSR, or its recognised replacement or equivalents, with 100% of the major currency exposures hedged back to Sterling.
AMX State Street Global Advisors (Global Adaptive Capped ESG Fund)	To deliver a return as close as reasonably possible to the total return of the MSCI ACWI ex Thermal Coal Adaptive Capped 2.0 ESG Universal Index benchmark (the "Index"), net of unavoidable withholding taxes and the aim is for the tracking difference to be less than 1% per annum.
State Street Global Advisors (LDI portfolio)	To provide a leveraged return in line with each fund's individual benchmark (either a specified gilt, index-linked gilt, interest rate swap or real-rate swap)
State Street Global Advisors (Emerging Markets Currency Fund)	To add value over an equally weighted basket of the most liquid EM currencies funded using a diverse basket of EM funded with G4 currencies by focusing on factors driving long run relative productivity growth.
CB Richard Ellis Investors Limited	To achieve a total return of between 8% and 10% p.a. net of all fees and expenses by obtaining diversified exposure to pan-European real estate (excluding the UK) through the investment funds and/or property related assets.
Alcentra	To liquidate assets at favourable levels, over a three year period beginning February 2019.
Ancala	To generate gross return of 10-13% and cash yield between 5-7% per annum from European mid-market infrastructure sector making long term investments in core / core + assets through its differentiated investment and asset management approach

INVESTMENT MANAGEMENT (CONTINUED)

Investment Managers (Defined Benefit) Section (Continued)

The managers' investment objectives are as follows:

Manager	Investment Objective
Towers Watson Investment Management	To provide long term cash flows which seek a return target of inflation-linked Gilts plus 2-3% over rolling 5- year period and a regular income distribution of 4%.
AMX Systematica,	To achieve long-term appreciation in the value of the assets in which it invests.
Credit Suisse	To generate collateral yield +4% to 6% (over the long term).
Goldman Sachs	To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets by making investments in the private equity markets, targeting returns over the life of the Fund in excess of 20% compounded annually net to the limited partners of the Fund on contributed capital.
Morgan Stanley	To achieve, over its life, long-term net compounded returns to investors of at least 6% per annum in excess of returns on public equities as measured by the MSCI World Index, a free float-adjusted market capitalization index designed to measure global developed market equity performance.
Axiom	To achieve a Net Multiple On Invested Capital (MOIC) of 2x and a double-digit Net Internal Rate of Return (IRR).
American Securities	To generate an absolute return in excess of publicly quoted equity markets.
Advent International	To underwrite deals to a 2.5x gross return with a view to achieve breakout performance of 3-5x and aim to exit the investments within 4-5 years.
Sun Capital	To generate returns 2x of Net MOIC and 20% of Net IRR.
Energy Capital Partners	To generate 10% Net IRR
Francisco Partners	To maximise long-term capital appreciation.
Cabot Square Capital	To achieve an IRR greater than 20%.
Altas Partners	To consistently generate excellent risk-adjusted returns.
CDH VGC Fund I	To generate 2.5x – 3.0x Gross MOIC and 30% Gross IRR.
CDH VGC Fund II	To generate excess of 2.5x – 3.0x Gross MOIC and 30% Gross IRR.
Mobeus Equity Partners	To make equity, equity-related and debt Investments in small-cap management buy-ins, buy-outs, growth capital transactions, acquisition financings, expansion financings, turnarounds and other private equity opportunities in businesses based in the United Kingdom.
Waud Capital Partners	To generate returns 2.5x Gross MOIC and 25% Gross IRR.
ARP	To capture the risk premia associated with announced mergers.
Fulcrum	To deliver returns from diversified liquid risk premia and trading strategies which have a low correlation to the traditional asset classes of equities, bonds and commodities indices.

INVESTMENT MANAGEMENT (CONTINUED)

Investment Managers (Defined Benefit) Section (continued)
The managers' investment objectives are as follows:

Manager	Investment Objective
Heitman Global Prime Property Fund (part of Legal & General holding)	To track the performance of the Heitman Prime Real Estate Index (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three.
SC Management (RECAP)	To achieve a gross leveraged compound annual IRR of 20%.
TIAA-CREF	To generate a return of 8% IRR.
Hayfin	To generate a meaningful premium over public loan markets
Brigade Credit Offshore Fund II Ltd	To achieve long term capital growth by investing in corporate debt securities across multiple fixed income asset classes.
Franklin Templeton Investors	To maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing principally in a portfolio of fixed or floating rate debt securities and debt obligations issued by government or government related issuers worldwide.

INVESTMENT MANAGEMENT (CONTINUED)

Asset Allocation

The below allocation reflects the Plan's investment strategy due to be implemented during 2022.

Asset class	Manager	Benchmark	Target allocation (%)
Matching allocation[1]	-	-	**65.7**
Buy and maintain credit		No benchmark	**9.2**
Liability Driven Investment ('LDI')[2]	*State Street Global Advisors*	Liability benchmark	**32.0**
Deferred buy-in insurance policy	*Legal & General Assurance Society*	Deferred premium (10 years)	**23.7**
Cash	-	-	**0.8**
Return-seeking allocation	-	-	**34.3**
Equities			**9.5**
Global equities (Global Adaptive Capped ESG Fund)	*State Street Global Advisors*	- No Benchmark	-
Global equities (economically weighted)	*State Street Global Advisors*	FTSE RAFI AW-3000 GBP Hedged	-
Diversifying Strategies			**5.3**
Emerging Market Currency	*State Street Global Advisors*	Equally Weighted EM Portfolio: a long 15.0% position in each of the 20 currencies in the Fund's universe funded by a G4 short comprised of 105% each of EUR and USD, 45% each of GBP and JPY.	-
Market-Neutral Equity	*Systematica*	No Benchmark	-
Merger Arbitrage	*ARP*	No Benchmark	-
Alternative Risk Premia	*Fulcrum*	No Benchmark	-

INVESTMENT MANAGEMENT (CONTINUED)

Asset class	Manager	Benchmark	Target allocation (%)
Reinsurance	*Credit Suisse Asset Management*	No Benchmark	-
Infrastructure	*Ancala Partners*	No Benchmark	-
Agriculture	*TIAA CREF (Global Agriculture II)*	No Benchmark	-
Credit			**6.9**
AAA CLO	*Alcentra*	No Benchmark	
Multi-Strategy Alternative Credit	*Brigade Credit Offshore Fund II Ltd*	50% BofA Merrill Lynch US High Yield Constrained Index and 50% Credit Suisse Leveraged Loan Index	
Sovereign Credit	*Franklin Templeton Investors*	JP Morgan Global Government bond Index (hedged)	
Illiquid Credit	*Hayfin*	8-10% gross IRR	-
Secure Income Assets	*Towers Watson Investment Management*	FTSE Actuaries Over 15-year UK Index-Linked Gilts	
Property			**1.0**
Property	*CBREGI*	No Benchmark	-
Property	*Legal & General Investment Management Heitman Global Prime Property*	Heitman Prime Real Estate Index	-

INVESTMENT MANAGEMENT (CONTINUED)

Asset class	**Manager**	Benchmark	**Target allocation (%)**
Private equity			**11.5**
	Goldman Sachs Asset Management	*No benchmark*	-
	Morgan Stanley Investment Management	*MSCI World Index +6% pa*	-
	American Securities VI and VII	*Hamilton Lane Benchmarks*	-
	Advent International	*Cambridge Associates' Global Buyout benchmarks*	-
	Axiom Asia	*Cambridge Associates' Global Fund of Funds Index and Benchmark Statistics*	-
	Sun Capital	*Preqin's 2013-Vintage Global Buyout Benchmark*	-
	Energy Capital Partners	*No benchmark*	-
	Francisco Partners V and VI	*No benchmark*	-
	SC Management (RECAP IV)	*No benchmark*	-
	Altas Partners I and II	*No benchmark*	-
	CDH Investments VGC Fund I	*Preqin: includes 49 Asia-based Venture Capital & Growth funds with significant China exposure which include all funds in Preqin database formed in 2015-2017*	-

INVESTMENT MANAGEMENT (CONTINUED)

Asset class	Manager	Benchmark	Target allocation (%)
Private equity			**11.5**
	Mobeus Equity Partners	*FTSE FLDG closed ended investment trusts*	-
	Cabot Square Capital	*8% IRR*	-
	Waud Capital Partners	*No benchmark*	-
	Gallant Capital Partners	*No benchmark*	-
Total			**100.0**

Notes:

1. *There are undefined individual manager benchmarks for Private Markets, LDI, and the deferred buy-in insurance policy.*
2. *The bespoke fund of one liability driven investment portfolio managed by State Street was implemented on 10 April 2017.*

Asset Distribution

Asset values have been sourced from Northern Trust and exclude AVCs.

Manager	Value of Portfolio £'000	Distribution %
Legal & General Investment Management		
Heitman Global Prime Property	**16,696**	**0.9**
Total Legal & General Investment Management	**16,696**	**0.9**
State Street Global Advisors		
Fundamental Index Equity	**113,578**	**6.4**
Adaptive Capped Equity	**101,822**	**5.7**
Windwise Equity Fund	**13,062**	**0.8**
Liability Driven Investment	**540,713**	**30.5**
Total State Street Global Advisors	**769,175**	**43.4**

INVESTMENT MANAGEMENT (CONTINUED)

Asset Distribution

Manager	Value of Portfolio £'000	Distribution %
Private Equity	**240,262**	**13.6**
Axiom		
Morgan Stanley		
American Securities		
Advent International		
Sun Capital Partners		
Energy Capital Partners		
Francisco Partners		
Cabot Square		
Altas Partners		
CDH Investments		
Mobeus Equity Partners		
SC Management		
Gallant Capital Partners		
Waud Capital Partners		
AMX Systematica	**16,056**	**0.9**
AMX ARP	**26,207**	**1.5**
AMX Fulcrum	**25,053**	**1.4**
Ancala	**15,098**	**0.9**
Alcentra	**4,979**	**0.3**
Towers Watson Investment Management	**73,667**	**4.2**
TIAA – CREF	**16,100**	**0.9**
CBREGI	**13**	**0.0**
Hayfin	**358**	**0.0**
Brigade	**81,781**	**4.6**
Franklin Templeton	**35,981**	**2.0**
Credit Suisse	**45,206**	**2.6**
Legal & General Assurance Society	**381,700**	**21.5**
Cash	**23,617**	**1.3**
	1,772,479	**100.0**

INVESTMENT MANAGEMENT (CONTINUED)

Review of Investment Performance

The investment performance of the Plan relative to its benchmark (sourced from Northern Trust) is shown below:

	12 Months (%)		3 Years (%) p.a.		5 Years (%) p.a.	
	Fund	**Benchmark**	**Fund**	**Benchmark**	**Fund**	**Benchmark**
Total Plan	**9.3**	*9.0*	**11.1**	*12.2*	**7.1**	*8.0*

Review of Investment Performance

Responsibility for monitoring the performance and on-going suitability of the Plan's investment managers has been delegated by the Trustee to the Investment Sub-Committee (the "ISC"). The ISC was set up by the Trustee to provide a greater focus and appropriate level of expertise to assist and advise on investment matters for the Plan.

At any given time, the Plan is represented on the ISC by at least three Trustee Directors along with other suitably experienced individuals.

DC and AVC Arrangements

The DC Section consists of a range of DC and AVC investments; all the funds open to new contributions are pooled Legal & General Funds. Active (Property and Cash) and Passive funds are available to members. AVC arrangements with Aviva and Prudential also exist; however, they are not open to further contributions. The DC Section offers a number of Lifestyle strategies including a range of self-select funds.

Changes to the DC and AVC strategy

The Plan undertook an investment strategy review of the DC Section which started in Q3 2021 and is continuing into 2022.

The default investment option, the Continued Growth Lifestyle, targets an asset allocation which is appropriate for members who will use income drawdown at retirement for DC members whereas the Cash Focused Lifestyle targets a lump sum at retirement for AVC members. The final strategy, the Annuity Protection Lifestyle, is designed for members looking to purchase an annuity at retirement.

All three lifestyles invest initially in the Accelerated Growth Fund. This fund invests 50% in LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index (formerly the LGIM FTSE RAFI All World 3000 Equity), and 50% in LGIM MSCI All World Adaptive Capped ESG Index. The Moderate Growth Fund invests 100% in the LGIM Diversified Fund. The Moderate Growth Fund is gradually introduced into the lifestyle strategy when members are within 20 years of their target retirement dates to reduce the level of volatility in the strategies, as members get closer to retirement.

Each of the lifestyles start to de-risk into lower risk assets as members approach retirement. At 10 years to retirement, the Continued Growth Lifestyle introduces the Pre-retirement Fund (which invests in the LGIM Pre-retirement Fund) and then the Cash Fund (which invests in the LGIM Cash Fund) at 3 years so these have allocations of 35% and 15% respectively by the member's target retirement age. The same funds are introduced at the same points in the Annuity Protection Lifestyle, however, have allocations of 60% and 25%, respectively by the member's target retirement age. The Cash Lifestyle introduces the Cash Fund 5 years before retirement, building up a 75% allocation by the member's target retirement age.

INVESTMENT MANAGEMENT (CONTINUED)

DC and AVC Performance

The DC and AVC fund range performance, compared to benchmark performance ("BM"), is as shown below:

			One Year		Three Years		Five Years	
Lifestyle funds	**DC (£m)**	**AVC (£m)**	**Fund**	**BM**	**Fund**	**BM**	**Fund**	**BM**
Accelerated Growth	208.1	4.9	20.1	20.0	15.2	15.1	10.5	10.6
Moderate Growth	85.8	2.7	8.9	23.8	9.6	20.5	6.6	13.3
Moderate Growth vs 60:40 Equity:Bond[1]	-	-	8.9	10.8	9.6	12.8	7.1	9.0
Pre-retirement	14.2	0.1	-5.1	-4.9	5.7	5.8	3.9	4.0
Cash	2.1	0.5	-0.1	0.0	0.2	0.2	0.2	0.3
Self-select funds								
UK Equity Index	0.7	0.0	17.8	17.8	8.3	8.3	5.4	5.4
Ethical Global Equity Index	1.1	0.3	25.0	25.4	20.4	20.8	13.7	14.1
World Equity Index (Unhedged)	1.2	0.3	22.7	22.8	19.5	19.6	13.1	13.3
World Equity Index (Hedged)	1.1	1.0	23.5	23.7	20.2	20.4	13.4	13.6
World Emerging Markets Equity Index	0.4	0.0	0.7	1.0	9.1	9.4	7.5	7.8
AAA-AA-A Corporate Bond All-Stocks Index	0.2	0.0	-3.9	-3.8	3.5	3.7	2.6	2.7
HSBC Islamic Titans	0.2	0.0	27.4	28.1	26.4	27.1	17.9	19.5
Property	0.4	0.0	19.2	19.1	6.3	6.2	6.0	7.0

On 23 August 2017, the investments were migrated to a daily midday policy from daily closes prices. Returns shown are chain linked to incorporate performance from both the old pricing policy and the new. Note: The above AVC performance table excludes legacy AVCs with Prudential, Equitable Life, and Aviva. [1]The Moderate Growth fund is benchmarked against equities by the manager as it is expected that over the long term, the fund will achieve similar returns to equity markets. As such, we would expect to see periods of over and underperformance versus this target over the short term. For this reason, we have added an additional 60:40 equity-bond split benchmark to provide the Trustee with a more appropriate comparator for the fund over shorter-term periods

Statement of Investment Principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has produced a Statement of Investment Principles. A copy is available from the Secretary to the Trustee, and it is also available on the Cummins pension website.

Custodial Arrangements

Custodial services in respect of the Plan's pooled fund investments are provided by the respective investment managers. For other investments, the Trustee has appointed Northern Trust Company as custodian of the investment assets.

ADDITIONAL INFORMATION

The purpose of this section is to disclose some additional information including that required by law.

GMP Equalisation

In October 2018, the High Court handed down a judgment, involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. Subsequently, on 20 November 2020, the High Court issued a follow-up judgment in respect of the Lloyds Banking Group ruling that any transfers out paid since 17 May 1990 must be potentially be increased to reflect additional liabilities arising from the equalisation of GMPs accrued between 17 May 1990 and 5 April 1997. This could potentially result in top-up payments to members but presents significant challenges for the Trustee and Plan Administrator in terms of identifying transfers paid since 1990, equalising the transfer payment and tracking the relevant members and the arrangements they transferred to. The Trustee of the Plan is aware that the issue will affect the Plan and is considering what actions and decisions be needed as to next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Transfer Values

All cash equivalent transfer values and buy outs paid by the Plan on behalf of members who have left this Plan have been calculated and verified as prescribed in Section 97 of the Pension Schemes Act 1993. Discretionary benefits are not included in the calculation of transfer values.

Related Party Transactions

The Principal Employer has paid some of the costs of administering the Plan for the year and has invoiced the Plan during the year.

Further details of related party transactions are given in Note 26 to the financial statements.

Tax and Contracting-Out Status of the Plan

The Plan was approved as an "exempt approved Plan" under the terms of the Income and Corporation Taxes Act 1988. From 6 April 2006, the Plan became a Registered Scheme with HM Revenue & Customs under Chapter 2 of part 4 of the Finance Act 2004. To the Trustee's knowledge, there is no reason why such status should be prejudiced or withdrawn. Dependent upon their membership section, members of the Plan are contracted out of, or into, the State Second Pension under a certificate issued by the Contributions Agency.

Internal Disputes Resolution Procedure

Members who have a complaint with regard to any Plan matter should contact the Pensions Manager in the first instance at the address of the Trustee Company given on page 2 of this report. However, if the complaint is not resolved informally in this way, members may make a formal complaint under the Trustee's two stage dispute resolution procedure.

ADDITIONAL INFORMATION (CONTINUED)

Employer related investments
Further information can be found under note 22, page 56.

Pensions Regulator
The Pensions Regulator is able to intervene in the running of schemes where trustees, Employers or Professional Advisers have failed in their duties.
The Pensions Regulator may be contacted at Napier House, Trafalgar Place, Brighton, BN1 4DW. Telephone: 0345 600 7060.

Pension Tracing Service
A pension tracing service is carried out by the Department for Work and Pensions. The Pension Tracing Service may be contacted at:
The Pension Service 9 Mail Handling Unit A Wolverhampton
WV98 1LU
Tel: 0800 731 0193
The information provided includes details of the address at which the trustees of a pension plan may be contacted. Information about the Plan has been provided to the Pension Tracing Service.

The Pensions Advisory Service ("TPAS")
TPAS is available to assist members and beneficiaries of the Plan on pension matters. TPAS can be contacted at:
120 Holborn London EC1N 2TD
Telephone: 0800 011 3797

Pensions Ombudsman
The Pensions Ombudsman will assist members and beneficiaries of the Plan in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Plan and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.
The Pensions Ombudsman may be contacted at:
The Pensions Ombudsman 1st Floor,
10 South Colonnade, Canary Wharf London
E14 4PU
Telephone: 0800 917 4487
Early resolution email: helpline@pensions-ombudsman.org.uk
Email: enquiries@pensions-ombudsman.org.uk

MoneyHelper
For any general enquiries on their pensions, members can contact The Money and Pensions Service. A local adviser can usually be contacted through a Citizen's Advice Bureau. Alternatively the Service can be contacted at:

MoneyHelper
120 Holborn
London
EC1N 2TD
Telephone: 0115 965 9570
Website: www.moneyandpensionsservice.org.uk

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year, and
- contain the information specified in Regulation 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the annual report on Cummins UK Pension Plan website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustee's Responsibilities in respect of Contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Approval of the Trustee's Report

The Trustee's Report, The DC Governance Statement on Appendix 1 and the Implementation statement on Appendix 2 form part of this annual report was approved by the Trustee and signed on its behalf by:

______________________________ Date:

Trustee Director

______________________________ Date:

Trustee Director

Report on the audit of the financial statements

Opinion

In our opinion, Cummins UK Pension Plan's financial statements:

- show a true and fair view of the financial transactions of the plan during the year ended 31 December 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report, which comprise: the statement of net assets (available for benefits) as at 31 December 2021; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to, or in respect of, the plan.

We have provided no non-audit services to the plan in the period under audit.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the plan's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the plan's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all the information in the annual report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the plan, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the plan and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the plan in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

Date:

CUMMINS UK PENSION PLAN

FUND ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000	Total 2021 £'000	*Total 2020 £'000*
Contributions and benefits					
Employer contributions		**22,922**	**22,777**	**45,699**	59,465
Employee contributions		**35**	**-**	**35**	153
Total contributions	**5**	**22,957**	**22,777**	**45,734**	59,618
Transfers in	**6**	**444**	**1,056**	**1,500**	507
Other income	**7**	**5**	**324**	**329**	1,050
		23,406	**24,157**	**47,563**	61,175
Benefits paid or payable	**8**	**(37,508)**	**(2,071)**	**(39,579)**	(48,345)
Payments to and on account of leavers	**9**	**(5,390)**	**(4,668)**	**(10,058)**	(13,905)
Administrative expenses	**10**	**(2,749)**	**(143)**	**(2,892)**	(2,701)
		(45,647)	**(6,882)**	**(52,529)**	(64,951)
Net (withdrawals)/additions from dealings with members		**(22,241)**	**17,275**	**(4,966)**	(3,776)
Returns on investments					
Investment management expenses	**11**	**(711)**	**(15)**	**(726)**	(656)
Investment income	**12**	**14,788**	**-**	**14,788**	7,607
Change in market value of investments	**13**	**72,856**	**40,631**	**113,487**	214,406
Net returns on investments		**86,933**	**40,616**	**127,549**	221,357
Net increase in the fund during the year		**64,692**	**57,891**	**122,583**	217,581
Transfers between Sections	**27**	**(66)**	**66**	**-**	-
Net assets at 1 January		**1,722,597**	**257,966**	**1,980,563**	1,762,982
Net assets at 31 December		**1,787,223**	**315,923**	**2,103,146**	1,980,563

The notes on pages 30 to 56 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 31 DECEMBER 2021

	Note	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000	Total 2021 £'000	*Total 2020 £'000*
Investment assets					
Qualifying investment fund	13/14	540,713	-	540,713	*564,979*
Pooled investment vehicles	13/15	826,448	315,350	1,141,798	*975,621*
Insurance policies	13/17	381,700	-	381,700	*407,600*
AVC investments	13/18	11,043	-	11,043	*9,380*
Cash	13/19	23,618	-	23,618	*14,345*
		1,783,522	315,350	2,098,872	*1,971,925*
Current assets	24	4,714	642	5,356	*9,919*
Current liabilities	25	(1,013)	(69)	(1,082)	*(1,281)*
Total net assets available for benefits		1,787,223	315,923	2,103,146	*1,980,563*

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 9 and 10 and the Actuarial Statements and Certificate on page 57 of the annual report, and these financial statements should be read in conjunction with these sections.

The notes on pages 30 to 56 form part of these financial statements.

The financial statements were approved for and on behalf of the Trustee by:

______________________________ Date:

Trustee Director

______________________________ Date:

Trustee Director

1. BASIS OF PREPARATION

The individual financial statements of Cummins UK Pension Plan have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the guidance set out in the Statement of Recommended Practice (revised 2018).

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Cummins UK Pension Plan is a hybrid scheme established as a trust under English law. The Trustee’s registered office is c/o Cummins Limited, Yarm Road, Darlington, Co. Durham DL1 4PW.

3. ACCOUNTING POLICIES

The principal accounting policies of the Plan are as follows and have been applied consistently unless otherwise stated:

3.1 Contributions

a) Normal and additional voluntary contributions, both from employees and employers are generally accounted for on an accrual’s basis in the payroll period to which they relate. For employees, this is when contributions are deducted from pay.
b) Contributions in respect of employees in the first 30 days following auto-enrolment are accounted for when their right to opt-out has expired, unless remitted to the Plan earlier. Contributions payable under salary sacrifice arrangements are classified as employer contributions.
c) Employers’ augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in absence of such agreement, when received.
d) Other contributions made by the employer to reimburse costs and levies payable by the Trustee are accounted for on the same basis as the corresponding expense.

3.2 Payments to Members

a) Benefits payable represent all valid benefit claims in respect of the Plan year.
b) Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
c) Pensions in payment are accounted for in the period to which they relate.
d) Transfer values represent the capital sums either receivable in respect of members from other pension plans of previous employers or payable to the pension plans of new employers for members who have left the Plan. They are accounted for on an accruals basis on the date the trustees of the receiving scheme accept the liability. In the case of individual transfers, this is normally when the payment of the transfer value is made.
e) Where the Trustee agrees, or is required, to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member’s benefits receivable from the Plan, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and is shown separately within benefits.

3.3 Expenses

Administrative expenses and premiums on term insurance policies are accounted for on an accruals basis.

3. ACCOUNTING POLICIES (CONTINUED)

3.4 Investment Income

a) Income from pooled investment vehicles is accounted for on an accruals basis.
b) Interest on cash deposits is accrued on a daily basis.
c) Income arising from annuity policies is included in investment income, and the pensions paid are included in pension payments.

3.5 Foreign Currency

a) The Plan's functional and presentational currency is Pounds Sterling.
b) Assets and liabilities in foreign currencies are expressed in Sterling at the rates of exchange ruling at the year-end.
c) Foreign currency transactions are recorded in Sterling at the exchange rate at the date of the transaction. Unrealised surpluses and deficits arising on conversion or translation are shown within change in market value. Realised surpluses and deficits are disclosed in investment income.

3.6 Valuation of Investments

a) Investment management fees are accounted for on an accruals basis and are separately disclosed in the notes to the financial statements. These fees and other acquisition costs are included in the purchase cost of investments.
b) Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise the closing single price, single dealing price or most recent transaction price is used. Investments are included at fair value as described below:
c) Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager.
d) Private equity pooled funds are valued at fair value as calculated by the investment manager at the latest valuation date of December in accordance with generally accepted guidelines.
e) Insurance policies are included in the financial statements based on a valuation provided by the insurers. This valuation, which is updated annually, represents the actuarial valuation of the corresponding liabilities on a net premium basis based on relevant pensioner data and market conditions at the year-end date.
f) The additional voluntary contribution investments include policies of assurance underwritten by the AVC providers. The market value of these investments has been taken as the surrender values of the policies at the year-end, as advised by the provider.
g) The foreign exchange exposure of the Plan relates to the investment in overseas assets or liabilities as determined in the strategic asset allocation of the Plan.
h) The changes in investment market values are accounted for in the period in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year-end. In the case of pooled investment vehicles that are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

4. COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT AND STATEMENT OF NET ASSETS

FUND ACCOUNT

	Note	Defined Benefit Section 2020 £'000	Defined Contribution Section 2020 £'000	Total 2020 £'000
Contributions and benefits				
Employer contributions		38,430	21,035	59,465
Employee contributions		153	-	153
Total contributions	5	38,583	21,035	59,618
Transfers in	6	85	422	507
Other income	7	918	132	1,050
		39,586	21,589	61,175
Benefits paid or payable	8	(45,327)	(3,018)	(48,345)
Payments to and on account of leavers	9	(7,170)	(6,735)	(13,905)
Administrative expenses	10	(2,602)	(99)	(2,701)
		(55,099)	(9,852)	(64,951)
Net (withdrawals)/additions from dealings with members		(15,513)	11,737	(3,776)
Returns on investments				
Investment management expenses	11	(609)	(47)	(656)
Investment income	12	7,607	-	7,607
Change in market value of investments	13	200,301	14,105	214,406
Net returns on investments		207,299	14,058	221,357
Net increase in the fund during the year		191,786	25,795	217,581
Transfers between Sections	27	(141)	141	-
Net assets at 1 January		1,530,952	232,030	1,762,982
Net assets at 31 December		1,722,597	257,966	1,980,563

premier

4. COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT AND STATEMENT OF NET ASSETS (CONTINUED)

STATEMENT OF NET ASSETS (available for benefits)

	Note	Defined Benefit Section 2020 £'000	Defined Contribution Section 2020 £'000	Total 2020 £'000
Investment assets				
Qualifying investment fund	13/14	564,979	-	564,979
Pooled investment vehicles	13/15	720,071	255,550	975,621
Insurance policies	13/17	407,600	-	407,600
AVC investments	13/18	9,380	-	9,380
Cash	13/19	14,345	-	14,345
		1,716,375	255,550	1,971,925
Investment liabilities				
Other investment balances	13/19	-	-	-
Total net investments		1,716,375	255,550	1,971,925
Current assets	24	7,206	2,713	9,919
Current liabilities	25	(984)	(297)	(1,281)
Total net assets available for benefits		1,722,597	257,966	1,980,563

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

No critical accounting judgements have been made in the financial statements.

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Plan, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Plan investments and, in particular, those classified in Level 3 of the fair-value hierarchy which include insurance policies held by the Plan.

5. CONTRIBUTIONS

	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000	2021 Total £'000
Employer Contributions			
Normal	**19,582**	**11,802**	**31,384**
Salary Sacrifice	**2,589**	**8,840**	**11,429**
Salary Sacrifice (AVC)	**733**	**2,134**	**2,867**
Other	**18**	**1**	**19**
	22,922	**22,777**	**45,699**
Employee Contributions			
Normal	**19**	**-**	**19**
Additional Voluntary Contributions	**16**	**-**	**16**
	35	**-**	**35**
	22,957	**22,777**	**45,734**

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Employer Contributions			
Normal	*17,688*	*10,663*	*28,351*
Salary Sacrifice	*2,323*	*8,288*	*10,611*
Salary Sacrifice (AVC)	*1,049*	*2,083*	*3,132*
Special Contribution	*17,350*	*-*	*17,350*
Other	*20*	*1*	*21*
	38,430	*21,035*	*59,465*
Employee Contributions			
Normal	*85*	*-*	*85*
Additional Voluntary Contributions	*68*	*-*	*68*
	153	*-*	*153*
	38,583	*21,035*	*59,618*

The Schedule of Contributions dated 9 December 2021 has no requirement for deficit contributions as the Plan is in surplus. Other Special Contributions of £17,350,000 in the prior year were additional contributions from the Employer. Other contributions of £19,000 (2020: £21,000) relate to pensioner Trustee stipend payments and other sundry employer contributions.

6. TRANSFERS IN

	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000	2021 Total £'000
Individual transfers in from other schemes	444	1,056	1,500

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Individual transfers in from other schemes	*85*	*422*	*507*

7. OTHER INCOME

	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000	*2021 Total £'000*
Claims on term insurance policies	-	323	323
Other income	5	1	6
	5	324	329

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Claims on term insurance policies	*915*	*132*	*1,047*
Other income	*3*	*-*	*3*
	918	*132*	*1,050*

8. BENEFITS PAID OR PAYABLE

	Defined Benefit Section 2021 £'000	**Defined Contribution Section 2021 £'000**	**2021 Total £'000**
Pensions	**33,202**	**-**	**33,202**
Commutations of pensions and lump sum retirement benefits	**3,905**	**1,240**	**5,145**
Taxation	**311**	**-**	**311**
Lump sum death benefits	**90**	**831**	**921**
	37,508	**2,071**	**39,579**

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Pensions	*32,746*	*-*	*32,746*
Commutations of pensions and lump sum retirement benefits	*11,173*	*2,101*	*13,274*
Taxation	*242*	*-*	*242*
Lump sum death benefits	*1,018*	*917*	*1,935*
Purchase of annuities	*148*	*-*	*148*
	45,327	*3,018*	*48,345*

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Defined Benefit Section 2021 £'000	**Defined Contribution Section 2021 £'000**	**2021 Total £'000**
Individual transfers out to other schemes	**5,390**	**4,668**	**10,058**

	Defined Benefit Section 2020 £'000	Defined Contribution Section 2020 £'000	2020 Total £'000
Individual transfers out to other schemes	7,170	6,735	13,905

10. ADMINISTRATIVE EXPENSES

	Defined Benefit Section 2021 £'000	**Defined Contribution Section 2021 £'000**	**2021 Total £'000**
Investment consultancy fees	**847**	**141**	**988**
Administration and processing	**750**	**-**	**750**
Other fees and expenses (including Trustee expenses)	**414**	**2**	**416**
Actuarial fees	**511**	**-**	**511**
Legal and other professional fees	**121**	**-**	**121**
Pension Plan levies payable	**64**	**-**	**64**
Audit fees	**42**	**-**	**42**
	2,749	**143**	**2,892**

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Investment consultancy fees	*1,367*	*97*	*1,464*
Administration and processing	*456*	*-*	*456*
Other fees and expenses (including Trustee expenses)	*263*	*2*	*265*
Actuarial fees	*221*	*-*	*221*
Legal and other professional fees	*197*	*-*	*197*
Pension Plan levies payable	*56*	*-*	*56*
Audit fees	*42*	*-*	*42*
	2,602	*99*	*2,701*

11. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section 2021 £'000	**Defined Contribution Section 2021 £'000**	**2021 Total £'000**
Administration, management and custody	**711**	**15**	**726**

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Administration, management and custody	*609*	*47*	*656*

12. INVESTMENT INCOME

	Defined Benefit Section 2021 £'000	**Defined Contribution Section 2021 £'000**	**2021 Total £'000**
Income from pooled investment vehicles	**14,685**	**-**	**14,685**
Annuity income	**103**	**-**	**103**
	14,788	**-**	**14,788**

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Income from pooled investment vehicles	*7,602*	*-*	*7,602*
Annuity income	*5*	*-*	*5*
	7,607	*-*	*7,607*

13. INVESTMENT RECONCILIATION

	Value at 1 January 2021 £'000	Cost of investments purchased and derivative payments £'000	Proceeds of sales of investments and derivative receipts £'000	Change in market value £'000	Value at 31 December 2021 £'000
Defined Benefit Section					
Pooled investment vehicles	720,071	55,230	(62,940)	114,087	**826,448**
Qualifying investment fund	564,979	16,000	(10,000)	(30,266)	**540,713**
Derivatives (net)	-	18,247	(31,708)	13,461	**-**
Insurance policies	407,600	-	-	(25,900)	**381,700**
AVC investments	9,380	1,314	(1,125)	1,474	**11,043**
	1,702,030	90,791	(105,773)	72,856	**1,759,904**
Cash deposits	14,345				**23,618**
	1,716,375				**1,783,522**
Defined Contribution Section					
Pooled investment vehicles	255,550	25,639	(6,470)	40,631	**315,350**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Where the investments are held in a unitised fund, the change in market value also includes expenses, both implicit and explicit, for the year and any reinvested income, where income is not distributed.

13. INVESTMENT RECONCILIATION (CONTNUED)

Defined Contribution Section

For the Defined Contribution Section, investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Plan Administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Plan that relate to members leaving the Plan prior to vesting.

Defined contribution assets are split as allocated to members and not allocated to members and therefore available to the Trustee to apply as specified in the Plan rules, as follows:

	2021	*2020*
	£'000	*£'000*
Allocated to members	**315,281**	*255,479*
Not allocated to members	**69**	*71*
	315,350	*255,550*

14. QUALIFYING INVESTMENT FUND

The Plan's investments in the qualifying investment fund at the year-end comprised:

	2021	*2020*
	£'000	*£'000*
Defined Benefit Section		
Bonds	**489,726**	*479,112*
Derivatives	**18,438**	*36.308*
Cash	**32,424**	*48,346*
Valuation variance	**125**	*1,213*
	540,713	*564,979*

The asset manager and custodian have small differences in the way they value the underlying investments. This difference is shown above and is reasonable for assets of this type and results from a very small variation in methodology.

15. POOLED INVESTMENT VEHICLES

The Plan's investments in pooled investment vehicles at the year-end comprised:

	2021	*2020*
	£'000	*£'000*
Defined Benefit Section		
Equities	**215,413**	*178,024*
Private equity	**271,589**	*191,713*
Bonds	**122,741**	*145,410*
Equity hedge	**199,651**	*190,129*
Property	**16,696**	*14,088*
Direct lending	**358**	*707*
	826,448	*720,071*

	2021	*2020*
	£'000	*£'000*
Defined Contribution Section		
Equities	**212,624**	*168,913*
Moderate fund	**85,783**	*71,376*
Pre-retirement fund	**14,106**	*12,895*
Cash fund	**2,049**	*1,878*
Amanah fund	**219**	*19*
Property	**393**	*331*
Bonds	**176**	*138*
	315,350	*255,550*

16. DERIVATIVES

Objectives and policies

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Plan as follows:

Currency hedging – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, where appropriate GBP hedged share classes have been used. These share classes may use forward FX contracts to hedge foreign currency exposure.

Leveraged Liability Driven Investment ('LDI') portfolio – in order to efficiently hedge the liabilities exposure to changes in interest rates and inflation, the pooled investment vehicles that form part of the Plan's LDI portfolio may invest in over the counter ("OTC") derivatives.

The Plan had no direct derivative exposure at the year-end (2020: none).

17. INSURANCE POLICIES

During 2012, the Trustee purchased a deferred premium buy-in insurance policy with Legal & General Assurance Society ("LGAS") in order to address the interest rate, inflation and mortality risk associated with the pensioner liabilities in the Plan as at 31 December 2011. These liabilities will be assumed by the buy-in provider, LGAS, after a ten-year deferment period ending in 2022.

The insurance policy is included as an asset of the Defined Benefit Section at a valuation provided to the Trustee by the Plan's insurers.

The custodian for the assets held under the insurance policy is HSBC Bank plc. The Plan held insurance policies at the year-end as follows:

	2021	2020
	£'000	£'000
Deferred Premium Buy-In – LGAS	381,700	407,600

18. AVC INVESTMENTS

AVC investments held by members of the Defined Contribution Section are invested with the main Defined Contribution Section assets and are not separately distinguishable.

The Trustee holds assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

The aggregate amounts of Defined Benefit Section AVC investments are as follows:

	2021	2020
	£'000	£'000
Legal & General	10,491	8,715
Prudential Assurance Company Limited	546	659
Aviva	6	6
	11,043	9,380

19. CASH AND OTHER INVESTMENT BALANCES

	2021	2020
	£'000	£'000
Defined Benefit Section		
Investment manager cash and cash instruments	23,618	14,345

20. INVESTMENT FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

Pooled investment vehicles that are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair value applies, valuation techniques are adopted and the vehicles are included in level 3 as appropriate.

The value of other pooled investment vehicles that are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors that prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 December 2021 or 31 December 2020.

Insurance policies are included in the financial statements based on a valuation provided by the insurers.

20. INVESTMENT FAIR VALUE HIERARCHY (CONTINUED)

The Plan's investment assets have been fair valued using the above hierarchy categories as follows:

				31 DECEMBER 2021
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	554,859	271,589	826,448
Qualifying investment fund	-	540,713	-	540,713
Insurance policies	-	-	381,700	381,700
AVC investments	-	10,491	552	11,043
Cash	23,618	-	-	23,618
TOTAL	23,618	1,106,063	653,841	1,783,522
Defined Contribution Section				
Pooled investment vehicles	-	**315,350**	**-**	**315,350**

				31 DECEMBER 2020
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	528,898	191,173	720,071
Qualifying investment fund	-	564,979	-	564,979
Insurance policies	-	-	407,600	407,600
AVC investments	-	8,715	665	9,380
Cash	14,345	-	-	14,345
TOTAL	14,345	1,102,592	599,438	1,716,375
Defined Contribution Section				
Pooled investment vehicles	-	255,550	-	255,550

21. INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks. FRS 102 sets out these risks as follows:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:

- **Currency risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines their investment strategy after taking advice from a professional investment adviser. The Plan has exposure to these risks because of the investments it makes in different asset classes. The Trustee manages investment risks, including credit risk and market risk, through balancing a diversified portfolio with the Plan’s strategic investment objectives.

Further information on the Trustee’s approach to risk management, credit and market risk is set out below. The detailed statements following the illustrative table below do not include the AVC investments, as these are not considered significant in relation to the overall investments of the Plan.

21. INVESTMENT RISKS (CONTINUED)

Defined Benefit Section

The following table summarises the extent to which the various classes of investments, excluding the Prudential insurance policies and AVCs, are affected by financial risk. Further explanation of these risks and the Trustee's approach to risk management, credit and market risk is set out below:

Fund	Credit Risk	Market risk			2021 Value £'000	2020 Value £'000
		Currency	Interest rate	Other price		
Pooled Investment Vehicles						
Equities	N	Y	N	Y	**215,413**	**178,024**
Bonds	Y	N	Y	N	**122,741**	**145,410**
*Property**	Y	Y	Y	Y	**90,362**	**14,088**
Private Equity	N	Y	N	Y	**271,589**	**191,713**
Other PIVs	Y	Y	Y	Y	**126,343**	**190,836**
Qualifying Investment Fund	Y	N	Y	N	**540,713**	**564,979**
Insurance Policies	N	N	Y	Y	**381,700**	**407,600**
AVC Investments	Y	Y	Y	Y	**11,043**	**9,380**
Cash and Other Investment Balances	N	N	N	N	**23,618**	**14,345**
Total Investments					**1,783,522**	**1,716,375**

*Property includes the secure income fund for 2021.

21. INVESTMENT RISKS (CONTINUED)

Credit Risk

The Plan is subject to credit risk through its investments in pooled investment vehicles such as bonds/loans, property, the State Street pooled LDI fund and other diversifying strategies. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds. The Plan's bulk annuity policy is also directly exposed to the solvency of the insurer. The Plan invests in pooled funds via an investment platform and is therefore also exposed to credit risk in relation to the solvency of the platform provider.

As at 31 December 2021 around 52% (2020: 70%) of the Plan's assets were invested in funds or securities that are significantly exposed to credit risk.

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe keeping, monitoring and reconciliation of documentation relating to these securities.

The Plan's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Plan's investments across a number of pooled funds. The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds. The Trustee also carries out due diligence checks on new appointments of investment managers and custodians for sole investor arrangements and on an ongoing basis monitors any changes to the operating environment of these entities.

Within the LDI portfolio, there is exposure to credit risk as the LDI portfolio manager uses derivative instruments to match the Plan's liabilities. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised daily so as to aim to limit credit risk to one day's market movements.

	Value of assets exposed to risk 2021	*Value of assets exposed to risk 2020*
Plan Risk Exposures	**£'000**	*£'000*
Credit Risk (*Bonds, Property, LDI and Other diversifying strategies)*	**922,008**	**1,206,435**

21. INVESTMENT RISKS (CONTINUED)

Currency Risk

As the Plan's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, or implement separate currency hedging arrangements.

As at 31 December 2021 around 40% (2020: 20%) of the Plan's assets were invested in funds or securities that are significantly exposed to currency risk.

	Value of assets exposed to risk 2021	*Value of assets exposed to risk 2020*
Plan Risk Exposures	**£'000**	*£'000*
Currency Risk (*Equities, private equity, property and Other diversifying strategies*)	**713,951**	**351,358**

Interest Rate Risk

Interest rate risk and inflation risk is a material risk for the Plan given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some of the Plan's, the overall interest rate exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

As at 31 December 2021 around 73% (2020: 70%) of the Plan's assets were invested in funds or securities that are significantly exposed to interest rate and/or inflation risk.

	Value of assets exposed to risk 2021	*Value of assets exposed to risk 2020*
Plan Risk Exposures	**£'000**	*£'000*
Interest Rate Risk (*LDI, Bonds, Property, Other diversifying strategies and Buy-In*)	**1,303,708**	**1,206,345**

21. INVESTMENT RISKS (CONTINUED)

Other Price Risk

The Plan's assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold equities being subject to movements in equity prices.

As at 31 December 2021 around 61% (2020: 75%) of the Plan's assets were invested in funds or securities that are significantly exposed to other price risk.

The Trustee monitors this risk on a regular basis, looking at the performance of the Plan as a whole as well as each individual portfolio. The Trustee believes that the Plan's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

Plan Risk Exposures	Value of assets exposed to risk 2021 £'000	*Value of assets exposed to risk 2020 £'000*
Other price Risk (*Equities, Private Equity, Property, Other diversifying strategies, and Buy-in)*	1,095,651	1,285,144

A summary of DB pooled investment vehicles by type of arrangement is as follows:

	2021 £'000	2020 £'000
Pooled Investment Vehicles by Type		
Open-Ended Investment Companies	131,965	564,979
Shares of Limited Liability Partnerships	255,850	354,989
Undertakings for Collective Investment in Transferable Securities	117,922	124,546
Qualifying Investor Alternative Investment Fund	650,361	73,397
Irish Collective Asset-Management Vehicle	67,462	57,563
Collective Investment Scheme	-	80,311
Segregated Portfolio Company	13,329	15,159
Unit-Linked Insurance Contracts	130,381	14,100
Authorised Unit Trusts	-	70
	1,367,270	1,285,114

21. INVESTMENT RISKS (CONTINUED)

Defined Contribution Section

Investment Strategy

The Trustee's objective is to make available to members of the Plan an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their employer, will provide a retirement outcome appropriate for a member who wishes to gradually draw down their pension pot over time. The Statement of Investment Principles outlines the investment objectives and strategy for the Defined Contribution assets of the Plan.

The investment funds offered to members are funds provided by Legal & General Assurance Society as follows:

- Accelerated growth
- Moderate growth
- UK Equity Index
- World Equity Index (unhedged)
- World Equity Index (hedged)
- World Emerging Markets Equity Index
- Ethical Global Equity Index
- Property
- AAA-AA-A Corporate Bond All-Stocks Index
- Pre-retirement
- Cash
- HSBC Islamic titans

The day-to-day management of the underlying investments of the funds is the responsibility of Legal & General Investment Management Ltd and HSBC, including the direct management of credit and market risks.

The Trustee monitors the underlying risks through regular investment reviews with Legal & General Investment Management Ltd and HSBC.

21. INVESTMENT RISKS (CONTINUED)

Credit Risk

The Defined Contribution Section ("DC Section") is subject to direct credit risk in relation to its holding in unit linked funds provided by Legal & General Assurance Society.

The funds held by the Plan are held under the PMC Group of Legal & General Group; PMC is a separate legal entity within Legal & General Group. As a result, the assets contained within the PMC Group are ring fenced from the rest of the Legal & General Group, including the funds of Legal & General Assurance Society Limited and Legal & General Insurance Limited.

In the event of insolvency, PMC pooled fund policyholders are further protected by a floating charge. This results in all policyholders having priority over the pooled assets for the value of their units.

As a UK insurance company Legal & General is required to maintain a minimum level of capital to protect against risks that the insurance company is subject to, and to comply with strict investment policies.

The DC Section is also subject to indirect credit and market risk arising from the underlying investments held in the funds. The funds that have significant exposure to these risks are set out below for 2021 and 2020:

Fund	Credit Risk	Market risk		
		Currency	Interest rate	Other price
Accelerated growth	N	Y	N	Y
Moderate growth	Y	Y	Y	Y
UK Equity Index growth	N	N	N	Y
World Equity Index (unhedged)	N	Y	N	Y
World Equity Index (hedged)	N	Y	N	Y
World Emerging Markets Equity Index	N	Y	N	Y
Ethical Global Equity Index	N	Y	N	Y
Property	Y	N	Y	Y
AAA-AA-A Corporate Bond All-Stocks Index	Y	N	Y	N
Pre-Retirement	Y	N	Y	N
Cash	N	N	N	N
HSBC Islamic titans	N	Y	N	Y

The analysis of these risks set out above is at Plan level. Member level risk exposures will be dependent on the funds invested in by members.

The Trustee has selected the above funds and has considered the indirect risks in the context of the investment strategy described in the Trustee's Report.

22. SELF-INVESTMENT

Direct employer-related investments as at 31 December 2021 were <0.1% (2020: nil). The Trustee recognises that indirect investment in the sponsoring employer's parent company, is possible through holdings in pooled investment vehicles. Based on information provided by the investment managers, the Trustee estimates that, at 31 December 2021, any indirect exposure to shares in companies related to the sponsoring employer was <0.1% (2020: <0.1%) of the net assets of the Plan.

23. CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Plan's net assets as at 31 December:

	2021		*2020*	
	£'000	**%**	*£'000*	*%*
SSgA Qualified Tru LDI Leveraged UK Exposure I (Qualifying Investment Fund)	**540,713**	**25.7**	*564,979*	*28.5*
Legal & General Buy-In Insurance Policy	**381,700**	**18.1**	*407,600*	*20.6*
Legal & General DBKR Cummins Accelerated	**208,129**	**9.9**	*165,693*	*8.4*
SSgA MPF Fundamental Index Global Equity	**113,578**	**5.4**	*-*	*-*

24. CURRENT ASSETS

	Defined Benefit Section 2021 £'000	**Defined Contribution Section 2021 £'000**	**2021 Total £'000**
Contributions due from Employer in respect of:			
Employer	**19**	**1**	**20**
Employee	**2**	**3**	**5**
Prepaid pensions	**2,351**	**-**	**2,351**
Cash and bank balances	**2,342**	**559**	**2,901**
Cash in transit	**-**	**79**	**79**
	4,714	**642**	**5,356**

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Contributions due from Employer in respect of:			
Employer	*9*	*2*	*11*
Employee	*1*	*3*	*4*
Prepaid pensions	*2,364*	*-*	*2,364*
Cash and bank balances	*4,688*	*2,384*	*7,072*
Cash in transit	*-*	*198*	*198*
Due from DB Section	*-*	*126*	*126*
Due from DC Section	*144*	*-*	*144*
	7,206	*2,713*	*9,919*

Contributions due under the Schedule and noted above were received on time, after the year-end, on 7 January 2022. Of the DC Section cash balances, £559,454 was allocated to members (2020: £731,503).

25. CURRENT LIABILITIES

	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000	2021 Total £'000
Unpaid Benefits	**358**	**24**	**382**
Accrued Expenses	**526**	**-**	**526**
Other Creditors	**129**	**45**	**174**
	1,013	**69**	**1,082**

	Defined Benefit Section 2020 £'000	*Defined Contribution Section 2020 £'000*	*2020 Total £'000*
Unpaid Benefits	*293*	*85*	*378*
Accrued Expenses	*436*	*23*	*459*
Other Creditors	*129*	*45*	*174*
Due to DB Section	*-*	*144*	*144*
Due to DC Section	*126*	*-*	*126*
	984	*297*	*1,281*

26. RELATED PARTY TRANSACTIONS

Employer

During the year the company has recharged costs of £226,649 (2020: £97,859) to the Plan representing a charge for administration services supplied by the company and carried out on behalf of the Trustee.

During the year contributions of £16,789 (2020: £18,735) were received from the company in respect of remuneration made to pensioner Directors.

Key management personnel of the Plan

Some Directors of the Trustee Company are members of the Plan and receive benefits in accordance with the Plan's rules on the same basis as other members. As at 31 December 2021 9 Trustee Directors were active members and 2 Directors were pensioner members. Comparative figures for Directors as at 31 December 2020 were 9 active members and 2 pensioner members.

Other fees and expenses of £94 (2020: £3,320) were paid to Trustee Directors.

27. TRANSFERS BETWEEN SECTIONS

During the year, following a Trustee decision, DC assets that were not designated to members were utilised in settling administrative expenses for the DC Section of the Plan. In addition, some DB Section assets were transferred to the DC Section in order to settle other DC Section expenses, and also included are items received into or paid from the DB bank account that related to the DC Section.

Net transfers from the DB Section to the DC Section during the year amounted to £66,000 (2020: £141,000).

28. CAPITAL COMMITMENTS

As at 31 December 2021 the Plan had undrawn capital commitments as shown below:

	2021	2020
	£'000	£'000
Fund		
Advent GPE VII	736	782
Atlas Partners Fund I	1,280	1,421
Atlas Partners Fund II	4,101	8,875
American Securities VI	1,293	1,666
American Securities VII	699	1,530
Ancala Partners Infrastructure Fund II	4,236	9,761
Axiom Asia II	739	731
Cabot Square V	1,564	4,086
CDH Growth VGC Fund II	8,237	13,660
CDH Growth Fund III	999	2,281
Energy Capital III	2,880	2,706
Francisco Partners V	2,256	4,948
Francisco Partners VI	10,507	17,700
Gallant Capital Partners I	11,611	15,619
GSAM PEP 2002	-	90
Mobeus Equity Partners IV	4.070	6,104
Morgan Stanley PMF V	1,478	1,625
Nuveen TIAA-CREF GAF II	1,574	1,664
SC Capital Partners RECAP IV	1,700	1,982
Sun Capital VI	1,556	3,517
Waud Capital Partners FIF V	5,354	12,925
Total undrawn commitment	68,662	113,673

29. CONTINGENT LIABILITIES

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment, involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The Trustee of the Plan is aware that the issue will affect the Plan and is considering what actions and decisions be needed as to next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Subsequently, on 20 November 2020, the High Court issued a follow up judgment in respect of the Lloyds Banking Group ruling that any transfers out paid since 17 May 1990 must be potentially be increased to reflect additional liabilities arising from the equalisation of GMPs accrued between 17 May 1990 and 5 April 1997. This could potentially result in top-up payments to members but presents significant challenges for the Trustee and Plan Administrator in terms of:

• Identifying transfers paid since 1990.
• Equalising the transfer payment.
• Tracking the relevant members and the arrangements they transferred to.

The Trustee is currently reviewing all options with its Plan Advisers.

Based on an initial assessment of the likely backdated amounts and related interest, the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Actuary's Certification of Schedule of Contributions

Adequacy of Rates of Contributions
I hereby certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 1 January 2021 to be met at that date.

Adherence to Statement of Funding Principles
I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 9 December 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were wound up.

Signature	*Andrew Mandley*
Name	Andrew Mandley
Date of signing	31 December 2021
Address	Willis Towers Watson 5 Wellington Place Leeds LS1 4AP
Qualification	Fellow of the Institute and Faculty of Actuaries

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF CUMMINS UK PENSION PLAN
FOR THE YEAR ENDED 31 DECEMBER 2021

Statement about contributions

Opinion

In our opinion, the contributions payable to the Plan by the employer under the Schedules of Contributions for the plan year ended 31 December 2021 as reported in Cummins UK Pension Plan's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the plan actuary on 1 January 2019 and 31 December 2021.

We have examined Cummins UK Pension Plan's summary of contributions for the plan year ended 31 December 2021 which is set out on the following page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the plan under the schedules of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the plan's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the plan by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

Date:

CUMMINS UK PENSION PLAN

SUMMARY OF CONTRIBUTIONS PAYABLE
FOR THE YEAR ENDED 31 DECEMBER 2021

During the year ended 31 December 2021 the contributions payable to the Plan by the Employer under the Schedules of Contributions were as follows:

Contributions payable under the Schedules in respect of the Plan year

	2021
	£'000
Contributions payable under the Schedules of Contributions	
Employers	
Normal – Defined Benefit	**19,582**
Normal – Salary Sacrifice – Defined Benefit	**2,589**
Normal – Defined Contribution	**11,802**
Normal – Salary Sacrifice – Defined Contribution	**8,840**
Employees	
Normal – Defined Benefit	**19**
Total contributions payable under the Schedules (as reported on by the Plan Auditors)	**42,832**
In addition, further contributions were payable as follows:	
Other Employer contributions	**19**
Employer additional voluntary contributions – salary sacrifice	**2,867**
Employees' additional voluntary contributions	**16**
Total contributions included in the financial statements (note 5)	**45,734**

Signed on behalf of the Trustee:

____________________________ Date:
Trustee Director

____________________________ Date:
Trustee Director

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			
Continued growth			
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
Annuity protection			
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
Cash focused			
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		
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		
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		
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		
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		

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.*

Cummins UK Pension Plan

Implementation statement

1 January 2021 to 31 December 2021

About this statement

The Trustee of the Cummins UK Pension Plan (the Plan) must produce a yearly statement explaining how, and the extent to which, it has followed its Statement of Investment Principles (SIP) during the Plan year. This must include:

- details of any review of the SIP during the year
- any changes made to the SIP and why
- the date of the last SIP review
- a description of the voting behaviour by (and on behalf of) the Trustee
- the most significant votes cast, stating any use of the services of a proxy voter, during that year.

This implementation statement is based on the Plan's latest SIP, which was in place during the Plan year - dated October 2020. Please read this statement in conjunction with **the SIP**

Contents

1. Introduction	4
2. Objectives	4
3. Investment strategy	5
4. Investment arrangements	7
5. Social, environmental and ethical issues	8
6. Other matters	9
7. Voting behaviour during the Plan year 7.1 Voting processes 7.2 Summary of voting 7.3 Significant votes	11

1. Introduction

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

A review of the SIP was carried out during the Plan year, in October 2021, with the updates to be finalised during the next Plan year.

2. Objectives

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustee is also able to view the progress on an ongoing basis online, using LCP Visualise (a tool provided by the Plan's investment adviser that shows key metrics and information on the Plan). As at 31 December 2021, based on the underlying assumptions, the Plan was on track to achieve 103% funding on a self-sufficiency basis by the end of 2028.

The Trustee's performance and strategy review of the DC and AVC default arrangements began in August 2021, and this process continues beyond the end of the Plan year. As part of that review, the Trustee considered the DC and AVC Section membership demographics and the variety of ways that members may draw their retirement benefits from the Plan.

Based on the outcome of this analysis, the Trustee concluded that the DC and AVC default arrangements have been designed to be in the best interests of the majority of the DC and AVC Section members, respectively, and reflects the demographics of those members. However, the review highlighted some areas for further consideration which, if taken forward, will be agreed and implemented during the next Plan year.

The Trustee also provides members with access to a range of investment options which it believes are suitable for the purpose and enable appropriate diversification (see 3.2 of the SIP). The DC and AVC Section funds are dealt daily to provide appropriate liquidity for members to realise and change their investments easily. The Trustee has made alternative lifestyle strategies available to members which take into account how members' need change as they progress towards retirement age. In addition, there is a self-select fund range covering all major assets classes, as set out in the **SIP Appendix**. The Trustee monitors the take-up of these alternative choices, which has been low in comparison to the number of members using the default strategy.

The Trustee reviews the ongoing charges members pay and this is covered in more detail in Section 4, under Fees.

3. Investment strategy

DB Section

The Trustee, with the help of its advisers and in consultation with the Company, reviewed the DB Section's strategy on multiple occasions over 2021, with a final strategy review in September 2021. The ISC agreed to increase the DB Section's interest rate and inflation target hedge ratios to 90% (including the existing buy-in) on a self-sufficiency basis, when the 2021 liability benchmark created by State Street is implemented.

As part of the strategy review, the Trustee ensured that the DB Section's assets were adequately and appropriately diversified between different asset classes.

During 2021, the ISC agreed to make an initial allocation of around £150m to buy & maintain credit. The ISC agreed that buy & maintain credit would form part of the Plan's future investment strategy, and this allocation would increase over time as and when the DB Section de-risked. The initial £150m allocation would be sourced mainly from existing credit, equity and other diversifying assets and is expected to be funded around mid-2022.

The Trustee received training in September 2021 on responsible investment and Taskforce on Climate-related Financial Disclosures (TCFD) reporting requirements for the Plan under the Pensions Scheme Act 2021. In October 2021, the Trustee received follow up training on the TCFD requirements that the Plan will be within the scope of from 1 October 2022.

The Trustee monitored the asset allocation on a quarterly basis. Due to the expected changes to the strategic asset allocation, following the conclusion of the investment strategy review, the Trustee decided that no rebalancing action was necessary. The Trustee will instead consider the asset allocation position when implementing the strategy changes.

Required investment return triggers put in place as part of the de-risking mechanism are monitored on a daily basis using LCP Visualise. If a trigger were to be hit, LCP would notify the Trustee so that a discussion could take place. The Trustee also reviews the DB Section's progress against the triggers as part of the quarterly performance monitoring reporting it receives. When a trigger is hit, the Trustee would consider the appropriateness of any proposed de-risking action to agree on if action is taken.

The Trustee reviews the DB Section's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets to meet any outflows while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets. The Trustee remains satisfied with the Plan's current liquidity levels and will continue to monitor this on a regular basis.

DC Section

The Trustee, with the help of its advisers and in consultation with the Company, reviewed the strategy and performance of the default arrangements over the Plan year as mentioned in Section 2. The Trustee concluded that drawdown remains an appropriate retirement target for the DC default arrangement, and that cash remains an appropriate retirement target for the AVC default arrangement. The Trustee's review of the lifestyle strategies continues beyond the end of the Plan year.

As part of this review, the Trustee agreed that the DC Section's default arrangements were adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

In accordance with Section 3.2 (a) of the SIP, the Trustee invests in funds that offer daily dealing to enable members to readily realise and change their investments. All the DC and AVC Section funds which the Trustee offered during the Plan year were and continue to be daily priced.

4. Investment arrangements

When the Trustee reviewed the DB investment strategy in September 2021, it considered the investment risks set out in Sections 7.5 and 7.6 of the SIP. The Trustee also considered a range of relevant asset classes, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustee reviewed its investment beliefs in May 2021. Following a review of recent evidence of the financial materiality of climate-related risks, the Trustee reconsidered its investment beliefs and expanded upon one investment belief:

- In line with Cummins values, our investment managers should invest with good governance and considering ESG principles. In particular, the Trustee believes that some managers can improve risk-adjusted returns by considering ESG and/or climate factors.

The Trustee also updated its investment beliefs with respect to investment manager style:

- Investment markets are not always efficient, and there may be opportunities for good active managers to add value.

Alignment

The Trustee has not made any changes to its manager arrangements over the Plan year. The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis and informs the Trustee promptly about any significant updates or events. In particular it reports on developments that may affect the managers' ability to achieve their respective investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Plan invests in, or any material change in the levels of diversification in the funds.

The Trustee was comfortable with its investment manager arrangements over the Plan year.

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using the quarterly performance monitoring report, which shows the performance of each fund. Performance is considered in the context of the manager's benchmark and objectives. The most recent quarterly report shows that all managers have produced performance broadly in line with expectations.

Fees

In [MONTH] 2022, the Trustee, through WTW, carried out a value-for-members assessment for the Plan year to 31 December 2021. [This looked at a range of factors, including the fees payable to managers in respect of the DC Section, which were found to be reasonable when compared against schemes with similar sizes mandates.]

The Trustee plans to review investment manager fees for the DB Section of the Plan during 2022.

5. Social, environmental and ethical issues

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

The Trustee also reviewed reports from their managers on voting and engagement activities carried out on its behalf.

Within the DC Section, the Trustee recognises that some members may wish for ethical or religious matters to be taken into account in their investments and therefore, as mentioned in the SIP, it has made available two funds as investment options to members:

- Ethical Global Equity Index (underlying fund is the LGIM Ethical Global Equity Index)
- HSBC Islamic Titans Fund (underlying fund is the HSBC Islamic Global Equity Index)

The HSBC Islamic Titans Fund allows members to invest in a fund where the principles are aligned with Shariah Law, ensuring the DC and AVC Section is suitable for a wider variety of members.

6. Other matters

Risk management

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

DB Section

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

Looking at the risk of inadequate returns, as part of the quarterly performance reporting in December 2021, the required return for the Plan to be 103% funded on a self-sufficiency basis by the end of 2028 was estimated to be gilts + 1.0% a year. The best estimate expected return on the Plan's strategic asset allocation was gilts + 2.5% a year. Therefore, the expected return on the Plan's assets was expected to be sufficient to produce the return needed over the long term. The DB Section's interest rate and inflation hedging levels are monitored in the quarterly performance report. Over the Plan year, the Plan's hedging levels were broadly in line with the target levels. Following the end of the Plan year, the Trustee agreed to increase the hedging levels on both interest rates and inflation to 90% on a self-sufficiency basis (including the buy-in). The Plan uses derivatives for the purpose of risk management, with a broad range of counterparties.

Together, the investment and non-investment risks set out in section 7.4 of the SIP give rise generally to funding risk. The Trustee formally reviews the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis, the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings and the Trustees also have the ability to monitor this daily on LCP Visualise. LCP also have in place an agreed upon trigger monitoring framework that automatically monitors the DB Section's required return to reach 103% funding on a self-sufficiency basis by the end of 2028.

The following risks are covered earlier in this Statement: diversification risk in Section 3, investment manager risk in Section 4, and liquidity risk in Section 2.

DC Section

The Trustee considers the following risks:

- Opportunity or shortfall risk – the risk that members don't take sufficient risk at a stage in their lives when they're most able to, resulting in a smaller-than-expected pension account at retirement.
- Capital risk – members' savings fall in absolute terms
- Inflation risk – investment return over members' working lives doesn't keep pace with inflation.

To mitigate these risks, the Trustee uses equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, as well as manage political and currency related risks. These are used throughout the default lifestyle arrangements and are also made available within the self-select options. These funds are expected to produce positive real returns over the longer term. As part of the default lifestyle arrangements, the equity allocation is gradually reduced in the approach to retirement. Lower volatility assets are used to minimise the risk that members lose material amounts of their retirement pots with a small number of years to their retirement.

The Trustee has made available an alternative lifestyle strategy to address the annuity conversion risk present in the DC and AVC Section if members plan to purchase an annuity with their retirement savings. This refers to the risk that relative market movements in the years just prior to retirement may lead to a substantial reduction in the pension and cash lump sum secured. The annuity protection strategy aims to hedge against annuity price movements as members approach their target retirement age. A pre-retirement fund, which aims to broadly match annuity prices, is also available to members as a self-select option.

Members of the Plan also face the risk that pension pots are unduly eroded due to unduly high investment charges. The Trustee works to mitigate this risk by regularly reviewing the costs associated with managing the Plan's assets, as noted in Section 4.

With respect to the AVC members, the Trustee makes available the same investment arrangements to the AVC members as the DC members.

7. Voting behaviour during the Plan year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and has not, itself, used proxy voting services over the Plan year.

DB Section

In this section, we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Plan's funds that hold equities as follows:

- State Street MPF Fundamental Index 100% hedged
- AMX SSGA Adaptive Capped ESG Equity
- LGIM Heitman Global Prime Property
- Brigade Credit Offshore Fund II

We have also included commentary (provided by the investment managers) on the following funds that do not hold listed equities but have in place a proxy voting policy:

- American Securities Partners VI LP
- American Securities Partners VII LP
- CDH VGC Fund II LP
- CDH VGC Fund I USD Parallel LP
- Energy Capital Partners III-C Offshore Feeder LP
- Francisco Partners V-B LP
- Francisco Partners VI-B LP
- Sun Capital Partners VI-LP
- Waud Capital Partners FIF V
- CBRE Europe ex UK Alpha Fund B GBP Hdgd Shares
- Ancala Infrastructure Fund II SCSP
- AMX Feeder - Fulcrum Risk Premia
- AMX Feeder - ARP Systematic Merger Arbitrage (Versor)
- Morgan Stanley Private Markets Fund V (Caymen) LP
- WTW Secure Income Fund

We have not included voting data or commentary on the following funds that the Plan invested in during the period, which do not hold listed equities and where there are either no voting opportunities or where voting information is not available:

- Advent International GPE VII
- Altas Partners Holdings (A) LP
- Altas Partners Holdings II (A) LP
- Axiom Asia Private Capita Fund II
- Gallant Capital Partners 1-A LP
- Goldman Sachs Private Equity Partners 2002 o/S LP
- Mobeus Equity Partners IV LP
- Real Estate Capital Asia Partners IV LP
- CS Capital Partners V LP
- Tiaa Cref Global Agriculture II LLC
- Windwise MultiFactor EM Curr Fund A Shares
- CS Iris Low Volatility Plus T Feeder Fund
- Alcentra Global High Grade CLO Debt Fund
- Hayfin Direct Lending Fund LP
- Templeton Global Bond Plus SIFI
- AMX Feeder - Systematica Equity Factor

The Trustee will continue to work with its advisers and investment managers with the aim of providing this voting information in future implementation statements.

In addition to the above, the Trustee contacted the Plan's other asset managers, who don't hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the Plan year. Commentary provided from these managers is set out on pages 15 to 19.

DB Section

In this section, we have sought to include voting data on the funds with equity holdings where these are used in the default strategy given the high proportion of total DC Section assets invested in these funds. In addition, we have also included self-select funds which incorporate responsible investment factors and/or religious beliefs, recognising that members choosing to invest in these funds may be interested in this information.

- Accelerated growth – the underlying funds are LGIM MSCI ACWI Adaptive Capped ESG Index Fund and LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund (formerly the FTSE RAFI All-World 3000 Equity)
- Moderate growth – the underlying fund is the LGIM Diversified Fund
- Ethical Global Equity Index – the underlying fund is the LGIM Global Ethical Equity Index Fund
- HSBC Islamic Titans – the underlying fund is the HSBC Islamic Global Equity Index Fund

7.1 The voting processes

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration in developing LGIM's voting and engagement policies. LGIM also considers client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All voting decisions are made by LGIM's investment stewardship team in accordance with their policies on corporate governance, responsible investment and conflicts of interest, which are reviewed annually. Each member of the team is allocated a specific sector globally, so that the voting is undertaken by the same individuals who engage with the relevant company. This helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the voting decision process, which aims to provide consistent messaging to companies.

LGIM's investment stewardship team uses Institutional Shareholder Services' (ISS) ProxyExchange electronic voting platform to vote. All voting decisions are made by LGIM, and it does not outsource any part of the strategic decisions. ISS' recommendations are used to augment LGIM's own research and proprietary ESG assessment tools. The investment stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best-practice standards that all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement when a specific company has provided additional information (for example from direct engagement or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

HSBC

The legal right to the underlying votes lies with the directors of the HSBC Islamic Global Equity Index Fund. They have delegated this execution of this voting to HSBC Global Asset Management (UK) Limited.

HSBC exercises its voting rights as an expression of stewardship for client assets. HSBC has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

HSBC uses the voting research and platform provider ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene its guidelines. HSBC reviews voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on HSBC's guidelines.

In its engagement, HSBC encourages companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the TCFD. Where companies in energy-intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. HSBC also generally supports shareholder resolutions calling for increased disclosure on climate-related issues.

The following comments were provided by the Plan's asset managers who don't hold listed equities, but have provided information regarding their proxy voting policy:

- American Securities Partners VI LP
- American Securities Partners VII LP
- CDH VGC Fund II LP
- CDH VGC Fund I USD Parallel LP
- Energy Capital Partners III-C Offshore Feeder LP
- Francisco Partners V-B LP
- Francisco Partners VI-B LP
- Sun Capital Partners VI-LP
- Waud Capital Partners FIF V
- CBRE Europe ex UK Alpha Fund B GBP Hdgd Shares
- Ancala Infrastructure Fund II SCSP
- AMX Feeder - Fulcrum Risk Premia
- AMX Feeder - ARP Systematic Merger Arbitrage (Versor)
- Morgan Stanley Private Markets Fund V (Caymen) LP
- WTW Secure Income Fund

American Securities Partners

American Securities Partners VI LP and American Securities Partners VII LP

American Securities provided the following wording to describe its voting practices:

The managing director responsible for a particular portfolio company is responsible for the voting of all securities held by the ASP Funds. Such managing director will ensure that the firm receives all relevant information, disclosure materials and such proxies or consents to be able to cast votes in a timely manner. All such votes shall be in consultation with the CEO.

CDH Investments

CDH VGC Fund II LP and CDH VGC Fund I USD Parallel LP

CDH Investments provided the following wording to describe its voting practices:

The funds are private equity funds where listed securities are not our primary targets for investments. In each of our investments, we target to negotiate for significant minority protection rights and in most cases, we would obtain a board seat to be actively involved in the management of our portfolio company and to ensure proper governance. It is our policy that our funds should exercise their rights to vote in all matters submitted for shareholders' votes. The deal team responsible for the investment shall assess the merits of each proposal based on the team's understanding and expectation on the company's business and strategy and recommend voting accordingly. The legal and compliance team shall review the recommendation to assess if the funds' rights might be adversely affected. If any material deviations from our investment thesis or shareholder's rights are identified, the matter will be elevated to the investment committee for decision. If not, the fund shall vote in accordance with the deal team's recommendation.

Energy Capital Partners

Energy Capital Partners III-C Offshore Feeder LP

Energy Capital Partners provided the following wording to describe its voting practices:

ECP is a private equity fund and so the majority of our investments are private. However, for those that are public, we do maintain a proxy policy. We can confirm that the votes made related to such public securities were in line with the proxy statement.

Francisco Partners

Francisco Partners V-B LP and Francisco Partners VI-B LP

Francisco Partners provided the following wording to describe its voting practices:

Proxy voting is generally not applicable to our business as a private fund manager that makes credit investments and control-oriented equity investments in private companies. The firm has adopted proxy voting procedures designed to ensure that the firm votes proxies in the best interest of its funds and addresses material conflicts of interest in proxy voting.

Sun Capital Partners

Sun Capital Partners VI-LP

Sun Capital Partners provided the following wording to describe its voting practices:

Sun Capital Partners VI-LP (Fund VI) does not hold any publicly listed securities. Also, given the passive limited partnership interest held by the Cummins UK Pension Plan and other limited partners in Fund VI, the general partner does not typically consult with its limited partners in connection with normal course portfolio company board voting.

Waud

Waud Capital Partners

Waud Capital Partners provided the following wording to describe its voting practices:

It is our strategy to work closely with and generally control our private portfolio companies. We therefore exert influence in many ways, from regular, 'low-key' discussions to membership on the board of directors of portfolio companies to implement the strategic growth plan for each company.

CBRE

CBRE Europe ex UK Alpha Fund B GBP Hdgd Shares

CBRE provided the following wording to describe its voting practices:

With regard to voting, CBRE Investment Management Indirect (CBRE IM Indirect) manages indirect private real estate portfolios on behalf of separate accounts and pooled vehicles, such as the CBRE Europe (ex-UK) Alpha Fund, and will exercise voting on any relevant issues that may arise. Please note however, the CBRE Europe (ex-UK) Alpha Fund is now in an advanced phase of winding down and no longer holds any real estate assets. We have therefore not completed the PLSA template as the nature of the voting undertaken for our investments (when held) differs from listed equities, being typically of an administrative nature or can relate to governance matters. As voting forms only a limited part of our overall engagement approach, which includes regular interaction with our operating partners and underlying fund managers through control rights or advisory board representation, alongside meetings with management, we provide CBRE IM Indirect's engagement policy, which sets out how stewardship is integrated within our investment process.

Ancala

Infrastructure Fund II SCSP

Ancala provided the following wording to describe its voting practices:

Ancala's strategy is typically to take a controlling interest in its investments and either instate or actively choose to retain the portfolio companies' management, and therefore the voting situations as described in the guidelines are unlikely to be a feature of the Fund's operations.

Versor

AMX Feeder - ARP Systematic Merger Arbitrage

Versor provided the following wording to describe its voting practices:

Versor has determined that voting proxies do not create additional value for any Versor strategies except Systematic Alpha Merger Arbitrage strategy. Hence Versor does exercise its voting authority specifically to Systematic Alpha Merger Arbitrage strategy.

Fulcrum

AMX Feeder - Fulcrum Risk Premia

Fulcrum provided the following wording to describe its voting practices:

We would like to confirm that there were no voting opportunities attached to the assets held in the AMX Fulcrum Risk Premia Fund.

Proxy policy provided:

At Fulcrum, we aim to act in the best interests of all our stakeholders by engaging with the companies that we invest in, and by exercising our voting rights with care in order to manage, acquire and dispose of account assets. Fulcrum will vote proxies in a prudent and diligent manner and in the best interests of clients, consistent with the objective of maximising long-term investment returns and protecting shareholder rights. Not only is this commensurate with good market practice, it goes hand in hand with ensuring the responsible investment of our clients' funds.

Morgan Stanley

Morgan Stanley Private Markets Fund V (Caymen) LP

Morgan Stanley provided the following wording to describe its voting practices:

PMF V has the right to vote in connection with investments it makes – either as limited partner/member of a fund, or its representative may have a voting right on a fund's advisory board. Morgan Stanley AIP GP LP exercises these rights pursuant to what it believes to be in the best interest of PMF V.

PMF V regularly receives requests for its vote in connection with its investments in private securities. Examples of topics on which it may be asked to vote include:

- Amending the governing document of a fund to extend the investment period, extend the term, or change the investment restrictions
- Approving the fund's auditors in certain jurisdictions that require this annually.

WTW

WTW Secure Income Fund

WTW provided the following wording to describe its voting practices:

As the SIF invests in private markets, via underlying fund managers which typically own a majority share in the assets they hold, there are few formal votes taken. Where there are formal votes, typically these are via Investor Advisory Committees (IACs) which are made up of larger investors and represent the interests of all investors in the fund. We are a voting IAC member for 75% of the investments in the Fund (excluding co-investments where IACs are not relevant), and we play an active part in these committees.

7.2 Summary of voting

The following tables show a summary of voting behaviour over the Plan year.

DB Section

	Fund 1	Fund 2	Fund 3	Fund 4
Manager	State Street Global Advisors (SSgA)	AMX – State Street Global Advisors (SSgA)	Legal & General Investment Management (LGIM)	Brigade Capital Management
Fund name	MPF Fundamental Index Global Equity 100% hedged	Adaptive Capped ESG Equity	Heitman Global Prime Property	Brigade Credit Offshore Fund II
Total size of fund at end of the Plan Year	c£723m	c£334m	c£902m	c£1,448m
Value of Plan assets at end of the Plan Year (% of total assets)	c£113.7m (6.4%)	c£101.8m (5.7%)	c£16.7m (0.9%)	c£81.8m (4.6%)
Number of equity holdings at end of the Plan Year	2661	1953	79	28
Number of meetings eligible to vote	3,145	1,893	84	5
Number of resolutions eligible to vote	38,106	23,068	921	22
% of resolutions voted	99.09%	99%	100%	100%
Of the resolutions on which voted, % voted with management	90.65%	85%	84.91%	95.5%
Of the resolutions on which voted, % voted against management	9.35%	14%	14.98%	4.5%
Of the resolutions on which voted, % abstained from voting	1.40%	0%	0.11%	0%
Of the meetings in which the manager voted, % with at least one vote against management	51.58%	65%	61.90%	20%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	7.03%	2%	10.64%	22.73%

DC Section

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
White-labelled fund	Accelerated Growth	Accelerated Growth	Moderate Growth	Ethical Global Equity Index	HSBC Islamic titans
Manager name	LGIM	LGIM	LGIM	LGIM	HSBC
Underlying Fund name	MSCI ACWI Adaptive Capped ESG	c£334m	c£902m	c£1,448m	c£1,448m
Total size of fund at end of the Plan Year	Index Fund (50% allocation)	RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund (50% allocation)	Diversified Fund (100% allocation)	Ethical Global Equity Index Fund	Islamic Global Equity Index Fund
Value of Plan assets at end of the Plan Year	£3,766m	£3,642m	£12,889m	£1,166m	£3,056m
(% of total assets)	£106.5m (32.7%)	£106.5m (32.7%)	£88.5m (27.2%)	£1.4m (0.4%)	£0.2m (0.1%)
Number of equity holdings at end of the Plan Year	2,279	2,330	7,015	1,027	103
Number of meetings eligible to vote	2,840	3,321	7,721	968	108
Number of resolutions eligible to vote	32,072	39,588	78,917	13,534	1,650
% of resolutions voted	99.84%	99.75%	98.60%	99.99%	93.00%
Of the resolutions on which voted, % voted with management	79.49%	80.55%	79.05%	83.25%	89.00%
Of the resolutions on which voted, % voted against management	19.25%	18.72%	20.26%	16.61%	11.00%
Of the resolutions on which voted, % abstained from voting	1.26%	0.73%	0.69%	0.15%	0.00%
Of the meetings in which the manager voted, % with at least one vote against management	68.83%	72.07%	69.12%	73.04%	61.10%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	12.40%	13.53%	12.39%	11.28%	6.80%

7.3 Significant votes

The Plan's asset managers who hold listed equities have provided the following commentary on the most significant votes over the Plan year. We have selected a subset of the votes reported by the managers.

LGIM MSCI ACWI Adaptive Capped ESG Index Fund (50% of Accelerated Growth Fund)

Vote#1	**Intel Corporation, US, May 2021**
Vote	For
Outcome	14.3% of shareholders supported the resolution
Summary of resolution	Report on global median gender/racial pay gap
Rationale	LGIM voted in favour of this resolution as it expects companies to disclose meaningful information on their gender pay gap and the initiatives they are applying to close any stated gap. LGIM views gender diversity as a financially material issue for its clients, with implications for the assets LGIM manage on their behalf. As part of their efforts to influence its investee companies on having greater gender balance, LGIM expects all companies in which it invests globally to have at least one female on their board. LGIM does however have stronger requirements in the UK, North American, European and Japanese markets, in line with its engagement in these markets.
Criteria against which this vote has been assessed as 'most significant'	LGIM views gender diversity as a financially material issue for its clients, with implications for the assets LGIM manages on their behalf.

LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund (50% of Accelerated Growth Fund)

Vote#2	**General Electric, US, May 2021**
Vote	For
Outcome	97.96% of investors supported the shareholders' resolution
Summary of resolution	Report on meeting the criteria of the net-zero indicator
Rationale	LGIM voted for this resolution in an effort to improve the company's governance structure and to spur meaningful action by the company to address gaps in its climate-related disclosure and strategy. LGIM is committed to addressing the issue of climate change and believes that climate change and the transition to a low-carbon economy presents both risks and opportunities for investee companies.
Criteria against which this vote has been assessed as 'most significant'	The company was researched and discussed by LGIM's Global Research and Engagement Group, an internal engagement forum bringing together the active equities and fixed income teams, and the investment stewardship team.

LGIM Diversified Fund (Moderate Growth Fund)

Vote#3	**Abbott Laboratories, US, April 2021**
Vote	For
Outcome	33.7% of shareholders supported the resolution
Summary of resolution	Require independent board chair
Rationale	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020, it has been voting against all combined board chair/CEO roles. Furthermore, it has published a guide for boards on the separation of the roles of chair and CEO and has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.
Criteria against which this vote has been assessed as 'most significant'	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

LGIM Ethical Global Equity Index Fund

Vote#4	**Mitsubishi UFJ Financial Group, Inc., Japan, June 2021**
Vote	For
Outcome	22.7% of shareholders supported the resolution
Summary of resolution	Amend articles to disclose plan outlining company's business strategy to align investments with goals of Paris Agreement
Rationale	LGIM voted in favour of this shareholder proposal as it expects companies to be taking sufficient action on the key issue of climate change. While it positively notes the company's recent announcements around net-zero targets and exclusion policies, LGIM thinks that these commitments could be further strengthened and believes the shareholder proposal provides a good directional push.
Criteria against which this vote has been assessed as 'most significant'	LGIM views climate change as a financially material issue for its clients, with implications for the assets it manages on their behalf. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

HSBC Islamic Global Equity Index Fund

Vote#5	**Pfizer Inc., US, April 2021**
Vote	For
Outcome	The majority of shareholders did not support the resolution
Summary of resolution	Report on access to Covid-19 products
Rationale	Pfizer stated that it did not receive US government funding for the development of the Covid-19 vaccine. However, BioNTech – Pfizer's partner – received funding for the Covid-19 vaccine development from the German government. In addition, Pfizer and BioNTech benefited from research funded by government which laid the scientific foundation for the development of the vaccine. Lastly, Pfizer's CEO before the AGM signalled that the company would likely increase the price of the vaccine as things get back to normal market conditions. Given past controversies with drug pricing increases and the associated reputational risks, the company and its shareholders would benefit from more information on factors the company will consider in pricing and affecting access to its Covid-19 vaccine.
Criteria against which this vote has been assessed as 'most significant'	HSBC has selected this vote as significant as it has voted against management and is representative of its voting guidelines. HSBC is aware of previous controversies so is keen to avoid future issues with prudent reporting.

State Street Global Advisors (SSgA) MPF Fundamental Index Global Equity 100% hedged

Vote#6	**Shin-Etsu Chemical Co., Ltd., Japan, June 2021**
Vote	Against
Outcome	Pass
Summary of resolution	Elect director
Rationale	We are voting against the nominee due to the lack of gender diversity on the board, and the company has not engaged in successful dialogue on SSGA's board gender diversity program for three consecutive years.
Criteria against which this vote has been assessed as 'most significant'	Director election

AMX – State Street Global Advisors (SSgA) Adaptive Capped ESG Equity

Vote#7	**PT Telkom Indonesia (Persero) Tbk, May 2021**
Vote	Against
Outcome	Pass
Summary of resolution	Amend Articles of Association
Rationale	Insufficient/poor disclosure
Criteria against which this vote has been assessed as 'most significant'	AMX has deemed significant votes as those that have quantitative substance and qualitative materiality. Regarding substance, the top 10 significant votes for a period shall be defined by the ordering the total number of votes in the portfolio from largest number of votes actually cast to smallest. Regarding materiality, AMX will report those top 10 whereby the votes cast were against management and contain a rationale. Notwithstanding the aforementioned, it is the ambition of the firm to provide transparency to investors. While the reporting of the significant votes will contain the information on the basis of substance and materiality in a manner that will be obvious to the investor(s), to the extent it is permitted in format, AMX shall also include reporting of all votes in the PLSA template.

LGIM Heitman Global Prime Property

Vote#8	**Simon Property Group, Inc., May 2021**
Vote	Against
Outcome	84.8% of shareholders supported the resolution
Summary of resolution	Resolution 1c Elect Director Karen N. Horn
Rationale	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020, it has voted against all combined board chair/CEO roles. Furthermore, it has published a guide for boards on the separation of the roles of chair and CEO, and it has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.
Criteria against which this vote has been assessed as 'most significant'	LGIM considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Brigade Credit Offshore Fund II

Vote#9	**Extraction Oil & Gas, October 2021**
Vote	For
Outcome	Merger passed
Summary of resolution	Merger
Rationale	Merger was economically beneficial
Criteria against which this vote has been assessed as 'most significant'	Merger resolution