Cummins UK Pension Plan

Annual Report

Year ended 31 December 2022

Scheme Registration Number: 10244007

CUMMINS UK PENSION PLAN
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CUMMINS UK PENSION PLAN

TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2022

Investment Consultants
Lane Clark & Peacock LLP

Investment Managers
Advent International
American Securities
Ancala Infrastructure Fund II SCSp
Atlas Partners
Axiom Asia Private Capital
Cabot Square Capital
CB Richard Ellis Investors Limited
CDH Investments
Credit Suisse
Energy Capital Partners
Francisco Partners
Gallant Capital Partners
Hayfin Direct Lending Fund LP
HSBC Global Asset Management
Legal & General Assurance Society (Insurance Policy) (DB)
Legal & General Investment Management Ltd (DC)
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

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

Sponsoring Employer
Cummins Limited
3rd Floor
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London
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INTRODUCTION

Cummins UK Pension Plan Trustee Limited (the "Trustee") presents the Trustee's Report for the year 1 January 2022 to 31 December 2022.

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 page 3 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 2022 there were 7 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. This will be reducing to 12 over the next couple of years.

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 2022	Total 2021
Active Members		
Active members at the start of the year	**566**	*568*
Adjustments	**1**	*4*
New members	**18**	*17*
Members retiring	**(21)**	*(9)*
Members leaving with preserved benefits and deferred retirements	**(15)**	*(14)*
Deaths	**(1)**	-
Active members at the end of the year	**548**	*566*
Pensioners		
Pensioners at the start of the year	**4,397**	*4,475*
Adjustments	**(5)**	*2*
Members retiring	**98**	*75*
Spouses and dependants	**(5)**	*(19)*
Pensioners who died	**(143)**	*(136)*
Pensioners at the end of the year	**4,342**	*4,397*
Deferred Pensioners		
Deferred pensioners at the start of the year	**1,260**	*1,334*
Adjustments	**(3)**	*(3)*
Members leaving with preserved benefits and deferred retirements	**15**	*14*
Deferred pensioners transferring out	**(12)**	*(14)*
Deferred pensioners retiring	**(77)**	*(66)*
Deferred pensioners who commuted their benefits	**(1)**	*(2)*
Deferred pensioners who died	**(3)**	*(3)*
Members with deferred benefits at the end of the year	**1,179**	*1,260*
Total Membership at the end of the year	**6,069**	*6,223*

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 (2021: 929). 3 pensioners' benefits are provided by income from annuities held in the name of the Trustee (2021: 3).

MEMBERSHIP AND BENEFITS (CONTINUED)

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

Defined Contribution Section

	Total 2022	Total 2021
Active Members		
Active members at the start of the year	**4,210**	*3,654*
Adjustments	**(39)**	*1*
New members	**906**	*1,020*
New members – Life Assurance only	**7**	*11*
Deaths in service	**(5)**	*(3)*
Members retiring	**(9)**	*(6)*
Members leaving with no further benefits	**(52)**	*(57)*
Active members transferring out	**(2)**	*(4)*
Members leaving with refunds	**(3)**	*(3)*
Members leaving with preserved benefits and deferred retirements	**(469)**	*(403)*
Active members at the end of the year	**4,544***	*4,210**
Deferred Pensioners		
Deferred pensioners at the start of the year	**4,076**	*3,826*
Adjustments	**14**	-
Members leaving with preserved benefits and deferred retirements	**469**	*404*
Leavers with refunds	**-**	*(8)*
Deferred pensioners transferring out	**(107)**	*(104)*
Deferred pensioners retiring	**(26)**	*(38)*
Leavers with no benefits	**-**	*(1)*
Deferred pensioners who died	**(9)**	*(3)*
Members with deferred benefits at the end of the year	**4,417**	*4,076*
Total Membership at the end of the Year	**8,961**	*8,286*

*Includes 173 (2021: 179) Life Assurance Only members.

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 26 to 55 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 decreased from £2,103,146,000 as at 31 December 2021 to £1,364,802,000 as at 31 December 2022.

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; 3.1% on the post 1997 benefit and 2.5% on the post 2006 benefit (GMP); 3.0% on the post 1988 GMP.
Cummins Diesel Section	3.0% on the Blackwood Hodge benefit; 3.0% on the pre 1997 benefit; 3.1% on the post 1997 benefit and 2.5% on the post 2006 benefit (GMP); 3.0% on the post 1988 GMP.
Cummins Engine Company Section	3.0% on the pre 1997 benefit; 3.1% on the post 1997 benefit and 2.5% on the post 2006 benefit (GMP); 3.0% on the post 1988 GMP.
Power Group International Section	4.9% on the pre 2006 benefit in excess of the pre 1988 Guaranteed Minimum Pension (GMP); 3.0% on the post 1988 GMP and 2.5% 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 56 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 2022 is set out in Note 13 of the financial statements.

Over the year, gilt yields increased significantly, specifically following the announcement of the UK Government's 'mini-budget' in September 2022, with the Bank of England stepping in on 28 September 2022 to stabilise the UK gilt market. The Plan carried out a series of disinvestments from its growth assets throughout 2022. The majority of the disinvestment proceeds were invested in the LDI portfolio (to maintain the LDI portfolio's leverage within acceptable limits) and the newly appointed Buy and Maintain Credit portfolio. However, following the announcement of the mini-budget, yields rose rapidly and to such an extent that there wasn't sufficient collateral within the LDI portfolio to maintain the leverage within agreed limits. As a result, the LDI manager reduced the Plan's hedging levels over September and October 2022. Since then, steps have been taken to restore the Plan's hedging levels. The Plan invested £40m in a new unleveraged index-linked gilt mandate in October 2022 and full disinvestments from the Credit Suisse and Brigade mandates were instructed as at year end, intended for further investment into the mandate.

Overall, while rising gilt yields meant the Plan's total assets reduced in value over the year, this was partially matched by the falling estimated value of liabilities, reducing the overall impact on the Plan's funding position. The Plan's asset allocation has changed significantly over the year to 31 December 2022 and the DB investment strategy remains under review.

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 Defined Benefit ("DB") and Defined Contribution ("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.

INVESTMENT MANAGEMENT (CONTINUED)

Investment Managers (Defined Benefit Section) (Continued)
Alignment between a manager's management of the Plan's assets and the Trustee's policies and objectives is a fundamental part of the appointment process of a new manager. When investing in a pooled investment vehicle, the Trustee will ensure the investment objectives and guidelines of the vehicle are consistent with its own objectives. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the investment management agreement. A measurable objective has been developed for the managers that is consistent with the achievement of the Plan's longer-term objectives and this is: to perform in line with the performance targets relative to the relevant benchmark indices, listed in the investment manager agreement for each of the managers.

Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment.

For most of the Plan's investments, the Trustee expects the investment managers to invest with a medium-to-long time horizon, and to use their engagement activity, where applicable, to drive improved performance over these periods.

When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Managers are paid based on the size of the portfolio, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. It is the Trustee's view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives. Such fee structures are therefore only used in a limited number of cases.

The Trustee reviews the costs incurred in managing the Plan's assets regularly which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will look at the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

The Trustee carried out a review of the Plan's investment strategy and implementation of changes have taken 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 MANAGEMENT (CONTINUED)

Investment Managers (Defined Benefit Section) (Continued)

The managers' investment objectives are as follows:

Manager	Investment Objective
Matching assets	
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).
BlackRock Buy and Maintain	To invest in a diversified portfolio of primarily investment-grade fixed-income securities to deliver an attractive yield and spread while minimising losses from defaults.
BlackRock Over 25 Year Index-Linked Gilts	To track the total return of the relevant benchmark index.
Cash	
Various managers – Cash	To exceed the 7-day SONIA benchmark over a rolling three-year period.
Return-seeking assets	
Diversifying Strategies	
Credit Suisse	To generate collateral yield +4% to 6% (over the long term). (Separate to its banking operations, Credit Suisse Asset Management offers pooled investment vehicles, including the Credit Suisse Iris Low Volatility Plus T Feeder Fund in which the Plan invested during the Scheme year. This fund is managed by an investment manager who is responsible for making investment decisions based on the fund's investment objectives. To ensure that the pooled investment vehicles are appropriately ringfenced from Credit Suisse's wider operations, they are held in a separate legal entity).
Ancala Partners	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.
Nuveen TIAA-CREF	To generate a return of 8% IRR.
Credit	
Brigade Credit Offshore Fund II Ltd	To achieve long term capital growth by investing in corporate debt securities across multiple fixed income asset classes.
Hayfin	To generate a meaningful premium over public loan markets.

INVESTMENT MANAGEMENT (CONTINUED)

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

Property	
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%.
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.
Private Equity	
Gallant Capital	To make control investments of up to $50 million in what the Firm believes to be fundamentally sound companies where the Firm is able to utilize its operationally focused approach to enhance value.
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 capital appreciation over the long term.
Cabot Square Capital	To achieve an Internal Rate of Return greater than 20%.
Altas Partners	To consistently generate excellent private equity returns, with the least amount of risk.
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.
SC Management (RECAP)	To achieve a gross leveraged compound annual IRR of 20%.
Waud Capital Partners	To generate returns 2.5x Gross MOIC and 25% Gross IRR.

INVESTMENT MANAGEMENT (CONTINUED)

Asset Allocation

The allocation below is the Plan's investment strategy recorded in the latest Statement of Investment Principles dated July 2022. However due to significant gilt market volatility in 2022 some mandates were terminated, with the proceeds transferred to the Plan's matching portfolio, including a new Over 25 Year Index-Linked Gilt Fund with BlackRock. The Plan's current asset allocation has therefore deviated from the allocation within the current Statement of Investment Principles. The Plan's investment strategy remains under review as at 31 December 2022 and the Statement of Investment Principles will be updated once the revised strategy has been agreed.

Asset class	Manager	Benchmark	Asset allocation (%)
Liability-matching allocation[1]			**64.9**
Buy and maintain credit	*BlackRock*	No benchmark	**9.4**
Liability Driven Investment ('LDI')[2]	*State Street Global Advisors*	Liability benchmark	**33.0**
Deferred buy-in insurance policy	*Legal & General Assurance Society*	Deferred premium (10 years)	**21.6**
Cash	-	-	**0.9**
Return-seeking allocation			**35.1**
Equities			**7.8**
Diversifying Strategies			**3.9**
Insurance-linked securities	*Credit Suisse Asset Management*	3-month treasury bills	-
Infrastructure	*Ancala Partners*	No Benchmark	-
Agriculture	*TIAA CREF (Global Agriculture II)*	No Benchmark	-
Credit			**4.7**
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	
Illiquid Credit	*Hayfin*	8-10% gross IRR	-

Notes:

1. *The matching portfolio underwent significant changes during 2022 following heightened gilt market volatility. As at 31 December 2022 the portfolio includes an Over 25 Year Index-Linked Gilt Fund invested with BlackRock, which is not reflected in the Plan's current Statement of Investment Principles. 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.*

INVESTMENT MANAGEMENT (CONTINUED)

Asset class	**Manager**	Benchmark	**Asset allocation (%)**
Property			**5.1**
Property	*CBREGI*	No Benchmark	**-**
Secure Income Assets	*Towers Watson Investment Management*	FTSE Actuaries Over 15-year UK Index-Linked Gilts	**-**
Private equity			**13.6**
	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*	-
	Cabot Square Capital	*8% IRR*	-
	Waud Capital Partners	*No benchmark*	-
	Gallant Capital Partners	*No benchmark*	-
Total			**100.0**

INVESTMENT MANAGEMENT (CONTINUED)
Asset Distribution

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

Manager	Value of Portfolio £'000	Distribution %
State Street Global Advisors		
Liability Driven Investment	50,759	4.9
Total State Street Global Advisors	50,759	4.9
BlackRock		
Buy and Maintain Credit	97,576	9.5
Over 25-year Index-Linked Gilts	53,091	5.2
Total BlackRock	150,667	14.7
Private Equity	288,864	28.0
Advent International		
American Securities		
Altas Partners		
Axiom		
CDH Investments		
Cabot Square		
Energy Capital Partners		
Francisco Partners		
Gallant Capital Partners		
Morgan Stanley		
Sun Capital Partners		
SC Management		
Sun Capital Partners		
RECAP		
Waud Capital Partners		
Ancala	17,697	1.7
Nuveen TIAA – CREF	17,799	1.7
Credit Suisse	45,255	4.4
Towers Watson Investment Management	76,993	7.5
CBREGI	7	0.0
Hayfin	54	0.0
Brigade	72,224	7.0
Legal & General Assurance Society	292,600	28.4
Cash	17,447	1.7
	1,030,366	100.0

INVESTMENT MANAGEMENT (CONTINUED)

Review of Investment Performance

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

	12 Months (%)		3 Years (%) p.a.		5 Years (%) p.a.	
	Fund	**Benchmark**	**Fund**	**Benchmark**	**Fund**	**Benchmark**
Total Plan	**-45.9**	*-42.8*	**-12.4**	*-10.1*	**-6.1**	*-4.2*

The negative returns over the year to 31 December 2022 can be attributed to severe volatility in the gilt market, specifically following the announcement of the mini-budget in September 2022. The LDI portfolio fell significantly in value over 2022 as yields rose. The fall in assets was partially matched by corresponding decreases to the value of the Plan's estimated liabilities, reducing the overall impact on the Plan's funding position.

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 and HSBC funds. Active funds (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 last investment strategy review of the DC Section was started in 2021 and completed in 2022. The succeeding triennial investment strategy review of the DC Section commenced after the Plan year end, 31 December 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 and 50% in LGIM MSCI All Country World Index 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	211.6	5.1	-1.0	-1.2	7.8	7.6	6.9	6.8
Moderate Growth	84.5	2.6	-9.1	-12.1	1.5	7.0	3.1	7.5
Moderate Growth vs 60:40 Equity:Bond[1]	-	-	-9.1	-14.1	1.5	2.2	3.1	3.8
Pre-retirement	13.1	0.5	-29.4	-29.4	-9.3	-9.3	-3.9	-3.8
Cash	2.1	0.7	1.2	1.4	0.4	0.5	0.5	0.5
Self-select funds								
UK Equity Index	0.7	0.1	0.8	0.7	2.4	2.4	3.1	3.1
Ethical Global Equity Index	1.2	0.3	-6.6	-6.3	9.0	9.4	9.4	9.8
World Equity Index (Unhedged)	1.2	0.3	-7.6	-7.5	8.4	8.5	8.6	8.7
World Equity Index (Hedged)	0.9	0.8	-16.0	-15.8	5.0	5.2	5.8	6.0
World Emerging Markets Equity Index	0.3	0.0	-7.6	-7.0	1.2	1.6	1.9	2.3
AAA-AA-A Corporate Bond All-Stocks Index	0.2	0.0	-17.3	-17.0	-5.2	-5.0	-1.9	-1.8
Amanah[2]	0.3	0.0	-15.8	-15.7	9.7	10.2	-	-
Property	0.4	0.0	-8.6	-9.5	2.4	2.2	2.5	2.9

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. Performance is shown net of fees, after the deduction of the management fees applicable to the Plan. Note: The above AVC performance table excludes legacy AVCs with Prudential and Aviva.

1The 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.

2The Cummins Amanah Fund was launched in October 2018 therefore performance of the fund over the five-year period is unavailable.

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.

Taskforce on Climate-Related Financial Disclosures (TCFD)

The Trustee has produced a TCFD report, which is available on the Cummins UK Pensions website and can be accessed directly at: www.cumminsukpensions.co.uk/Uploads/Docs/Cummins-TCFD.pdf.

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.

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 52.

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 in Appendix 1 and the Implementation Statement in 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 2022, 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 2022; 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 2022

	Note	Defined Benefit Section 2022 £'000	Defined Contribution Section 2022 £'000	Total 2022 £'000	*Total 2021 £'000*
Contributions and benefits					
Employer contributions		3,629	26,369	29,998	*45,699*
Employee contributions		37	-	37	*35*
Total contributions	5	3,666	26,369	30,035	*45,734*
Transfers in	6	385	740	1,125	*1,500*
Other income	7	81	580	661	*329*
		4,132	27,689	31,821	*47,563*
Benefits paid or payable	8	(41,597)	(2,550)	(44,147)	*(39,579)*
Payments to and on account of leavers	9	(5,316)	(5,701)	(11,017)	*(10,058)*
Administrative expenses	10	(2,851)	(58)	(2,909)	*(2,892)*
		(49,764)	(8,309)	(58,073)	*(52,529)*
Net (withdrawals)/additions from dealings with members		(45,632)	19,380	(26,252)	*(4,966)*
Returns on investments					
Investment management expenses	11	(569)	-	(569)	*(726)*
Investment income	12	17,104	-	17,104	*14,788*
Change in market value of investments	13	(713,009)	(15,618)	(728,627)	*113,487*
Net returns on investments		(696,474)	(15,618)	(712,092)	*127,549*
Net (decrease)/increase in the fund during the year		(742,106)	3,762	(738,344)	*122,583*
Transfers between Sections	28	388	(388)	-	*-*
Net assets at 1 January		1,787,223	315,923	2,103,146	*1,980,563*
Net assets at 31 December		1,045,505	319,297	1,364,802	*2,103,146*

The notes on pages 28 to 55 form part of these financial statements.

CUMMINS UK PENSION PLAN
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 31 DECEMBER 2022

	Note	Defined Benefit Section 2022 £'000	Defined Contribution Section 2022 £'000	Total 2022 £'000	*Total 2021 £'000*
Investment assets					
Pooled investment vehicles	13/15/16	549,759	316,590	866,349	*1,682,511*
Bonds	13	90,424	-	90,424	*-*
Insurance policies	13/18	292,600	-	292,600	*381,700*
AVC investments	13/19	10,980	-	10,980	*11,043*
Cash	13/20	95,208	-	95,208	*23,618*
Derivatives	13/17	1,350	-	1,350	*-*
Accrued income	13/20	1,459	-	1,459	*-*
		1,041,780	316,590	1,358,370	*2,098,872*
Investment liabilities					
Derivatives	13/17	(1,018)	-	(1,018)	*-*
Investments		1,040,762	316,590	1,357,352	*2,098,872*
Current assets	25	7,633	2,786	10,419	*5,356*
Current liabilities	26	(2,890)	(79)	(2,969)	*(1,082)*
Total net assets available for benefits		1,045,505	319,297	1,364,802	*2,103,146*

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 56 of the annual report, and these financial statements should be read in conjunction with these sections.

The notes on pages 28 to 55 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 issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

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) Bonds which are traded on an active market are included at the quoted price, which is normally the bid price.
e) 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.
f) 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.
g) 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.
h) OTC Swaps are stated at fair value as reported in the valuation provided by the investment manager at the year end. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts. Net coupon receipts or payments on swap contracts are reported within investment income.
i) 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.
j) 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 FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000	Total 2021 £'000
Contributions and benefits				
Employer contributions		22,922	22,777	45,699
Employee contributions		35	-	35
Total contributions	5	22,957	22,777	45,734
Transfers in	6	444	1,056	1,500
Other income	7	5	324	329
		23,406	24,157	47,563
Benefits paid or payable	8	(37,508)	(2,071)	(39,579)
Payments to and on account of leavers	9	(5,390)	(4,668)	(10,058)
Administrative expenses	10	(2,749)	(143)	(2,892)
		(45,647)	(6,882)	(52,529)
Net (withdrawals)/additions from dealings with members		(22,241)	17,275	(4,966)
Returns on investments				
Investment management expenses	11	(711)	(15)	(726)
Investment income	12	14,788	-	14,788
Change in market value of investments	13	72,856	40,631	113,487
Net returns on investments		86,933	40,616	127,549
Net increase in the fund during the year		64,692	57,891	122,583
Transfers between Sections	28	(66)	66	-
Net assets at 1 January		1,722,597	257,966	1,980,563
Net assets at 31 December		1,787,223	315,923	2,103,146

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

STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2021 (available for benefits)

	Note	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000	Total 2021 £'000
Investment assets				
Pooled investment vehicles	13/15/16	1,367,161	315,350	1,682,511
Insurance policies	13/18	381,700	-	381,700
AVC investments	13/19	11,043	-	11,043
Cash	13/20	23,618	-	23,618
		1,783,522	315,350	2,098,872
Current assets	25	4,714	642	5,356
Current liabilities	26	(1,013)	(69)	(1,082)
Total net assets available for benefits		1,787,223	315,923	2,103,146

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 2022 £'000	Defined Contribution Section 2022 £'000	2022 Total £'000
Employer Contributions			
Normal	-	13,345	13,345
Salary Sacrifice	2,668	10,080	12,748
Salary Sacrifice (AVC)	940	2,943	3,883
Other	21	1	22
	3,629	26,369	29,998
Employee Contributions			
Normal	26	-	26
Additional Voluntary Contributions	11	-	11
	37	-	37
	3,666	26,369	30,035

	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*

The Schedule of Contributions dated 9 December 2021 has no requirement for deficit contributions as the Plan is in surplus. Other contributions of £1,000 (2021: £19,000) relate to pensioner Trustee stipend payments and other sundry employer contributions.

The Schedule of Contributions sets out ongoing contributions payable in 2023.

6. TRANSFERS IN

	Defined Benefit Section 2022 £'000	Defined Contribution Section 2022 £'000	2022 Total £'000
Individual transfers in from other schemes	**385**	**740**	**1,125**

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

7. OTHER INCOME

	Defined Benefit Section 2022 £'000	Defined Contribution Section 2022 £'000	*2022 Total £'000*
Claims on term insurance policies	**-**	**548**	**548**
Other income	**81**	**32**	**113**
	81	**580**	**661**

	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*

8. BENEFITS PAID OR PAYABLE

	Defined Benefit Section 2022 £'000	Defined Contribution Section 2022 £'000	2022 Total £'000
Pensions	**34,489**	**-**	**34,489**
Commutations of pensions and lump sum retirement benefits	**6,081**	**1,007**	**7,088**
Taxation	**465**	**-**	**465**
Lump sum death benefits	**562**	**1,543**	**2,105**
	41,597	**2,550**	**44,147**

	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*

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Defined Benefit Section 2022 £'000	**Defined Contribution Section 2022 £'000**	**2022 Total £'000**
Individual transfers out to other schemes	**5,316**	**5,701**	**11,017**

	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

10. ADMINISTRATIVE EXPENSES

	Defined Benefit Section 2022 £'000	**Defined Contribution Section 2022 £'000**	**2022 Total £'000**
Investment consultancy fees	**858**	**46**	**904**
Administration and processing	**726**	**-**	**726**
Other fees and expenses (including Trustee expenses)	**429**	**3**	**432**
Actuarial fees	**491**	**9**	**500**
Legal and other professional fees	**174**	**-**	**174**
Pension Plan levies payable	**87**	**-**	**87**
Audit fees	**33**	**-**	**33**
Covenant fees	**53**	**-**	**53**
	2,851	**58**	**2,909**

	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*

11. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section 2022 £'000	**Defined Contribution Section 2022 £'000**	**2022 Total £'000**
Administration, management and custody	**569**	**-**	**569**

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

12. INVESTMENT INCOME

	Defined Benefit Section 2022 £'000	**Defined Contribution Section 2022 £'000**	**2022 Total £'000**
Income from pooled investment vehicles	**8,425**	**-**	**8,425**
Annuity income	**8,679**	**-**	**8,679**
	17,104	**-**	**17,104**

	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*

13. INVESTMENT RECONCILIATION

	Value at 1 January 2022 £'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 2022 £'000
Defined Benefit Section					
Pooled investment vehicles	1,367,161	227,711	(416,988)	(628,125)	**549,759**
Bonds	-	196,693	(100,734)	(5,535)	**90,424**
Derivatives (net)	-	126,125	(135,734)	9,941	**332**
Insurance policies	381,700	-	-	(89,100)	**292,600**
AVC investments	11,043	1,376	(1,249)	(190)	**10,980**
	1,759,904	551,905	(654,705)	(713,009)	**944,095**
Cash deposits	23,618				**95,208**
Accrued income	-				**1,459**
	1,783,522				**1,040,762**
Defined Contribution Section					
Pooled investment vehicles	315,350	24,761	(7,903)	(15,618)	**316,590**

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.

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 designated or allocated to members and therefore available to the Trustee to apply as specified in the Plan rules, as follows:

	2022	*2021*
	£'000	*£'000*
Allocated to members	**316,486**	*315,281*
Not designated or allocated to members	**104**	*69*
	316,590	*315,350*

14. TRANSACTION COSTS

There were no material direct costs during the year. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustees to quantify such indirect transaction costs

15. POOLED INVESTMENT VEHICLES

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

	2022	*2021*
	£'000	*£'000*
Defined Benefit Section		
Equities	**7**	*215,413*
Private equity	**323,612**	*271,589*
Bonds	**53,077**	*122,741*
Equity hedge	**122,248**	*199,651*
Property	**-**	*16,696*
Direct lending	**56**	*358*
Qualifying Investment Fund	**50,759**	*540,713*
	549,759	*1,367,161*

	2022	*2021*
	£'000	*£'000*
Defined Contribution Section		
Equities	**215,977**	*212,624*
Moderate fund	**84,542**	*85,783*
Pre-retirement fund	**13,093**	*14,106*
Cash fund	**2,104**	*2,049*
Amanah fund	**336**	*219*
Property	**387**	*393*
Bonds	**151**	*176*
	316,590	*315,350*

16. QUALIFYING INVESTMENT FUND

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

	2022	*2021*
	£'000	*£'000*
Defined Benefit Section		
Bonds	**-**	*489,851*
Derivatives	**11,057**	*18,438*
Pooled investment vehicles	**39,638**	*-*
Cash	**64**	*32,424*
	50,759	*540,713*

There were significant changes to the LDI portfolio, and the Plan's matching portfolio, following the gilt market volatility in September and October 2022.

The Plan invests in the State Street LDI Leveraged UK Exposure Fund of which it is the sole investor.

17. 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.

OTC SWAPS

The notional principal of the swap is the amount used to determine the value of swapped interest receipts and payments.

Nature	Notional amounts £000	Expiration	Asset value £000	Liability value £000
Total return swaps	3,370	2025	28	(11)
Total return swaps	24,752	2027	815	(74)
Total return swaps	720	2028	18	-
Total return swaps	12,020	2029	57	(262)
Total return swaps	1,070	2030	31	-
Total return swaps	2,560	2031	69	-
Total return swaps	13,090	2032	126	(389)
Total return swaps	460	2033	11	-
Total return swaps	1,030	2037	-	(62)
Total return swaps	985	2047	46	(22)
Total return swaps	4,150	2052	88	(198)
Total return swaps	850	2062	61	-
Total 2022	**65,057**		**1,350**	**(1,018)**
Total 2021	-		-	-

18. 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 were 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 representing 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. The valuation is therefore impacted by factors such as the premium margin, mortality and demographic assumptions and financial assumptions such as interest rates and inflation.

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:

	2022	*2021*
	£'000	*£'000*
Deferred Premium Buy-In – LGAS	**292,600**	*381,700*

19. 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. These policies are held within a With-Profits Fund arrangement. 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:

	2022	*2021*
	£'000	*£'000*
Legal & General	**10,471**	*10,491*
Prudential Assurance Company Limited	**503**	*546*
Aviva	**6**	*6*
	10,980	*11,043*

20. CASH AND OTHER INVESTMENT BALANCES

	2022	*2021*
Defined Benefit Section	**£'000**	*£'000*
Investment manager cash and cash instruments	**95,208**	*23,618*
Investment income accrual	**1,459**	*-*
	96,667	*23,618*

21. 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 2022 or 31 December 2021.

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

21. INVESTMENT FAIR VALUE HIERARCHY (CONTINUED)

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

				31 DECEMBER 2022
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	-	226,146	323,613	549,759
Bonds	-	90,424	-	90,424
Insurance policies	-	-	292,600	292,600
Derivatives	-	-	332	332
AVC investments	-	10,471	509	10,980
Cash	95,208	-	-	95,208
Accrued income	1,459	-	-	1,459
TOTAL	96,667	327,041	617,054	1,040,762
Defined Contribution Section				
Pooled investment vehicles	-	**316,590**	**-**	**316,590**

				31 DECEMBER 2021
	Level 1	***Level 2***	***Level 3***	***Total***
	£'000	***£'000***	***£'000***	***£'000***
Pooled investment vehicles	*-*	*1,095,572*	*271,589*	*1,367,161*
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**

22. 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.

22. 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			2022 Value £'000	2021 Value £'000
		Currency	Interest rate	Other price		
Pooled Investment Vehicles						
Equities	N	Y	N	Y	**7**	**215,413**
Bonds	Y	N	Y	N	**53,077**	**122,741**
Gilts	N	N	Y	N	**122,304**	**-**
Property	Y	Y	Y	Y	**-**	**90,362**
Private Equity	N	Y	N	Y	**323,612**	**271,589**
Other PIVs	Y	Y	Y	Y	**-**	**126,343**
Qualifying Investment Fund	Y	N	Y	N	**50,759**	**540,713**
Bonds	Y	N	Y	N	**90,424**	**-**
Insurance Policies	N	N	Y	Y	**292,600**	**381,700**
AVC Investments	Y	Y	Y	Y	**10,980**	**11,043**
Cash and Other Investment Balances	N	N	N	N	**96,999**	**23,618**
Total Investments					**1,040,762**	**1,783,522**

*Property includes the secure income fund for 2021.

22. 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 2022 around 37% (2021: 52%) 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 vehicles' governing bodies are responsible for appointing their own custodians 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 2022	*Value of assets exposed to risk 2021*
Plan Risk Exposures	**£'000**	*£'000*
Credit Risk (*Bonds, Property, LDI and Other diversifying strategies)*	**388,837**	**922,008**

22. 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.

The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

As at 31 December 2022 around 44% (2021: 40%) of the Plan's assets were invested in funds or securities that are significantly exposed to currency risk.

	Value of assets exposed to risk 2022	*Value of assets exposed to risk 2021*
Plan Risk Exposures	**£'000**	*£'000*
Currency Risk (*Equities, private equity, property and Other diversifying strategies*)	**457,087**	*713,951*

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 2022 around 71% (2021: 73%) 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 2022	*Value of assets exposed to risk 2021*
Plan Risk Exposures	**£'000**	*£'000*
Interest Rate Risk (*LDI, Bonds, Property, Other diversifying strategies and Buy-In*)	**734,528**	**1,303,708**

22. 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 2022 around 72% (2021: 61%) 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.

	Value of assets exposed to risk 2022	*Value of assets exposed to risk 2021*
Plan Risk Exposures	**£'000**	*£'000*
Other price Risk (*Equities, Private Equity, Property, Other diversifying strategies, and Buy-in)*	**749,687**	**1,095,651**

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

	2022	**2021**
	£'000	**£'000**
Pooled Investment Vehicles by Type		
Open-Ended Investment Companies	**45,255**	**131,965**
Shares of Limited Liability Partnerships	**305,870**	**255,850**
Undertakings for Collective Investment in Transferable Securities	**17,799**	**117,922**
Qualifying Investor Alternative Investment Fund	**127,752**	**650,361**
Irish Collective Asset-Management Vehicle	**7**	**67,462**
Segregated Portfolio Company	**-**	**13,329**
Unit-Linked Insurance Contracts	**53,076**	**130,381**
	549,759	**1,367,270**

22. 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
- Amanah

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.

22. 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, although this does not offer a full guarantee.

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, market and other risks arising from the underlying investments held in the funds. The funds' exposure to these risks is set out below for 2022 and 2021:

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
Amanah	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.

23. EMPLOYER RELATED INVESTMENTS

Direct employer-related investments as at 31 December 2022 were <1% (2021: <0.1%). 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 2022, any indirect exposure to shares in companies related to the sponsoring employer was <1% (2021: <0.1%) of the net assets of the Plan.

24. CONCENTRATION OF INVESTMENTS

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

	2022		*2021*	
	£'000	**%**	*£'000*	*%*
Legal & General Buy-In Insurance Policy	**292,600**	**21.4**	*381,700*	*18.1*
Legal & General DBKR Cummins Accelerated	**211,618**	**15.5**	*208,129*	*9.9*
LGIM Cummins Moderate Fund	**84,542**	**6.2**	*85,783*	*4.1*
Towers Watson Investment Secure Income	**76,993**	**5.6**	*73,667*	*3.3*
SSgA MPF Fundamental Index Global Equity	**-**	**-**	*113,578*	*5.4*

25. CURRENT ASSETS

	Defined Benefit Section 2022 £'000	**Defined Contribution Section 2022 £'000**	**2022 Total £'000**
Contributions due from Employer in respect of:			
Employer	**2**	**2**	**4**
Employee	**3**	**1**	**4**
Prepaid pensions	**2,437**	**-**	**2,437**
Cash and bank balances	**5,164**	**2,762**	**7,926**
Cash in transit	**27**	**21**	**48**
	7,633	**2,786**	**10,419**

	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*

Contributions due under the Schedule and noted above were received on time, after the year-end, on 10 January 2023. Of the DC Section cash balances, £744,294 was allocated to members (2021: £559,454).

26. CURRENT LIABILITIES

	Defined Benefit Section 2022 £'000	Defined Contribution Section 2022 £'000	2022 Total £'000
Annuity income received in advance	**1,794**	**-**	**1,794**
Unpaid Benefits	**692**	**34**	**726**
Accrued Expenses	**275**	**-**	**275**
Other Creditors	**129**	**45**	**174**
	2,890	**79**	**2,969**

	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*

27. RELATED PARTY TRANSACTIONS

Employer

During the year the company has recharged costs of £219,021 (2021: £226,649) 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 £18,313 (2021: £16,789) 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 2022, 9 Trustee Directors were active members and 2 Directors were pensioner members. Comparative figures for Directors as at 31 December 2021 were 9 active members and 2 pensioner members.

Other fees and expenses of £12,348 (2021: £94) were paid to Trustee Directors.

28. TRANSFERS BETWEEN SECTIONS

During the year, following a Trustee decision, DC assets that were not designated or allocated 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 £388,000 (2021: £66,000).

29. CAPITAL COMMITMENTS

As at 31 December 2022 the Plan had undrawn capital commitments as shown below:

	2022	2021
	£'000	£'000
Fund		
Advent GPE VII	526	736
Altas Partners Fund I	1,306	1,280
Altas Partners Fund II	3,446	4,101
American Securities VI	1,443	1,293
American Securities VII	1,796	699
Ancala Partners Infrastructure Fund II	3,438	4,236
Axiom Asia II	828	739
Cabot Square V	2,226	1,564
CDH Growth VGC Fund II	5,944	8,237
CDH Growth Fund III	700	999
Energy Capital III	3,225	2,880
Francisco Partners V	2,526	2,256
Francisco Partners VI	5,297	10,507
Gallant Capital Partners I	1,078	11,611
Mobeus Equity Partners IV	-	4.070
Morgan Stanley PMF V	719	1,478
Nuveen TIAA-CREF GAF II	711	1,574
SC Capital Partners RECAP IV	1,571	1,700
Sun Capital VI	1,482	1,556
Waud Capital Partners FIF V	430	5,354
Total undrawn commitment	38,692	66,870

30. 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.

31. SUBSEQUENT EVENTS

In the opinion of the Trustee, there were no material subsequent events after the Plan’s year end.

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 2022

Statement about contributions

Opinion

In our opinion, the the contributions payable to the Plan by the employer under the Schedule of Contributions for the Plan year ended 31 December 2022 as reported in Cummins UK Pension Plan's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the Plan actuary on 31 December 2021.

We have examined Cummins UK Pension Plan's summary of contributions for the Plan year ended 31 December 2022 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 schedule 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 2022

During the year ended 31 December 2022 the contributions payable to the Plan by the Employer under the Schedule of Contributions were as follows:

Contributions payable under the Schedule in respect of the Plan year

	2022 £'000
Contributions payable under the Schedule of Contributions	
Employers	
Normal – Salary Sacrifice – Defined Benefit	**2,668**
Normal – Defined Contribution	**13,345**
Normal – Salary Sacrifice – Defined Contribution	**10,080**
Employees	
Normal – Defined Benefit	**26**
Total contributions payable under the Schedule (as reported on by the Plan Auditors)	**26,119**
In addition, further contributions were payable as follows:	
Other Employer contributions	**22**
Employer additional voluntary contributions – salary sacrifice	**3,883**
Employees' additional voluntary contributions	**11**
Total contributions included in the financial statements (note 5)	**30,035**

Signed on behalf of the Trustee:

______________________________ Date:

Trustee Director

______________________________ Date:

Trustee Director

premier

Cummins UK Pension Plan

Chair's governance statement

for the Plan year to 31 December 2022

Introduction

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

This statement has been prepared by the Plan Trustee in accordance with regulation 23 of the *Occupational Pension Schemes (Scheme Administration) Regulations 1996*. It describes how the Trustee has met the statutory governance standards in relation to the defined contribution (DC) arrangements during the Plan year ended 31 December 2022 in the following areas:

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

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

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

Default investment arrangements

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

The Plan's default investment arrangement is one of the Plan's lifestyle options. The lifestyle options provide members with a 'hands-off' way of investing their pension fund (the individual savings account held by each DC Section member).

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

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

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

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

These changes included:

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

These changes became effective during February 2023. Details of all the Plan's investment options, including the lifestyle options and the self-select fund range, are explained in the **Investment guide** which was last reviewed and updated in February 2023. This can be found on the Plan website: **www.cumminsukpensions.co.uk**.

Processing of core financial transactions

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

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

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

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

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

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

Assessment of charges and transaction costs

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

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

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

The table on the next page lists the charges and transaction costs applying to all the Plan's DC investment funds. The charges paid by members relate solely to accessing the investments. Costs associated with the provision of administration and communications services are met by the Trustee. Further details are provided in the **value-for-members section** on page 12.

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

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

Fund name	Charges			Transaction costs	Total annual charge
	Annual management charge	Additional expenses	Total expense ratio		
Lifestyle funds					
Accelerated growth fund*	0.19%	0.01%	0.20%	0.13%	0.33%
Moderate growth fund*	0.18%	0.02%	0.20%	0.03%	0.23%
Pre-retirement fund*	0.14%	0.00%	0.14%	0.08%	0.22%
Cash fund*	0.12%	0.00%	0.12%	0.03%	0.15%
Self-select funds					
UK equity fund	0.10%	0.08%	0.18%	0.04%	0.22%
Ethical global equity fund	0.30%	0.00%	0.30%	0.00%	0.30%
World equity fund	0.13%	0.00%	0.13%	0.07%	0.20%
World equity (GBP hedged) fund	0.15%	0.00%	0.15%	0.18%	0.33%
World emerging market equity	0.34%	0.02%	0.36%	0.06%	0.42%
AAA-AA-A All stocks bonds fund	0.15%	0.00%	0.15%	-0.02%	0.13%
Property fund	0.72%	0.08%	0.80%	-0.07%	0.73%
Amanah fund	0.33%	0.02%	0.35%	-0.02%	0.37%
Cash fund	0.12%	0.00%	0.12%	0.03%	0.15%

*Used as part of the default investment strategy.

Source: L&G as at 31 December 2022.

In the Plan's default arrangements, the continued growth lifestyle (DC Section members) and the cash focused lifestyle (DB members with AVCs), a member's investments change automatically as they approach their selected retirement age. Depending on a member's term to retirement, and therefore the asset allocation, the charges and transaction costs applied to their investments on an annual basis will differ.

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

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

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

Performance of investment funds

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

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

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

Source: L&G as at 31 December 2022.

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

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

Pounds-and-pence illustration

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

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

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

Additionally, the table includes the performance of the investment funds over different time periods depending on the age of the member. The Trustee has decided to show the impact of investing in four of the available investment options. While these funds may not be the most expensive or have the highest expected return, the Trustee has selected these as they have a significant amount of assets invested and/or are used by a significant proportion of the membership. These investments and funds combined represent approximately 98% of the Plan's total DC assets. These are the:

- Continued growth lifestyle – the default investment option for all new members
- Guaranteed income focused lifestyle – the legacy default investment option for members within three years of their selected retirement date
- Annuity focused fund – a fund with a significant amount of assets invested
- Cash fund – a fund with the lowest expected return before costs.

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

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

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

****After charges** – represents the projected pension savings using the same assumed investment return, but after deducting member-borne fees and an allowance for transaction costs.

Assessment of value for members (VFM)

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

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

The table below provides the high-level results of this year's assessment carried out on 3 May 2023. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (*Governance and administration of occupational trust-based schemes providing money purchase benefits*). While the legal requirements of VFM assessments only focus on the benefits and services that are paid for by members, the Trustee has also considered the broader value provided to members which is not paid for by the member.

Benefit service category and description	**Paid for by**	**Value for members**	**Broader value**
1. Charges The competitiveness of the charges through benchmarking against both legislative and market comparators and research.	Members		
2. Plan governance and management Oversight and governance of the Trustee, ensuring the Plan is compliant with relevant legislation, such as the charge cap, holding regular meetings to address issues that may impact members.	Trustee/ Company		
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 changed from excellent value to good value from last year's assessment. This is due to some service issues being identified during the review period, which we are currently working with Premier to resolve. Premier completed 97% of cases within the SLA over the Plan year.

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

- Excellent value – a scheme offers excellent value for members if the scheme demonstrates it offers services that are of good or excellent quality and meet the specific needs of the membership. This would typically mean that the VFM assessment demonstrates several areas of strength and has no areas of weakness.
- Good value – a scheme offers good value for members if the scheme demonstrates it offers services that are of reasonable or good quality and broadly meet the specific needs of the membership. This would typically mean that in the VFM assessment record demonstrates some areas of strength with few identified areas of weakness.

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

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

There are many other factors that contribute to the Trustee's rating of excellent value, in particular:

- Charges for the Plan's default arrangements are materially below the 'charge cap' of 0.75% per annum (this cap applies to pension schemes where members are automatically enrolled in line with legislation). The transaction costs incurred by the investments are reasonable and are a necessary result of investing members' contributions.
- Members have access to various investment options, all of which have competitive fund management charges and have been designed based on the Plan's membership demographics. These include lifestyle strategies that target different retirement choices, as well as a range of self-select investment options. All investment options have performed in line with the Trustee's expectations and the objectives stated in the SIP.
- Members do not currently pay for the Plan's administration costs, professional adviser costs or any costs (other than fund management) associated with the operation of the Plan.

- The Trustee's advisers have confirmed that the fund charges are competitive for the types of funds available. The default charges have been benchmarked against WTW's 2022 DC savings survey results.
- The Trustee is pleased with the quality and efficiency of the administration processes and performance over the year.
- Members are provided with high-quality communications. Members have access to a Plan-specific website, as well as recent newsletters and regularly updated key documents.
- The high level of oversight and governance provided by the Trustee and its sub-committees, covering investment, governance and communications.
- The availability of salary-sacrifice arrangements.
- Members have access to flexible retirement options and support on a basis which is in keeping with similar schemes. Members also have access to an advised annuity-broking service at retirement.

Trustee knowledge and understanding (TKU)

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

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

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

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

- Review and updates to the SIP, which was agreed in July 2022 and published online.
- Production of the investment Implementation statement, which is the Trustee's review of whether the investment strategy set out in the SIP has been followed in practice. This statement also includes details of investment manager voting behaviour.
- Reviewing the cyber security and incident response policies, the data privacy policy, the quick reference guide on data protection and confidentiality, GDPR policies and privacy notices.
- The Trustee also reviewed and updated its remuneration, succession and director policies.

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

- Receiving training sessions from its advisers during quarterly meetings to ensure the Trustee maintains an appropriate level of knowledge and understanding of current and general issues affecting pensions. Training topics for 2022 included: DB asset classes and de-risking, back to basics on investment, data breaches, personal data, flexi-access drawdown and master trusts, Task Force on Climate-Related Financial Disclosures (TCFD) requirements and the Pensions Regulator's Single Code of Practice.
- 'Hot topics' and general updates being presented to the Trustee board during regular meetings, as well as details of forthcoming training events.
- All Trustee directors have completed the relevant modules of the Pension Regulator's toolkit, seven of which have also completed the Pension Regulator's scams module.
- The Trustee directors attend external events and webinars and provide feedback to the wider group at quarterly meetings.
- Training needs were regularly discussed during the Plan year. The Trustee's advisers continue to recommend potential training topics for the Trustee to consider. A training plan for topics has been agreed with its advisers for 2023.
- The Trustee carried out a competency review during 2022. Considering the level of proficiency and understanding across a range of skills split into three categories: thought, result and people. The results of which were used to assist with planning for 2023.
- The Trustee carried out an extreme event scenario test exercise. The objective of the exercise was to see how the Trustee would react in the event of an unexpected extreme event taking place relating to investments. The Trustee worked with advisers and service providers to carry out the test scenario.
- The Trustee operates three sub-committees with detailed work plans agreed and updated during the year.
- Taking account of actions taken individually and as a Trustee body, and the professional advice available to it, the Trustee is satisfied that it has met the relevant legislative requirements in this area.

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

The Trustee has reviewed the Plan's position against the Pension Regulator's draft Single Code of Practice (or 'General Code') and commenced actions it expects to be required to meet the expectations of the final version. This includes setting up the new policies described above.

The Trustee directors use their combined knowledge and understanding to:

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

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

The Trustee board is made up of a diverse group of Trustee directors. There is representation from all parts of the business and the member-nominated director (MND) appointment process is designed to promote diversity on the board.

Additional voluntary contributions (AVCs)

There are three AVC arrangements linked to the Plan's DB Section. Most AVCs are now invested in the same funds available to members of the Plan's DC Section. The exceptions to this are with-profits funds with Aviva and Prudential, and a Prudential Deposit fund. This is due to the complexity of these products and the potential disadvantages to members of exiting these funds prior to retirement. The Trustee last considered options to exit these legacy policies in Q1 2023 and decided to take no action at that time.

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

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

Chair of the Trustee Company
Cummins UK Pension Plan

Appendix

Pounds-and-pence Illustration – assumptions

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

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

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

Cummins UK Pension Plan

Implementation statement

1 January 2022 to 31 December 2022

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 Plan 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 the year.

This statement is based on the Plan's latest SIP, dated July 2022, which was in place during the Plan year. Before July 2022, the Plan's SIP, dated October 2020, was in place. Please read this statement in conjunction with the Plan's **current SIP.**

In preparing this statement, the Trustee has considered the guidance issued by the Department for Work and Pensions (DWP guidance) on reporting on stewardship and other topics through the Statement of Investment Principles and the implementation statement.

Contents

1 Introduction

The Trustee has, in its opinion, followed all 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 in October 2021, with the updates finalised during the Plan year, in July 2022. The Trustee is currently reviewing the Plan's investment strategy and, once that's completed, expects to review and update the Plan's SIP during the next Plan year.

The Trustee has set an aspiration for the Plan's assets to have net-zero carbon emissions by no later than 2050, which it expects to include in the updated SIP.

2 Investment objectives

Progress against the long-term journey plan is reviewed as part of the quarterly investment monitoring reports. The Trustee can also 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 about the Plan).

As at 31 December 2022, the Plan's long-term target and DB investment strategy was in the process of being reviewed by the Trustee.

The Trustee started its performance and strategy review of the DC and AVC default arrangements in August 2021, and this process was completed in March 2022. As part of that review, the Trustee considered the membership demographics of the DC Section and the variety of ways that members may take their Plan savings at retirement.

Based on the outcome of this analysis, the Trustee concluded that the DC and AVC default arrangements have been designed in the best interests of the majority of the DC and AVC Section members, respectively, reflecting the demographics of those members. However, the review highlighted some areas for further consideration which were agreed and implemented during the 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 daily dealt 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' needs change as they progress towards retirement age. In addition, the Plan offers a self-select fund range covering all major asset classes, as set out in the SIP Appendix. The Trustee monitors the take-up of these alternative choices, which has been low in comparison with the number of members using the default strategies.

The Trustee reviews the ongoing charges members pay, and this is covered further in **section 4**, under Fees.

3 Investment strategy

DB Section

The Trustee, with the help of its advisers and in consultation with the Company, considered the DB Section's investment strategy on multiple occasions through the year, and especially following the gilt market volatility of the autumn. The strategy remained under review as at 31 December 2022, as strategy discussions were ongoing.

As part of the strategy review, the Trustee seeks to ensure that the DB Section's assets are adequately and appropriately diversified between different asset classes.

In 2021, the Investment sub-committee (ISC) decided to allocate to a buy & maintain credit mandate, with the expectation that this allocation would increase over time as and when the DB Section de-risked. The first initial investment was made in 2022, with the funds sourced mainly from existing credit and other diversifying assets.

Rising yields in 2022 meant the liability driven investment (LDI) mandate called for collateral on several occasions. These were initially funded by sales from the Plan's liquid growth assets, before the LDI mandate was terminated in early 2023. The Plan's interest rate and inflation hedging was partially restored by a new unleveraged index-linked gilt mandate that was initially implemented in October 2022 and added to in 2023. The Plan's liability hedging strategy is being reviewed as part of the wider investment strategy discussions.

The Trustee monitored the asset allocation on a quarterly basis. The Plan's asset allocation has deviated from the strategic allocation over the Plan year, primarily as a result of the gilt market volatility in September and October 2022. The Trustee is currently reviewing its strategic asset allocation.

Required investment return triggers put in place as part of the de-risking mechanism were monitored daily using LCP Visualise during the year. 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 investment 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. These triggers are currently on hold while the investment strategy is reviewed.

The Trustee reviews the DB Section's net current and future cashflow requirements on a regular basis. The policy is to have access to sufficient liquid assets to meet any outflows while maintaining a portfolio that is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets. The Trustee maintained sufficient liquidity to meet all cashflow requirement throughout the year and is reviewing the liquidity of the Plan's assets as part of the ongoing investment strategy review.

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, that cash remains an appropriate retirement target for the AVC default arrangement, and the Cash fund remains an appropriate vehicle for any member contributions to be invested due to any fund closures.

In addition, the Trustee agreed that the 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 October and November 2022, 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 Plan's investment strategy review was ongoing as at 31 December 2022.

The Trustee reviewed its investment beliefs in September 2022. Following a review of recent evidence of the financial materiality of climate-related risks, and further training on climate-related risks and opportunities, 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 consider ESG principles. In particular, the Trustee believes that considering the risks and opportunities posed by ESG and climate factors can improve outcomes for the Plan and its members.

The Trustee invests for the long term to provide benefits for the Plan's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Trustee appointed BlackRock in September 2022 to manage a segregated buy & maintain credit mandate and in October 2022 to manage a pooled index-linked gilts fund. Before the appointments, the Trustee received information on the investment processes and philosophies, the investment teams and past performance. It also received formal written advice from its investment adviser, LCP and considered BlackRock's approaches to responsible investment and stewardship. The Trustee believes the new mandates are adequately and appropriately diversified and has incorporated specific guidelines into the buy and maintain credit mandate to account for ESG and climate-related risks, including setting a carbon reduction target for the Fund.

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis, informing the ISC promptly of any developments. The ISC considers whether to inform the Trustee about any significant updates or events it is made aware of, in particular any 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 monitors the performance of the Plan's investment managers, 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. For the DB Section, the Trustee also monitors its managers' responsible investment capabilities, using scores provided by its investment adviser as part of the standard monitoring reports. For the DC Section, the investment adviser discusses any reviews of their managers' approach to responsible investment at ISC meetings and raises any changes to this approach.

Fees

In May 2023, the Trustee asked WTW to carry out a value-for-members assessment, looking at the Plan year to 31 December 2022. This covered 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 other pension schemes with similar sized mandates.

The Trustee also reviewed the investment manager fees for the DB Section of the Plan during 2022 and found the costs to be reasonable when compared to similar mandates.

5 Social, environmental and ethical issues

The Trustee received training during the year on responsible investment and the Taskforce on Climate-related Financial Disclosures (TCFD) reporting requirements for the Plan under the Pensions Scheme Act 2021. The Trustee will publish the Plan's first **Climate change report** by 31 July 2023.

Shortly after the Plan year end in January 2023, the Trustee also received training on the DWP's updated stewardship guidance and set stewardship priorities to focus on monitoring and engagement with their investment managers on specific ESG factors. The Trustee discussed and agreed the following stewardship priorities for the Plan:

- Climate change
- Human rights
- Corporate transparency.

The Trustee has communicated these priorities to the relevant investment managers and will review their policies and engagement activity in these areas in due course.

As referred to in **section 1**, the Trustee has set an aspiration for the Plan's assets to have net-zero carbon emissions by no later than 2050 to help mitigate climate risk. It aspires to align the Plan's assets with net-zero greenhouse gas emissions by 2050 through selecting managers and investing in funds with credible net-zero targets. Many of the Scheme's investment managers are now signatories to the Net Zero Asset Managers Initiative (NZAMI). To assess the credibility of managers' plans to meet their net-zero targets, the Trustee is monitoring their climate-related metrics.

As part of its advice on the selection and ongoing review of the Plan's investment managers, the Trustee'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). No specific actions have been taken in relation to the selection, retention and realisation of managers as a result of member and beneficiary views.

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 two funds available as investment options to members:

- Ethical global equity index fund (underlying fund is the LGIM Ethical Global Equity Index)
- Amanah fund (underlying fund is the HSBC Islamic Global Equity Index).

The Amanah fund allows members to invest in a fund where the principles are aligned with Shariah Law and ensures the DC Section is suitable for a wider variety of members.

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights and engagement. However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers. For example, the Trustee invited two of its managers to discuss their approaches to stewardship in November 2022 to ensure their approach remained in line with the Trustee's.

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates in its assessment the nature and effectiveness of managers' approaches to voting and engagement. The Trustee plans to carry out a more comprehensive review of managers' voting and engagement practices, which will be reported on next year.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. As a result, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvement.

6 Other matters

Risk management

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee 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 on 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, equity risk, credit risk, liquidity risk, political risk, manager risk, currency risk, custodial risk and ESG (including climate) risks.

Following the gilt market volatility, liquidity risk has been considered in more detail by the Trustee as part of continuing investment strategy considerations.

Looking at the risk of inadequate returns, as part of the quarterly investment monitoring, the Trustee considers the Plan's funding against the return required to achieve the long-term target to be 103% funded on a self-sufficiency basis by the end of 2028. As part of the ongoing investment strategy review, the Trustee is also reviewing the long-term target date.

The DB Section's interest rate and inflation hedging levels are typically considered as part of quarterly investment monitoring reports but were considered more frequently in 2022 due to the gilt market volatility. The Plan's hedging levels were broadly in line with the target levels before the gilt market volatility in September and October 2022, when they were reduced to maintain appropriate leverage within the LDI portfolio. The Plan used derivatives for risk management with a broad range of counterparties. At the year end, the Trustee was reviewing the investment strategy, including the Plan's interest rate and inflation hedging strategy.

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 makes use of 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 a lifestyle strategy to address the annuity conversion risk present in the DC 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.

For self-select members, an annuity focused fund, which aims to broadly match annuity prices, is available.

There is also consideration of the 'lack of diversification' risk, which is the risk that the failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan's assets. To mitigate this risk, the Trustee has adequately diversified the Plan's assets between different asset classes and within each asset class.

Members of the Plan also face the risk that pension pots are eroded because of 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**.

For AVC members, the Trustee makes available the same investment arrangements as for DC members.

Together, the investment and non-investment risks set out in section 7.4 of the SIP give rise generally to funding risk. The Plan's funding position is formally reviewed as part of the annual actuarial report to allow for changes in market conditions. Then, 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, at quarterly Trustee meetings, but can monitor it daily on LCP Visualise.

Please refer to earlier in this statement for details on investment manager risk (**section 4**), diversification risk and liquidity risk (**section 3**).

7 Voting behaviour

All the Plan'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 can't direct how votes are exercised and hasn't used proxy voting services over the Plan year. However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

DB Section

We've aimed 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've also included commentary (provided by the investment managers) on the following funds that don't hold listed equities but have a proxy voting policy in place:

- American Securities Partners VI LP
- American Securities Partners VII LP
- BlackRock Buy and Maintain Portfolio
- 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
- Morgan Stanley Private Markets Fund V (Caymen) LP
- WTW Secure Income Fund

We haven't included voting data or commentary on the following funds that the Plan invested in during the period, which don't 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
- BlackRock Aquila Life Over 25 Years Index Linked Gilts
- Gallant Capital Partners 1-A LP
- Mobeus Equity Partners IV LP
- Real Estate Capital Asia Partners IV LP
- CS Capital Partners V LP
- Alcentra Global High Grade CLO Debt Fund
- Nuveen Tiaa Cref Global Agriculture II LLC
- Windwise MultiFactor EM Curr Fund A Shares
- CS Iris Low Volatility Plus T Feeder Fund
- Hayfin Direct Lending Fund LP
- Templeton Global Bond Plus SIFI
- AMX Feeder – Systematica Equity Factor
- AMX Feeder – Fulcrum Risk Premia
- AMX Feeder – ARP Systematic Merger Arbitrage (Versor)

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 that 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 included in **Section 7.1**.

DC Section

We’ve aimed to include voting data on the funds with equity holdings, where these are used in the default strategies, given the high proportion of total DC Section assets invested in these funds. In addition, we’ve 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 fund (underlying funds are LGIM MSCI ACWI Adaptive Capped ESG Index and LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index)
- Moderate growth fund (underlying fund is the LGIM Diversified)
- Ethical global equity index fund (underlying fund is the LGIM Global Ethical Equity Index)
- Amanah fund (underlying fund is the HSBC Islamic Global Equity Index).

7.1. 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 their clients.

Every year, LGIM holds a stakeholder round-table 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 and define future strategic priorities. 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 and 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 with 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 the 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.

Regarding climate, 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 Chair. HSBC also generally supports shareholder resolutions calling for increased disclosure on climate-related issues.

State Street Global Advisors (SSgA)

SSgA have discretionary proxy voting authority over most of their client accounts. They carefully vote these proxies in the manner that will protect and promote the long-term economic value of their client investments.

Their stewardship team's activities are overseen by their ESG committee who are responsible for reviewing their stewardship strategy, engagement priorities and proxy voting guidelines, and monitoring the delivery of voting objectives. In addition, their ESG committee provides oversight of their stewardship team, reviews departures from their proxy voting guidelines and reviews conflicts of interest involving proxy voting.

SSgA enhance the services provided by their in-house resources through third-party service providers. The most notable of these are third-party data providers such as Institutional Shareholder Services (ISS) who assist them with managing the voting process at shareholder meetings. In the voting process, SSgA use ISS to help monitor their voting rights across the asset classes in which they invest. They employ ISS to:

- act as their proxy voting agent (providing them with vote execution and administration services)
- assist in applying their voting guidelines
- provide research and analysis relating to general corporate governance issues and specific proxy items
- provide proxy voting guidelines in limited circumstances.

Their stewardship team reviews their proxy voting guidelines with ISS on an annual basis or on a case-by-case basis as needed. ISS affects the proxy votes in accordance with our proxy voting guidelines. Voting matters that are nuanced or require additional analysis are referred to and reviewed by members of SSgA's stewardship team. Members of the stewardship team evaluate the proxy solicitation to determine how to vote, based on facts and circumstances consistent with their proxy voting guidelines, which seek to maximise the value of their client accounts.

As an extra precaution, SSgA's stewardship team will refer significant issues to the ESG committee for a determination of the proxy vote. In addition, other measures are put in place in terms of when and whether to refer a proxy vote to the ESG committee. For instance, SSgA's stewardship team considers whether a material conflict of interest exists between our clients and those of their firm or our affiliates. If such a case occurs, there are detailed guidelines for how to address this concern.

They aim to vote at all shareholder meetings where their clients have given them the authority to vote their shares and where it is feasible to do so. However, when they deem appropriate, SSgA could refrain from voting at meetings in cases, as listed below, where:

- power of attorney documentation is required
- voting will have a material impact on their ability to trade the security
- voting is not permissible due to sanctions affecting a company or individual
- issuer-specific special documentation is required, or various market or issuer certifications are required.

Unless a client directs otherwise, State Street Global Advisors will not vote proxies in so-called 'share blocking' markets (markets where proxy voters have their securities blocked from trading during the period of the annual meeting).

AMX - State Street Global Advisors

AMX has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services, and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.

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 aspiration of the firm to provide transparency to investors.

Brigade Capital Management

Generally, Brigade Capital will vote in favour of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification of common stock. For other proposals, Brigade Capital shall determine whether a proposal is in the best interests of its advisory clients and may take into account the following factors, among others:

- whether the proposal was recommended by management and Brigade Capital's opinion of management
- whether the proposal acts to entrench existing management and directors
- whether the proposal fairly compensates management for past and future performance.

COMMENTARY FROM OTHER DB ASSET MANAGERS

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

American Securities Partners VI LP and American Securities Partners VII LP

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.

BlackRock - BlackRock buy and maintain portfolio

BlackRock's approach to corporate governance and stewardship is explained in its global principles. These high-level principles are the framework for its more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The principles describe its philosophy on stewardship (including how it monitors and engages with companies), its policy on voting, its integrated approach to stewardship matters and how it deals with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews its global principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs its vote decisions through research and engagement, as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's investment stewardship team wouldn't implement the policy itself, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock's proxy voting process is led by the BlackRock investment stewardship team (BIS), which consists of three regional teams – Americas (AMRS), Asia-Pacific (APAC), and Europe, Middle East and Africa (EMEA) – located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's global principles and custom market-specific voting guidelines.

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

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

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

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 VI, L.P. (Fund VI) doesn't 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 doesn't typically consult with its limited partners in connection with normal course portfolio company board voting.

Waud Capital Partners - Waud Capital Partners FIF V

It's 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 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. 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's strategy is typically to take a controlling interest in its investments and either establish 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.

Morgan Stanley - Morgan Stanley Private Markets Fund V (Caymen) LP

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 in line with 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

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

A summary of voting behaviour over the Plan year is provided in the following tables.

DB Section

Please note that the Plan fully disinvested from the funds below during September and October 2022. These managers were unable to provide data for the exact partial period during which the Plan was invested within the reporting period. Therefore, the summary data provided reflects voting behaviour for the relevant funds for the Plan year.

Manager	State Street Global Advisors	AMX – State Street Global Advisors	Legal & General Investment Management	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 disinvestment date	c£533m as at 15/09/2022	c£85m as at 28/09/2022	c£673m as at 3/10/2022	c£1,033m as at 31/12/2022
Value of Plan assets at end of the Plan year	Nil	Nil	Nil	As above (disinvested at year end point)
Number of equity holdings at end of the Plan year	2,515	1,936	77	31
Number of meetings eligible to vote	3,017	2,024	90	7
Number of resolutions eligible to vote	37,843	26,189	984	35
% of resolutions voted	98%	95%	100%	100%
% voted with management	90%	83%	81%	100%
% voted against management	9%	16%	19%	0%
% abstained from voting	1%	0%	0.1%	0%
% with at least one vote against management	54%	67%	53%	0%
% voted contrary to recommendation of proxy adviser	8%	3%	16%	9%

Note: voting percentages show the proportion of the resolutions on which the manager voted.

DC Section

Cummins fund name	Accelerated growth	Accelerated growth	Moderate growth	Ethical global equity Index	HSBC Islamic titans
Manager	LGIM	LGIM	LGIM	LGIM	HSBC
Underlying fund	MSCI ACWI Adaptive Capped ESG 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
Total size of fund at end of the Plan year	c£3,497m	c£1,696m	c£10,234m	c£887m	c£1,464m
Value of Plan assets at end of the Plan year (£/% of total assets)	c£108m (33%)	c£108m (33%)	c£87m (27%)	c£1m (0%)	c£0.3m (0%)
Number of equity holdings at end of the Plan year	2,328	2,339	6,496	1,027	105
Number of meetings eligible to vote	3,247	3,348	9,567	1,141	107
Number of resolutions eligible to vote	37,530	39,246	98,765	16,528	1,623
% of resolutions voted	99.8%	99.7%	98.8%	99.7%	95.8%
% voted with management	77.8%	79.3%	77.4%	82.0%	81.8%
% voted against management	20.9%	19.6%	21.9%	17.8%	17.6%
% abstained from voting	1.3%	1.2%	0.7%	0.2%	0.6%
% with at least one vote against management	71.4%	70.1%	72.1%	76.9%	74.8%
% voted contrary to recommendation of proxy adviser	13.1%	12.9%	12.5%	13.0%	11.2%

Note: voting percentages show the proportion of the resolutions on which the manager voted.

7.3 Significant votes

Given the large number of votes which are cast by managers during every annual general meeting season, the timescales over which voting takes place and the resource requirements to allow this, the Trustee did not identify significant voting ahead of the reporting period.

Instead, we've retrospectively created a shortlist of the significant votes by requesting each manager to provide a shortlist of votes, which comprises a minimum of 10 most significant votes, and suggested the managers could use the PLSA's criteria for creating this shortlist.

Commentary on the most significant votes over the Plan year, from the Plan's asset managers who hold listed equities, is set out below. We've selected a subset of the votes reported by the managers. The Trustee has interpreted 'significant votes' to mean those that:

- align with the Trustee's stewardship priorities
- might have a material impact on future company performance
- the investment manager believes represent a significant escalation in engagement
- impact a material fund holding, although this isn't considered the only element of significance, rather an additional factor
- the subject aligned with the investment manager's engagement priorities or key themes.

The Trustee has reported on one of these significant votes per fund only as the most significant votes. If you wish to obtain more investment manager voting information, this is available on request from the Trustee.

LGIM MSCI ACWI Adaptive Capped ESG Index (50% of Accelerated growth fund)

Amazon.com Inc., May 2022	
Vote cast	Against
Outcome of the vote	Passed
Relevant stewardship priority	Human rights
Management recommendation	For
Summary of resolution	Elect Director Daniel P. Huttenlocher
Rationale for the voting decision	LGIM voted against this resolution because the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
Approximate size of the mandate's holding at the date of the vote	0.06%
The reason the Trustee considered this vote to be most significant	The vote relates to one of the Trustee's stewardship priorities and four of the five equity funds used in the DC Section have an allocation to this company.
Was the vote communicated to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website with rationale for all votes against management. Its policy is not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index (50% of Accelerated growth fund)

Hirose Electric Co. Ltd., June 2022	
Vote cast	Against
Outcome of the vote	Passed
Relevant stewardship priority	Climate change, corporate transparency
Management recommendation	For
Summary of resolution	Elect Director, Ishii Kazunori
Rationale for the voting decision	A vote against has been applied for various reasons: • the lack of independent directors on the board. Independent directors bring an external perspective to the board. LGIM would like to see all companies have a third of the board comprising truly independent outside directors. • the lack of meaningful diversity on the board • the company has not provided disclosure surrounding the use of former CEO as adviser to the board • the company has failed to report on their material ESG factors in line with the GRI or SASB reporting framework.
Approximate size of the mandate's holding at the date of the vote	0.01%
The reason the Trustee considered this vote to be most significant	The vote relates to one of the Trustee's stewardship priorities.
Was the vote communicated to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website with rationale for all votes against management. Its policy is not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

LGIM Diversified (Moderate growth fund)

TotalEnergies SE, May 2022	
Vote cast	Against
Outcome of the vote	Passed
Relevant stewardship priority	Climate change
Management recommendation	For
Summary of resolution	Approve company's sustainability and climate transition plan.
Rationale for the voting decision	LGIM voted against this proposal because although it recognises the progress the company has made with respect to its net-zero commitment, specifically around the level of investments in low-carbon solutions and by strengthening its disclosure, it remains concerned about the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5°C trajectory.
Approximate size of the mandate's holding at the date of the vote	0.10%
The reason the Trustee considered this vote to be most significant	The vote relates to one of the Trustee's stewardship priorities.
Was the vote communicated to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website with rationale for all votes against management. Its policy is not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

LGIM Ethical Global Equity Index Fund

Rio Tinto Plc, April 2022	
Vote cast	Against
Outcome of the vote	Passed
Relevant stewardship priority	Climate change
Management recommendation	For
Summary of resolution	Approve climate action plan.
Rationale for the voting decision	LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while it acknowledges the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
Approximate size of the mandate's holding at the date of the vote	0.23%
The reason the Trustee considered this vote to be most significant	The vote relates to one of the Trustee's stewardship priorities.
Was the vote communicated to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website with rationale for all votes against management. Its policy is not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

HSBC Islamic Global Equity Index (Amanah fund)

Apple Inc., April 2022	
Vote cast	For
Outcome of the vote	Not passed
Relevant stewardship priority	Human rights
Management recommendation	Against
Summary of resolution	Approve climate action plan.
Rationale for the voting decision	The proposal would lead to increased transparency on Apple's supply chain policies and processes, which could help alleviate growing risks related to manufacturing in certain regions.
Approximate size of the mandate's holding at the date of the vote	7.11%
The reason the Trustee considered this vote to be most significant	The vote relates to one of the Trustee's stewardship priorities.
Was the vote communicated to the company ahead of the vote	HSBC publicly communicates its vote instructions on its website with rationale for all votes against management. Its policy is not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
Outcome and next steps	HSBC will continue to engage on the issue along with other issues of concern and will vote against a similar proposal should they see insufficient improvements.

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

Tyson Foods, Inc., Feb 2022	
Vote cast	For
Outcome of the vote	Not passed
Relevant stewardship priority	Climate change
Management recommendation	Against
Summary of resolution	Recycling
Rationale for the voting decision	SSGA believes this proposal merits support as the company's disclosure and/or practices related to recycling can be improved.
Approximate size of the mandate's holding at the date of the vote	0.08%
The reason the Trustee considered this vote to be most significant	The vote relates to one of the Trustee's stewardship priorities.
Was the vote communicated to the company ahead of the vote	No
Outcome and next steps	Where appropriate State Street will contact the company to explain our voting rationale and conduct further engagement.

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

Bank of China Ltd., June 2022	
Vote cast	Against
Outcome of the vote	Passed
Relevant stewardship priority	Climate change
Management recommendation	For
Summary of resolution	Elect director
Rationale for the voting decision	Inadequate management of climate-related risks.
Approximate size of the mandate's holding at the date of the vote	0.11%
The reason the Trustee considered this vote to be most significant	The vote relates to one of the Trustee's stewardship priorities.
Was the vote communicated to the company ahead of the vote	No
Outcome and next steps	Not provided

LGIM Heitman Global Prime Property

Prologis, Inc., May 2022	
Vote cast	Against
Outcome of the vote	Passed
Relevant stewardship priority	Corporate transparency
Management recommendation	For
Summary of resolution	Elect director Hamid R. Moghadam
Rationale for the voting decision	A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure and background.
Approximate size of the mandate's holding at the date of the vote	1.64%
The reason the Trustee considered this vote to be most significant	The vote relates to one of the Trustee's stewardship priorities.
Was the vote communicated to the company ahead of the vote	No. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Outcome and next steps	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Brigade Credit Offshore Fund II

Hexion Holdings Corp., January 2022	
Vote cast	For
Outcome of the vote	Passed
Relevant stewardship priority	N/A – fund has limited voting opportunities, and none were in line with any of the Trustee's chosen priorities.
Management recommendation	For
Summary of resolution	Merger
Rationale for the voting decision	Economically beneficial
Approximate size of the mandate's holding at the date of the vote	<1%
The reason the Trustee considered this vote to be most significant	Vote manager made on Plan's behalf.
Outcome and next steps	Not provided.