Cummins UK Pension Plan

Annual Report

Year ended 31 December 2023

Scheme Registration Number: 10244007

CONTENTS

TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Trustee Directors
KN Moore (Chair)
A Waller
B Daley (resigned 15 March 2023)
C Redden* (appointed 11 June 2024)
E Chapman* (resigned 14 December 2023)
G Griesinger (resigned 31 December 2023)
I Smith*
J Guilfoyle (resigned 31 December 2023)
J Guyett*
L Thornton
M Bruniges*
N Morton*
P Bennett
S Stubbings*
SG Coughlan (moved to CND April 2023)
SM Seslar (appointed 12 March 2024)
**Member nominated Directors*

Secretary to the Trustee Company
C White-Lewis

Plan Actuary
A Mandley FIA
Willis Towers Watson

Plan Administrator
Isio Group Limited (formerly Premier Pensions Management Ltd)

Independent Auditors
PricewaterhouseCoopers LLP

Banker
Clydesdale Bank PLC (trading as Virgin Money)

Solicitors
Hogan Lovells

Investment Consultants
Lane Clark & Peacock LLP

Investment Managers
Advent International (terminated 30 June 2023)
American Securities (terminated 30 June 2023)
Ancala Infrastructure (terminated 30 September 2023)
Atlas Partners (terminated 30 June 2023)
Axiom Asia Private Capital
BlackRock Investment Management (UK) Limited
Cabot Square Capital
CB Richard Ellis Investors Limited (terminated 30 June 2023)
CDH Investments
Credit Suisse
Energy Capital Partners (terminated 30 June 2023)
Francisco Partners (terminated 30 June 2023)
Gallant Capital Partners (terminated 30 June 2023)
Hayfin Direct Lending Fund LP (terminated 30 September 2023)
HSBC Global Asset Management
Legal & General Assurance Society (Insurance Policy) (DB)
Legal & General Investment Management Ltd (DC)
Morgan Stanley Alternative Investment Partners (terminated 30 June 2023)
Nuveen TIAA-CREF Global Agriculture
SC Management (RECAP)
State Street Global Advisors (terminated 31 January 2023)
Sun Capital Partners (terminated 28 February 2023)
Towers Watson Investment Management
Waud Capital Partners (terminated 30 June 2023)

Investment Custodian
Northern Trust Company

AVC Providers
Aviva
Legal & General Assurance (Pensions Management) Limited
Prudential Assurance Company Limited

Group Life Insurers
MetLife

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

Contact for Further Information
Isio Group Limited (formerly Premier Pensions Management Ltd)
AMP House
Dingwall Road
Croydon
CR0 2LX
Email: cummins.helpdesk@isio.com

INTRODUCTION

Cummins UK Pension Plan Trustee Limited (the "Trustee") presents the Trustee's Report for the year 1 January 2023 to 31 December 2023.

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 2 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 2023 there were 5 member nominated, and 5 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 16 Trustee Directors, with up to 8 being member nominated and up to 8 being employer nominated. The Trustee are in the process of updating the arrangements to allow for up to 12 Trustee Directors to reflect the current composition.

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

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

Defined Benefit Section

	Total 2023	Total 2022
Active Members		
Active members at the start of the year	548	*566*
Adjustments	-	*1*
New members	-	*18*
Members retiring	(46)	*(21)*
Members leaving with preserved benefits and deferred retirements	(52)	*(15)*
Deaths	(2)	*(1)*
Active members at the end of the year	448	*548*
Pensioners		
Pensioners at the start of the year	4,342	*4,397*
Adjustments	1	*(5)*
Members retiring	132	*98*
Spouses and dependants	(22)	*(5)*
Pensioners who died	(130)	*(143)*
Pensioners at the end of the year	4,323	*4,342*
Deferred Pensioners		
Deferred pensioners at the start of the year	1,179	*1,260*
Adjustments	(2)	*(3)*
Members leaving with preserved benefits and deferred retirements	52	*15*
Deferred pensioners transferring out	(4)	*(12)*
Deferred pensioners retiring	(86)	*(77)*
Deferred pensioners who commuted their benefits	-	*(1)*
Deferred pensioners who died	(3)	*(3)*
Members with deferred benefits at the end of the year	1,136	*1,179*
Total Membership at the end of the year	5,907	*6,069*

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 907 dependants (2022: 929). 3 pensioners' benefits are provided by income from annuities held in the name of the Trustee (2022: 3).

MEMBERSHIP (CONTINUED)
Details of the membership of the Plan for the year are given below:

Defined Contribution Section

	Total 2023	Total 2022
Active Members		
Active members at the start of the year	4,544	*4,210*
Adjustments	(11)	*(39)*
New members	977	*906*
New members – Life Assurance only	18	*7*
Deaths in service	(4)	*(5)*
Members retiring	(14)	*(9)*
Members leaving with no further benefits	(54)	*(52)*
Active members transferring out	(7)	*(2)*
Members leaving with refunds	-	*(3)*
Members leaving with preserved benefits and deferred retirements	(760)	*(469)*
Active members at the end of the year	4,689*	*4,544**
Deferred Pensioners		
Deferred pensioners at the start of the year	4,417	*4,076*
Adjustments	8	*14*
Members leaving with preserved benefits and deferred retirements	760	*469*
Leavers with refunds	(2)	-
Deferred pensioners transferring out	(123)	*(107)*
Deferred pensioners retiring	(51)	*(26)*
Pension sharing/divorce	1	-
Deferred pensioners who died	(4)	*(9)*
Members with deferred benefits at the end of the year	5,006	*4,417*
Total Membership at the end of the Year	9,695	*8,961*

*Includes 235 (2022: 173) 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 23 to 51 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 £1,391,053,000 as at 31 December 2022 to £1,390,879,000 as at 31 December 2023.

Pension increases

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

Newage International Sections	3.0% on the pre 1997 benefit; 5.0% 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; 3.0% on the post 1988 GMP. 5.0% on the post 1997 benefit and 2.5% on the post 2006 benefit (GMP);
Cummins Engine Company Section	3.0% on the pre 1997 benefit; (GMP); 3.0% on the post 1988 GMP. 5.0% on the post 1997 benefit 2.5% on the post 2006 benefit
Power Group International Section	5.0% on the pre 2006 benefit in excess of the pre 1988 Guaranteed Minimum Pension (GMP); 3.0% on the post 1988 GMP 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.

Actuarial Position of the Plan

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 52 of this annual report. The next full valuation is due to take place as at 1 January 2024, and is currently underway and is expected to be completed within the statutory time period.

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 Plan's portfolio (split by the defined benefit section, additional voluntary contributions and defined contribution section) as at 31 December 2023 is set out in Note 13 of the financial statements.

It was a busy year for the Plan in terms of activity, with a number of mandates redeemed over the year:

- The Plan terminated its relationship with its segregated LDI manager, State Street, at the end of 2022. Full disinvestments from the Brigade and Credit Suisse mandates were also instructed as at the 2022 year end, with the majority of redemption proceeds received in June 2023. All proceeds were reinvested into the Plan's existing unleveraged index linked gilt mandate.
- The Plan sold down a majority of its private market holdings through a secondary market transaction in June 2023. These were invested into a new unleveraged fixed interest gilt mandate in July 2023.
- The Plan redeemed its holding in the Ancala Infrastructure fund in September 2023 to further fund the fixed interest gilt mandate.
- The proceeds from these disinvestments were invested predominantly in the liability hedging assets managed by BlackRock Investment Management (UK) Limited ("BlackRock").

Investment Managers

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.

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

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

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

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.

The Trustee has signed agreements with the platform providers in respect of the DC Section and the Plan's AVC arrangements, setting out the terms on which the portfolios are to be managed. The platform providers make available the range of investment options to members. There is no direct relationship between the Plan and the underlying managers of the DC and AVC investment funds.

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.

INVESTMENT MANAGEMENT (CONTINUED)

Investment Managers (Defined Benefit Section) (Continued)

Investment Policies and Objectives

The managers' investment objectives are as follows:

Manager	Investment Objective
Liability matching	
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 unleveraged gilts	To track the total return of the relevant benchmark index.
Return seeking	
Private Equity	
Axiom	To achieve a Net Multiple On Invested Capital (MOIC) of 2x and a double-digit Net Internal Rate of Return (IRR).
Cabot Square Capital	To achieve an Internal Rate of Return greater than 20%.
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%.
Nuveen TIAA-CREF*	To generate a return of 8% IRR.
Property and Secure Income	
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%.
Other	
Various managers - cash	To exceed the seven-day SONIA benchmark over a rolling three-year period.

**Please note that, in 2023, the Trustee re-classified the TIAA CREF Agriculture fund into its Private Equity portfolio for reporting purposes. This change has been reflected in the above table.*

INVESTMENT MANAGEMENT (CONTINUED)

Investment Managers (Defined Benefit Section) (Continued)

Asset Allocation

The allocation below is the Plan's investment strategy recorded in the latest Statement of Investment Principles dated December 2023, following the 2023 review of the Plan's investment strategy.

Asset class	Manager	Benchmark	Asset allocation (%)
Matching assets			84
Buy and maintain credit	*BlackRock*	Absolute Return*	10
Unleveraged long-dated gilts	*BlackRock*	FTSE Actuaries UK Index Linked and Conventional Gilts over 25 Years Indices	44
Pensioner buy-in	*Legal & General Assurance Society*	Deferred premium (10 years)	28
Cash			2
Growth assets			16
Private equity			9
	Axiom Asia *SC Management (RECAP IV)* *CDH Investments VGC Fund I* *CDH Investments VGC Fund II* *SC Management (RECAP IV)* *Cabot Square Capital* *TIAA CREF (Global Agriculture II)***	Absolute Return, with FTSE All World used as a comparator	
Property			7
Secure Income Assets	*Towers Watson Investment Management****	FTSE Actuaries Over 15-year UK Index-Linked Gilts	-
Total			100

**No benchmark has been specified by the investment manager and a suitable alternative has been suggested where relevant. Private equity fund benchmarks are shown as absolute return, with longer-term performance measured against the FTSE All World Index.*

***Please note that, in 2023, the TIAA CREF Agriculture fund was re-classified under Private Equity for reporting purposes. This change has been reflected in the above table.*

****The Towers Watson Secure Income Fund is in the process of being redeemed, with proceeds expected to settle by mid-2026. The Plan also holds a legacy allocation in the Credit Suisse Insurance Linked Securities fund which is in the process of being redeemed and is not considered a significant part of the Plan's investment strategy.*

INVESTMENT MANAGEMENT (CONTINUED)

Asset Distribution

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

Manager	Value of Portfolio £'000	Distribution %
BlackRock		
Buy and Maintain Credit	102,773	10.3
Over 25-year Index-Linked Gilts	242,417	24.4
Over 25-year Fixed Interest Gilts	207,410	20.9
Total BlackRock	552,600	55.6
Various managers classified as Private Markets	80,766	8.1
Axiom		
CDH Investments		
Cabot Square		
RECAP		
Nuveen TIAA - CREF		
Credit Suisse	4,847	0.5
Towers Watson Investment Management	66,596	6.7
Legal & General Assurance Society	277,000	27.8
Cash	12,872	1.3
	994,681	100.0

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	-2.2	*-0.8*	-16.7	*-14.8*	-9.1	*-7.2*

INVESTMENT MANAGEMENT (CONTINUED)

Review of Investment Performance

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

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

DC and AVC Arrangements

The DC Section consists of a range of DC and AVC investments; all the funds open to new contributions are pooled Legal & General, BlackRock 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 Trustee undertook an investment strategy review in 2021, and the agreed changes were implemented during February 2023. The Trustee commenced the next strategy review in March 2023 which concluded in November 2023. The Trustee decided not to implement any changes given a broader review of the investment arrangements which commenced in January 2024, which is continuing throughout 2024.

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.

As noted above, there were changes implemented to this strategy in February 2023. All three lifestyles continue to invest initially in the Accelerated Growth Fund. The new allocations from February 2023 for the Accelerated growth is 20% in LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index, 40% in LGIM Low Carbon Transition Fund (all world) Fund and 40% in LGIM MSCI All Country World Index Adaptive Capped ESG Index. Before the strategy changes implemented in February 2023, this fund was invested 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 now invests 20% in the Accelerated Growth Fund and 80% in the LGIM Diversified Fund. Prior to the strategy changes implemented in February 2023, this fund was invested 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 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 underlying fund in the Pre-Retirement Fund was also changed from the LGIM Future World Annuity Aware Fund (previously known as the LGIM Pre-Retirement Fund), to the BlackRock Sustainable Sterling Short Duration Credit Fund. LGIM also made changes to the LGIM Future World Annuity Aware Fund, which included introducing ESG tilts and screens, and the removal of the fund-of-funds structure in favour of direct investment in the underlying fund assets, and a change to the fund's name and benchmark.

At 10 years to retirement, the Annuity Protection Lifestyle introduces the Annuity focused fund, which invests in the LGIM Future World Annuity Aware Fund and the Cash Fund at 3 years from a member's retirement. These funds have allocations of 60% and 25%, respectively at a member's target retirement age (the remaining 15% allocation is to the LGIM Diversified Fund). The Cash Lifestyle introduces the Cash Fund 5 years before retirement, building up a 75% allocation by a 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 % (p.a.)		Five years % (p.a.)	
Lifestyle funds	DC (£m)	AVC (£m)	Fund	BM	Fund	BM	Fund	BM
Accelerated Growth	249.8	5.9	13.4	13.2	10.5	10.3	11.4	11.3
Moderate Growth	103.3	2.6	8.2	18.7	2.4	8.9	5.4	12.7
Moderate Growth vs 60:40 Equity:Bond[1]	-	-	8.2	15.5	2.4	3.6	5.4	7.8
Pre-retirement	11.4	0.1	7.4	10.2	-10.3	-8.1	-2.2	-1.7
Annuity focused fund	3.5	0.3	7.6	3.8	-10.3	-10.0	-2.1	-2.8
Cash	3.2	0.7	4.5	4.7	1.9	2.0	1.3	1.4
Self-select funds								
UK Equity Index	0.7	0.1	7.7	7.7	8.5	8.5	6.6	6.6
Ethical Global Equity Index	1.6	0.3	17.1	17.5	11.0	11.4	13.8	14.2
World Equity Index (Unhedged)	1.4	0.0	16.9	17.0	9.8	10.0	13.0	13.1
World Equity Index (Hedged)	1.0	0.4	22.5	22.7	8.3	8.5	12.3	12.5
World Emerging Markets Equity Index	0.4	0.0	2.4	2.6	-1.6	-1.3	4.2	4.5
AAA-AA-A Corporate Bond All-Stocks Index	0.2	0.0	7.5	7.6	-5.1	-4.9	-0.3	-0.1
Amanah	0.7	0.0	27.2	27.5	10.9	11.3	16.7	17.2
Property	0.3	0.0	-1.7	-1.4	2.3	2.1	1.5	1.3

Source: LGIM. 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.

On 21 February 2023, the name of the Pre-retirement Fund was updated but no changes were made to the underlying investments.

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/media/documents/Cummins-tcfd-2023.pdf.

COMPLIANCE

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 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 27 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.

Employer related investments

Direct employer-related investments as at 31 December 2023 were <1% (2022: <1%). The DB exposure is 0.331% of total DB assets while the DC exposure is 0.075% of total DC assets.

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 2023, any indirect exposure to shares in companies related to the sponsoring employer was <1% (2022: <1%) of the net assets of the Plan.

Pension Schemes Registry

The Trustee is required to provide certain information about the Plan to the Pension Schemes Registry. This has been forwarded to:

Pension Schemes Registry
PO Box 1NN
Newcastle upon Tyne
NE99 1NN

COMPLIANCE (CONTINUED)

The Pensions Regulator

The Pensions Regulator ("TPR") is the UK regulator of work-based pension schemes. The Pensions Act 2004 gives the Pensions Regulator a set of specific objectives:

- To protect the benefits of members of work-based pension schemes;
- To promote good administration of work-based pension schemes; and
- To reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund.

TPR can be contacted at:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton
BN1 6AF

Pension Protection Fund

The Pension Protection Fund was introduced to protect members' interest in certain circumstances, i.e., to provide compensation where an employer has become insolvent, or the plan assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Pension Protection Fund is funded by a retrospective levy on all occupational pension schemes.

The Trust Deed and Rules, the Plan Booklet, and a copy of the Schedule of Contributions and Statement of Investment Principles are available for inspection by contacting the Trustee at the address shown for enquires in this report.

Any information relating to the member's own pension position, including estimates of transfer values, should be requested from the Administrator of the Plan, Isio Group Limited, at the address detailed on page 1 of this report.

The Money and Pensions Service

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:

The Money and Pensions Service
120 Holborn
London
EC1N 2TD
Telephone: 0115 965 9570
Email: contact@maps.org.uk
Website: www.maps.org.uk

Pensions Ombudsman

Any concerns in respect of the Plan should be referred to the Administrator, Isio Group Limited, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes, who have problems concerning their plan and are not satisfied by the information or explanation given by the administrators or the trustees, can consult The Pensions Ombudsman. The address is:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU
Telephone: 0800 917 4487
Email: helpline@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

Statement of Trustee's Responsibilities

The Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom 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 making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these 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 ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Plan will continue as a going concern.

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 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 the 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.

The Trustee's Responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising a, schedule of contributions showing the rates of contributions payable to 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 that fall due to be paid are paid into the Plan 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 on pages 3 to 18, 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 2023, 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 2023; 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.

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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.
- 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:

FUND ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	Total 2023 £'000	*Total 2022 £'000*
Contributions and benefits					
Employer contributions		68,788	30,461	99,249	*29,998*
Employee contributions		34	-	34	*37*
Total contributions	5	68,822	30,461	99,283	*30,035*
Transfers in	6	-	1,771	1,771	*1,125*
Other income	7	568	517	1,085	*661*
		69,390	32,749	102,139	*31,821*
Benefits paid or payable	8	(48,369)	(3,052)	(51,421)	*(44,147)*
Payments to and on account of leavers	9	(1,102)	(6,519)	(7,621)	*(11,017)*
Administrative expenses	10	(3,753)	(229)	(3,982)	*(2,909)*
		(53,224)	(9,800)	(63,024)	*(58,073)*
Net additons/(withdrawals) from dealings with members		16,166	22,949	39,115	*(26,252)*
Returns on investments					
Investment management expenses	11	(1,916)	-	(1,916)	*(569)*
Investment income	12	30,656	-	30,656	*17,104*
Change in market value of investments	13	(80,121)	38,517	(41,604)	*(728,627)*
Net returns on investments		(51,381)	38,517	(12,864)	*(712,092)*
Net (decrease)/increase in the fund during the year		(35,215)	61,466	26,251	*(738,344)*
Transfers between Sections	28	(223)	223	-	-
Net assets at 1 January		1,045,505	319,297	1,364,802	*2,103,146*
Net assets at 31 December		1,010,067	380,986	1,391,053	*1,364,802*

The notes on pages 25 to 51 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 31 DECEMBER 2023

	Note	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	Total 2023 £'000	*Total 2022 £'000*
Investment assets					
Pooled investment vehicles	13/15/16	602,036	377,606	979,642	*866,349*
Bonds	13	101,940	-	101,940	*90,424*
Insurance policies	13/18	277,000	-	277,000	*292,600*
AVC investments	13/19	10,951	-	10,951	*10,980*
Cash	13/20	12,872	-	12,872	*95,208*
Derivatives	13/17	1,409	-	1,409	*1,350*
Other Investment balances	13/20	1,650	-	1,650	*1,459*
		1,007,858	377,606	1,385,464	*1,358,370*
Investment liabilities					
Derivatives	13/17	(577)	-	(577)	*(1,018)*
Investments		1,007,281	377,606	1,384,887	*1,357,352*
Current assets	25	5,852	3,607	9,459	*10,419*
Current liabilities	26	(3,066)	(227)	(3,293)	*(2,969)*
Total net assets available for benefits		1,010,067	380,986	1,391,053	*1,364,802*

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 8 and 9 and the Actuarial Statements and Certificate on page 52 of the annual report, and these financial statements should be read in conjunction with these sections.

The notes on pages 25 to 51 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 plan 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:

3.1 Accrual concept

The financial statements have been prepared on an accruals basis in line with recognition of the associated benefits payable.

3.2 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.

3.3 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.

3.4 Administrative expenses and Investment management expenses

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

3. ACCOUNTING POLICIES (CONTINUED)

3.5 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.

3.6 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.

3.7 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.
k) Forward foreign exchange contracts outstanding at the year end are stated at the fair value which is determined as the gain or loss that would arise if the outstanding contract were closed out at the period-end with an equal and opposite contract.

3. ACCOUNTING POLICIES (CONTINUED)

3.8 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.

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

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

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

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

5. CONTRIBUTIONS

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	2023 Total £'000
Employer Contributions			
Normal	-	15,453	15,453
Salary Sacrifice	2,724	11,647	14,371
Salary Sacrifice (AVC)	1,045	3,360	4,405
Other	19	1	20
Additional	65,000	-	65,000
	68,788	30,461	99,249
Employee Contributions			
Normal	26	-	26
Additional Voluntary Contributions	8	-	8
	68,822	30,461	99,283

	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*
	3,666	*26,369*	*30,035*

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 (2022: £1,000) relate to pensioner Trustee stipend payments and other sundry employer contributions.

The Schedule of Contributions sets out ongoing contributions payable in 2024.

The £65million contribution received in February 2023 relates to the Schedule of Contributions from the 2021 valuation and covers the ongoing contributions for the years 2022/23/24.

6. TRANSFERS IN

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	2023 Total £'000
Individual transfers in from other schemes	-	1,771	1,771

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

7. OTHER INCOME

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	2023 Total £'000
Claims on term insurance policies	245	392	637
Other income	323	125	448
	568	517	1,085

	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*

8. BENEFITS PAID OR PAYABLE

	Defined Benefit Section 2023	Defined Contribution Section 2023	2023 Total
	£'000	£'000	£'000
Pensions	36,004	-	36,004
Commutations of pensions and lump sum retirement benefits	10,623	1,648	12,271
Taxation	1,117	-	1,117
Lump sum death benefits	625	1,404	2,029
	48,369	3,052	51,421

	Defined Benefit Section 2022	*Defined Contribution Section 2022*	*2022 Total*
	£'000	*£'000*	*£'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*

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	2023 Total £'000
Individual transfers out to other schemes	1,102	6,519	7,621

	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*

10. ADMINISTRATIVE EXPENSES

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	2023 Total £'000
Investment consultancy fees	704	228	932
Administration and processing	1,199	-`	1,199
Other fees and expenses (including Trustee expenses)	546	1	547
Actuarial fees	360	-	360
Legal and other professional fees	813	-	813
Pension Plan levies payable	76	-	76
Audit fees	40	-	40
Covenant fees	15	-	15
	3,753	229	3,982

	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*

11. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	2023 Total £'000
Administration, management and custody	1,916	-	1,916

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

12. INVESTMENT INCOME

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	2023 Total £'000
Income from pooled investment vehicles	9,555	-	9,555
Annuity income	21,101	-	21,101
	30,656	-	30,656

	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*

13. INVESTMENT RECONCILIATION

	Value at 1 January 2023 £'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 2023 £'000
Defined Benefit Section					
Pooled investment vehicles	549,759	415,917	(291,687)	(71,953)	602,036
Bonds	90,424	15,416	(7,950)	4,050	101,940
Derivatives (net)	332	3,055	(4,709)	2,154	832
Insurance policies	292,600	-	-	(15,600)	277,000
AVC investments	10,980	843	(2,100)	1,228	10,951
	944,095	435,231	(306,446)	(80,121)	992,759
Cash deposits	95,208				12,872
Other Investment balance	1,459				1,650
	1,040,762				1,007,281
Defined Contribution Section					
Pooled investment vehicles	316,590	30,943	(8,444)	38,517	377,606

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:

	2023 £'000	*2022 £'000*
Allocated to members	377,490	*316,486*
Not designated or allocated to members	116	*104*
	377,606	*316,590*

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:

	2023	*2022*
	£'000	*£'000*
Defined Benefit Section		
Equities	-	*7*
Private equity	80,766	*323,612*
Gilts	449,828	-
Bonds	-	*53,077*
Equity hedge	-	*122,248*
Property	66,595	-
Other PIVs	4,847	-
Direct lending	-	*56*
Qualifying Investment Fund	-	*50,759*
	602,036	*549,759*

	2023	*2022*
	£'000	*£'000*
Defined Contribution Section		
Equities	254,900	*215,977*
Moderate fund	103,260	*84,542*
Pre-retirement fund	11,421	*13,093*
Cash fund	3,243	*2,104*
Amanah fund	726	*336*
Property	310	*387*
Bonds	220	*151*
Annuity Focused Fund	3,526	-
	377,606	*316,590*

16. QUALIFYING INVESTMENT FUND

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

	2023 £'000	*2022 £'000*
Defined Benefit Section		
Derivatives	-	*11,057*
Pooled investment vehicles	-	*39,638*
Cash	-	*64*
	-	*50,759*

In 2023, the Plan disinvested from the State Street LDI Leveraged UK Exposure Fund, in which it was 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.

Forward foreign exchange - 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 Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

The Plan uses forward foreign exchange contracts to hedge against the risk of investment in foreign currency denomination assets whilst having the obligation to settle benefits in Sterling.

	Assets £000	**Liabilities £000**	**2023 £000**	Assets £000	Liabilities £000	2022 £000
OTC swaps	**854**	**(541)**	**313**	1,350	(1,018)	332
FFX	**555**	**(36)**	**519**	-	-	-
	1,409	**(577)**	**832**	1,350	(1,018)	332

17. DERIVATIVES (CONTINUED)

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	Contracts	Expiration	Asset value £000	Liability value £000
Total return swaps	4,940	3	2025	47	(12)
Total return swaps	520	1	2026	-	(11)
Total return swaps	5,959	8	2027	50	(19)
Total return swaps	1,920	2	2028	14	(36)
Total return swaps	17,498	15	2029	161	(55)
Total return swaps	5,180	9	2030	91	(66)
Total return swaps	4,482	9	2031	86	(27)
Total return swaps	18,068	19	2032	200	(139)
Total return swaps	2,490	7	2033	13	(32)
Total return swaps	180	2	2037	-	(5)
Total return swaps	140	1	2038	4	-
Total return swaps	985	4	2047	51	(19)
Total return swaps	440	2	2048	7	-
Total return swaps	3,354	6	2052	113	(116)
Total return swaps	130	1	2053	4	-
Total return swaps	540	2	2063	13	(4)
Total 2023	**66,826**			**854**	**(541)**
Total 2022	*65,057*			*1,350*	*(1,018)*

Forward Foreign Exchange (FFX)

	Settlement Date	Currency bought £000	Currency Sold £000	Asset value £000	Liability value £000
FFX – 28 Contracts	1 Month	£16,797	EUR19,390	7	(22)
FFX – 22 Contracts	1 Month	£14,799	$18,170	547	-
FFX – 2 Contracts	1 Month	$450	£367	-	(14)
FFX – 1 Contract	1 Month	EUR80	£69	1	-
Total 2023				**555**	**(36)**
Total 2022				-	-

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:

	2023	*2022*
	£'000	*£'000*
Deferred Premium Buy-In – LGAS	277,000	*292,600*

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:

	2023	*2022*
	£'000	*£'000*
Legal & General	10,518	*10,471*
Prudential Assurance Company Limited	427	*503*
Aviva	6	*6*
	10,951	*10,980*

20. CASH AND OTHER INVESTMENT BALANCES

	2023	*2022*
Defined Benefit Section	£'000	*£'000*
Investment manager cash and cash instruments	12,872	*95,208*
Investment income accrual	1,650	*1,459*
	14,522	*96,667*

The prior year cash allocation of £95m included the SSgA LDI mandate that was in wind-down (only holding cash & swaps).

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 2023 or 31 December 2022.

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

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

				31 DECEMBER 2023
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	521,270	80,766	602,036
Bonds	-	101,940	-	101,940
Insurance policies	-	-	277,000	277,000
Derivatives	-	-	832	832
AVC investments	-	10,518	433	10,951
Cash	12,872	-	-	12,872
Other Investment balances	1,650	-	-	1,650
TOTAL	14,522	633,728	359,031	1,007,281
Defined Contribution Section				
Pooled investment vehicles	-	377,606	-	377,606

				31 DECEMBER 2022
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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
Other Investment balances	1,459	-	-	1,459
TOTAL	96,667	327,041	617,054	1,040,762
Defined Contribution Section				
Pooled investment vehicles	-	316,590	-	316,590

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 instrument 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 instrument 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 instrument 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			2023 Value £'000	2022 Value £'000
		Currency	Interest rate	Other price		
Pooled Investment Vehicles						
Equities	N	Y	N	Y	-	7
Bonds	Y	N	Y	N	-	53,077
Gilts	N	N	Y	N	449,828	122,304
Property	Y	Y	Y	Y	66,595	-
Private Equity	N	Y	N	Y	80,766	323,612
Other PIVs	N	N	N	Y	4,847	-
Qualifying Investment Fund	Y	N	Y	N	-	50,759
Bonds	Y	N	Y	N	101,940	90,424
Insurance Policies	N	N	Y	Y	277,000	292,600
AVC Investments	Y	Y	Y	Y	10,951	10,980
Cash and Other Investment Balances	N	N	N	N	15,354	96,999
Total Investments					1,007,281	1,040,762

22. INVESTMENT RISKS (CONTINUED)

Defined Benefit Section (Continued)

Direct Credit Risk

The Plan is subject to credit risk through its investments in pooled investment vehicles and its bulk annuity insurance policy (ie buy-in). It is directly exposed to credit risk in relation to the solvency of the custodians of those funds.

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.

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.

Indirect credit risk – Bonds

The Trustee is exposed to indirect credit risks arising from the underlying investments held by funds, for example where they invest in bonds. The indirect exposure to credit risk arises from the Trustee's investments in the BlackRock segregated credit mandate. The amount invested in this mandate is shown in the table at the end of this section. The manager manages credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within the mandate will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

As at 31 December 2023 around 18% (2022: 37%) of the Plan's assets were invested in funds or securities that are significantly exposed to credit risk.

	Value of assets exposed to risk 2023	*Value of assets exposed to risk 2022*
Plan Risk Exposures	£'000	*£'000*
Indirect credit Risk (*Bonds and Property*)	179,084	*388,837*

	Value of assets exposed to risk 2023	*Value of assets exposed to risk 2022*
Plan Risk Exposures	£'000	*£'000*
Direct credit Risk (*Bonds and Property*)	905,342	*892,504*

22. INVESTMENT RISKS (CONTINUED)

Defined Benefit Section (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 2023 around 16% (2022: 44%) of the Plan's assets were invested in funds or securities that are significantly exposed to currency risk.

	Value of assets exposed to risk 2023	*Value of assets exposed to risk 2022*
Plan Risk Exposures	£'000	*£'000*
Currency Risk (*Private equity, Property and Other*)	157,880	*457,087*

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 assets are subject to interest rate risk (both nominal and real interest rates). However, 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 2023 around 90% (2022: 71%) 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 2023	*Value of assets exposed to risk 2022*
Plan Risk Exposures	£'000	*£'000*
Interest Rate Risk (*Bonds, Property, Other and Buy-In*)	905,881	734,528

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.

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.

As at 31 December 2023 around 44% (2022: 72%) of the Plan's assets were invested in funds or securities that are significantly exposed to other price risk.

	Value of assets exposed to risk 2023	*Value of assets exposed to risk 2022*
Plan Risk Exposures	£'000	*£'000*
Other price Risk (*Private Equity, Property, Other, and Buy-in)*	439,727	749,687

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

	2023	2022
	£'000	£'000
Pooled Investment Vehicles by Type		
Open-Ended Investment Companies	4,841	45,255
Shares of Limited Liability Partnerships	63,045	305,870
Undertakings for Collective Investment in Transferable Securities	17,725	17,799
Qualifying Investor Alternative Investment Fund	66,597	127,752
Irish Collective Asset-Management Vehicle	-	7
Unit-Linked Insurance Contracts	449,828	53,076
	602,036	549,759

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
- Annuity focused
- Cash
- Amanah

The day-to-day management of the underlying investments of the funds is the responsibility of Legal & General Investment Management Ltd, BlackRock, 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, BlackRock and HSBC.

22. INVESTMENT RISKS (CONTINUED)

Defined Contribution Section

Credit Risk

The Defined Contribution Section ("DC Section") invests in unit linked insurance contracts which are pooled investment vehicles. The DC Section is subject to direct credit risk in relation to its holding in pooled investment vehicles provided by Legal & General Assurance (Pensions Management) Limited ("PMC").

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 2023 and 2022:

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
Annuity focused	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 INVESTMENT

Direct employer-related investments as at 31 December 2023 were <1% (2022: <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 2023, any indirect exposure to shares in companies related to the sponsoring employer was <1% (2022: <1%) of the net assets of the Plan. The DB exposure is 0.331% of total DB assets while the DC exposure is 0.075% of total DC assets.

24. CONCENTRATION OF INVESTMENTS

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

	2023		*2022*	
	£'000	%	*£'000*	*%*
Legal & General Buy-In Insurance Policy	277,000	19.9	*292,600*	*21.4*
Legal & General DBKR Cummins Accelerated	249,816	18.0	*211,618*	*15.5*
BlackRock Pensions Limited Aquila Fund Over 25	242,417	17.4	-	-
BlackRock Life Limited Aquila Fund Over 25	207,410	14.9	-	-
LGIM Cummins Moderate Fund	103,260	7.4	*84,542*	*6.2*
Towers Watson Investment Secure Income	-	-	*76,993*	*5.6*

25. CURRENT ASSETS

	Defined Benefit Section 2023 £'000	**Defined Contribution Section 2023 £'000**	**2023 Total £'000**
Contributions due from Employer in respect of:			
Employer	**2**	**1**	**3**
Employee	**6**	**1**	**7**
Prepaid pensions	**2,521**	**-**	**2,521**
Cash and bank balances	**3,323**	**3,605**	**6,928**
	5,852	**3,607**	**9,459**

	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*

Contributions due under the Schedule and noted above were received on time, after the year-end, on 8 January 2024. Of the DC Section cash balances, £3,603,250 was allocated to members (2022: £744,294).

26. CURRENT LIABILITIES

	Defined Benefit Section 2023	Defined Contribution Section 2023	2023 Total
	£'000	£'000	£'000
Annuity income received in advance	1,748	-	1,748
Unpaid Benefits	1,028	208	1,236
Accrued Expenses	290	19	309
	3,066	227	3,293

	Defined Benefit Section 2022	*Defined Contribution Section 2022*	*2022 Total*
	£'000	*£'000*	*£'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*

27. RELATED PARTY TRANSACTIONS

Employer and other related parties

During the year the company has recharged costs of £205,340 (2022: £219,021) to the Plan representing a charge for administration services supplied by the company and carried out on behalf of the Trustee.

During the year contributions of £16,904 (2022: £18,313) 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 2023, 9 Trustee Directors were active members and 2 Directors were pensioner members. Comparative figures for Directors as at 31 December 2022 were 9 active members and 2 pensioner members.

Other fees and expenses of £12,862 (2022: £12,328) 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.

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000	2023 Total £'000
Transfer between sections	(223)	223	-

	Defined Benefit Section 2022 £'000	*Defined Contribution Section 2022 £'000*	*2022 Total £'000*
Transfer between sections	*388*	*(388)*	*-*

29. CAPITAL COMMITMENTS

The Plan sold down a majority of its private market holdings through a secondary market transaction in 2023.

Funds sold down over 2023:

Fund	2023 £'000	2022 £'000
Advent GPE VII	-	526
Altas Partners Fund I	-	1,306
Altas Partners Fund II	-	3,446
American Securities VI	-	1,443
American Securities VII	-	1,796
Ancala Partners Infrastructure Fund II	-	3,438
Axiom Asia II	785	828
Cabot Square V	1,130	2,226
CDH Growth VGC Fund II	4,770	5,944
CDH Growth Fund III	664	700
Energy Capital III	-	3,225
Francisco Partners V	-	2,526
Francisco Partners VI	-	5,297
Gallant Capital Partners I	-	1,078
Morgan Stanley PMF V	-	719
Nuveen TIAA-CREF GAF II	675	711
SC Capital Partners RECAP IV	915	1,571
Sun Capital VI	-	1,482
Waud Capital Partners FIF V	-	430
Total undrawn commitment	8.939	38,692

**Due to lagged reporting by the Private Market managers, the undrawn capital commitment has been provided as at 30 September 2023 or based on the most recent available capital call notices prior to 31 December 2023.*

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 ("GMP"). The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at future meetings and decisions will be made as to the 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 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.

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.

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

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. The case has been appealed but, as matters stand, the case has the potential to cause significant issues in the pension industry. The Trustee will investigate the possible implications with its advisers but, it is not possible at present to estimate the potential impact, if any, on the Plan.

31. SUBSEQUENT EVENT

There were no subsequent events after the year end.

Certificate of Schedule of Contributions

1. 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.
2. 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 AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEEOF CUMMINS UK PENSION PLAN
FOR THE YEAR ENDED 31 DECEMBER 2023

Statement about contributions

Opinion

In our opinion, the contributions payable to the Plan by the employer under the Schedule of Contributions for the Plan year ended 31 December 2023 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 2023 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:

SUMMARY OF CONTRIBUTIONS PAYABLE
FOR THE YEAR ENDED 31 DECEMBER 2023

During the year ended 31 December 2023 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

	2023 £'000
Contributions payable under the Schedule of Contributions	
Employers	
Normal – Salary Sacrifice – Defined Benefit	2,724
Normal – Defined Contribution	15,453
Normal – Salary Sacrifice – Defined Contribution	11,647
Employer additional contributions	65,000
Employees	
Normal – Defined Benefit	26
Total contributions payable under the Schedule (as reported on by the Plan Auditors)	94,850
In addition, further contributions were payable as follows:	
Other Employer contributions	20
Employer additional voluntary contributions – salary sacrifice	4,405
Employees' additional voluntary contributions	8
Total contributions included in the financial statements (note 5)	99,283

Signed on behalf of the Trustee:

____________________ Date:
Trustee Director

____________________ Date:
Trustee Director

Appendix Divider referenced in contents

Chair's DC Governance Statement, covering 1 January 2023 to 31 December 2023

1. Introduction and members' summary

The **Cummins UK Pension Plan** (the "Plan") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments or is invested in the default option and bears the investment risk). Some members also have legacy Additional Voluntary Contributions ("AVCs") in the Plan, linked to the Plan's defined benefit ("DB") Section.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee Directors of the Plan, are required to produce a yearly statement (the "Statement"), signed by the Chair of Trustee, covering:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie administration of the Plan, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Plan is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the default and other investment options remain suitable for the membership. During the year, the Trustee reviewed the suitability of the default arrangements and whilst they are expected to perform well and the target outcomes remain appropriate, the Trustee is currently considering making some changes. More information will be available in next year's Statement.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Plan year, and we remain comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Plan is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

We have made available a range of investment options for members. Members who join the DC Section of the Plan and who do not choose an investment option are placed into the Lifestyle: Continued Growth, (the "Default"). We recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, we decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

For members of the DB Section with legacy AVCs, the default option is the Lifestyle: Cash Focused.

The Lifestyle: Annuity Protection is also deemed to be a default as this was a previous default investment option.

Furthermore, the Cash Fund is an additional default fund, created when members' funds were compulsorily mapped into the fund (i.e., moved without member consent) when members have been unwilling or unable to make a choice about where to invest their contributions and/or savings due to fund closures.

These additional defaults must adhere to the legal requirements that apply to default arrangements.

We are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the default arrangements are set out in a document called the ‘Statement of Investment Principles’ (the “SIP”). The Plan’s SIP covering the default arrangements is attached to this Statement as an Appendix.

The default arrangements are reviewed at least every three years, and the last review was discussed with the Investment Sub-Committee on 8 March 2023 and 28 April 2023, and was completed and presented to the Trustee on 6 June 2023. The review concluded the Plan’s default strategies are expected to perform well compared to the master trust peer group, based on forward looking modelling. However, the analysis highlighted the low level of risk of the at-retirement allocation compared to the broader market.

The review considered the demographics of the Plan’s membership. Based on the analysis of the memberships for the DC and AVC sections, it was concluded the target outcomes remain appropriate.

Three key themes were considered throughout the review:

- Invest responsibly - The Plan has already made significant changes to the default strategy to take greater account of responsible investment and in particular climate risk. However, it’s important to consider whether the Plan could further improve its allocations from investments available on the Legal & General platform.
- Less liquid assets - The government now requires DC schemes to consider whether less liquid assets are appropriate for default strategy design. As such, the market is developing fast which will offer more choice to schemes on how they could invest, if they so wish.
- Retirement allocations - 2022 provided a challenge to retirement allocations across the DC industry, given the poor returns suffered by members. It is appropriate for all DC schemes to review strategy allocations as members approach retirement to make sure they remain appropriate.

The review concluded there are no changes required for the Accelerated Growth and Moderate Growth funds (used with each of the default lifestyle strategies), however, consideration was given to exploring the structure of the final at-retirement allocation of the Lifestyle: Continued Growth to better support members approaching retirement. At the time of preparing this Statement, changes to the at-retirement allocations are still under consideration. The at-retirement allocation of the Cash Focused and Annuity Focused lifestyle strategies remain appropriate. However, the Trustee has since undertaken a further review of various aspects of the overall strategy design including the investment strategy, including such things as private market investments. More information will be shared within next year’s Statement.

In addition to triennial strategy reviews we also review the performance of the default arrangements against their objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Plan year concluded that the default arrangements were performing broadly as expected and consistently with the aims and objectives as stated in the SIP.

Asset allocation breakdown[1]

We are required to calculate the percentage of the Plan assets within the default arrangements allocated to each of the following asset classes. In line with DWP’s guidance we have also shown this asset allocation for different ages as at the Plan year end.

Lifestyle: Continued Growth

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	-	-	0.5	16.5
Corporate bonds (UK and overseas)	-	-	14.8	40.5
UK government bonds	-	-	0.9	0.6
Overseas government bonds	-	-	8.4	5.2
Listed equities[2]	100.0	100.0	68.2	30.1
Private equity	-	-	-	-
Infrastructure (direct)	-	-	-	-
Property (direct)	-	-	3.1	2.0
Private debt	-	-	1.3	0.8
Other	-	-	2.8	4.3

Lifestyle: Cash Focused

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	-	-	0.5	75.1
Corporate bonds (UK and overseas)	-	-	14.8	4.6
UK government bonds	-	-	0.9	0.3
Overseas government bonds	-	-	8.4	2.6
Listed equities[2]	100.0	100.0	68.2	15.1
Private equity	-	-	-	-
Infrastructure (direct)	-	-	-	-
Property (direct)	-	-	3.1	1.0
Private debt	-	-	1.3	0.4
Other	-	-	2.8	0.9

Lifestyle: Annuity Protection

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	-	-	0.5	25.1
Corporate bonds (UK and overseas)	-	-	14.8	41.4
UK government bonds	-	-	0.9	21.5
Overseas government bonds	-	-	8.4	1.6
Listed equities[2]	100.0	100.0	60.4	7.6
Private equity	-	-	-	-
Infrastructure (direct)	-	-	-	-
Property (direct)	-	-	3.1	0.6
Private debt	-	-	1.3	0.3
Other	-	-	10.6	2.0

Cash Fund

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	100.0	100.0	100.0	100.0
Corporate bonds (UK and overseas)	-	-	-	-
UK government bonds	-	-	-	-
Overseas government bonds	-	-	-	-
Listed equities	-	-	-	-
Private equity	-	-	-	-
Infrastructure (direct)	-	-	-	-
Property (direct)	-	-	-	-
Private debt	-	-	-	-
Other	-	-	-	-

[1]Allocations may not sum to 100% due to rounding.

[2]The listed equities allocation includes shares in listed infrastructure, Global Real Estate Investment Trusts, private equity companies and timberland companies.

3. Requirements for processing core financial transactions

The processing of core financial transactions for the DC Section of the Plan (including AVCs) is carried out by the administrator, Isio (formally known as Premier Pensions) and for the legacy AVCs, linked to the Plan's DB Section, is carried out by Aviva and Prudential.

Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries.

The Plan has a Service Level Agreement ("SLA") in place with Isio which covers the accuracy and timeliness of all core financial transactions. The SLA covers, but is not limited to, the following:

- Maintenance of member records;
- Receiving, validating, processing and investing contributions;

- Calculating transfer values and passing all relevant information to the receiving arrangement in the process of transfers of the Plan; and
- The provision of scheme literature and information.

We recognise that delay and error can cause significant issues for members. We have received assurance from Isio, through their AAF (Audit and Assurance Faculty) report (the UK standard for independent assurance reports that verify the effectiveness of controls at service organisations managing pension funds and other services), that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

To help us monitor whether service levels are being met, we receive quarterly reports about Isio's performance and compliance with the SLA. Any issues identified as part of our review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues. These quarterly reports identified three errors during the Plan year, relating to incorrect investments, unit reconciliation and re-issuing an incorrect quotation issued in 2022. Each error has been discussed with and rectified by Isio. Other than the aforementioned errors, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA, with 97.63% of all cases processed and completed within the SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan year.

There is not an SLA agreement in place with Aviva or Prudential relating to the AVCs, but Prudential has confirmed that there have been no administration issues during the Plan year that the Trustee should be made aware of. Aviva has confirmed that, although not Plan specific, they achieved a monthly average of 79.9% of all member transactions, against a target of 80%.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum ("pa") figure and exclude any administration charges, since these are not met by members.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The TER and transaction costs are the only costs borne by members.

The charges and transaction costs have been supplied by Legal & General who is the platform provider for the Plan's DC Section (including AVCs), and Aviva and Prudential in respect of the AVCs. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

Default arrangements

The Default arrangement for the DC Section of the Plan is the Lifestyle: Continued Growth. The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested. This is also applicable for the other default arrangements, the Lifestyle: Cash Focused and the Lifestyle: Annuity Protection but is not the case for the Cash Fund.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following tables.

Default (Lifestyle: Continued Growth) charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.13	0.04
15 years to retirement	0.17	0.01
10 years to retirement	0.21	-0.02
5 years to retirement	0.20	0.12
At retirement	0.18	0.20

Lifestyle: Cash Focused charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.13	0.04
15 years to retirement	0.17	0.01
10 years to retirement	0.21	-0.02
5 years to retirement	0.21	-0.02
At retirement	0.15	0.07

Lifestyle: Annuity Protection charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.13	0.04
15 years to retirement	0.17	0.01
10 years to retirement	0.21	-0.02
5 years to retirement	0.18	0.14
At retirement	0.15	0.24

Cash Fund charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
All periods to retirement	0.13	0.10

The default arrangement does not have any performance based fees associated with it.

Self-select and AVC options

In addition to the Default arrangement, members of the Plan's DC Section also have the option to invest in several other self-select funds. The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Default are shown in **bold**.

Self-select fund charges and transaction costs (% per annum)

Fund name	TER	Transaction costs
Accelerated growth fund	0.13	0.04
Moderate growth fund	0.21	-0.02
Cash fund	0.13	0.10
Pre-retirement fund	0.16	0.56[1]
AAA-AA-A corporate bond all-stocks index fund	0.15	-0.04
Amanah fund	0.35	-0.06
Annuity focused fund	0.14	0.37
Ethical global equity fund	0.30	0.00
Property fund	0.73	-0.70
UK equity fund	0.10	-0.01
World emerging markets equity fund	0.34	0.12
World equity fund (hedged)	0.15	0.07
World equity fund (unhedged)	0.13	0.02

Most AVCs are now invested in the same funds available to members of the Plan's DC Section. The exceptions to this are set out in the following table. For those funds used in the Plan's DC Section and which are provided as AVC options have the same TER and transaction costs, unless otherwise specified.

[1]The transaction costs for the Pre-retirement fund as an AVC fund were 0.29% over the Plan year. LGIM confirmed that the transaction costs for the DC fund are higher due to implicit transaction costs and anti-dilution offset.

AVC fund charges and transaction costs (% per annum)

Fund name	TER	Transaction costs
Prudential With-Profits Cash Accumulation Fund	N/A[1]	0.17[2]
Aviva With-Profit Fund (NU) Pension Standard Series 01	0.88	0.04
Pension Compound Life & Pension WP conventional Series A3	0.54	0.04

[1]Prudential were unable to provide the TER for this fund.
[2]This is the transaction cost for the period 01/07/2022-30/06/2023. Prudential were unable to provide the transaction cost for the Plan year.

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the Plan Year subject to a floor of zero (so the illustration does not assume a negative cost over the long term).
- The illustration is shown for the Default (the Lifestyle: Continued Growth, as well as the other legislative default arrangements (the Lifestyle: Cash Focused, the Lifestyle: Annuity Protection and the Cash Fund) and two funds from the Plan's self-select fund range, excluding the legacy AVCs in the Plan, linked to the Plan's DB Section. The two self-select funds shown in the illustration are:
    - the fund with highest annual member borne costs (TER and transaction costs) – this is the Pre-Retirement Fund
    - the fund with lowest annual member borne costs – this is the Managed Property Fund

Projected pension pot in today's money

	Default option		Cash Focused		Annuity Protection		Cash Fund		Pre-Retirement Fund		Managed Property Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£10,200	£10,100	£10,200	£10,100	£10,200	£10,100	£9,900	£9,800	£10,000	£9,900	£10,000	£9,900
3	£20,600	£20,500	£20,600	£20,500	£20,600	£20,500	£19,100	£19,000	£19,800	£19,600	£19,800	£19,500
5	£31,800	£31,600	£31,800	£31,600	£31,800	£31,600	£28,200	£28,000	£29,900	£29,300	£29,900	£29,300
10	£63,300	£62,700	£63,300	£62,700	£63,300	£62,700	£50,700	£50,000	£56,600	£54,400	£56,600	£54,300
15	£100,700	£99,400	£100,700	£99,400	£100,700	£99,400	£72,600	£71,200	£85,300	£80,400	£85,300	£80,400
20	£145,200	£142,500	£145,200	£142,500	£145,200	£142,500	£93,900	£91,700	£116,200	£107,500	£116,200	£107,400
25	£192,600	£188,000	£192,600	£188,000	£192,600	£188,000	£114,700	£111,400	£149,500	£135,700	£149,500	£135,500
30	£236,100	£228,900	£236,100	£228,900	£236,100	£228,900	£135,100	£130,300	£185,400	£165,000	£185,400	£164,700
35	£278,700	£267,300	£278,700	£268,300	£285,500	£273,900	£154,900	£148,600	£224,100	£195,500	£224,100	£195,000
40	£322,700	£304,900	£310,800	£297,000	£348,500	£329,200	£174,200	£166,300	£265,700	£227,100	£265,700	£226,500

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The long-term annual inflation assumption used is 2.5%.
- Annual salary growth is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £5,200. This is the approximate average (median) pot size for active (contributing) members aged 28 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection).
- The projection is for 40 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Pension Age.
- The starting salary is assumed to be £29,300 This is the approximate median salary for active members aged 28 or younger.
- Total contributions (employee plus employer) are assumed to be 16.0% of salary per year.
- The projected annual returns used are as follows:
  - Lifestyle: Continued Growth: 3.5% above inflation for the initial years, gradually reducing to a return of 1.2% above inflation at the ending point of the lifestyle.
  - Lifestyle: Cash Focused: 3.5% above inflation for the initial years, gradually reducing to a return in line with inflation at the ending point of the lifestyle.
  - Lifestyle: Annuity Protection: 3.5% above inflation for the initial years, gradually reducing to a return of 2.2% above inflation at the ending point of the lifestyle.
  - Cash Fund: 0.5% below inflation.
  - Managed Property Fund: 1.5% above inflation.
  - UK Equity Fund: 3.5% above inflation.
- No allowance for active management outperformance has been made.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges, for all investment options in which member assets were invested during the Plan year. We have had regard to the statutory guidance in preparing this Section.

The With-Profits fund returns stated are that of the underlying investments, which are the only figures that can be quoted. With Profits Funds are designed to smooth the returns members receive over their investment term and underlying investment returns are not the only factor determining the return members receive.

For arrangements where returns vary with age, such as for the Default, returns are shown over various periods for a member aged 25, 45 and 55 at the start of the period the returns are shown over.

Lifestyle: Continued Growth (Default) net returns over periods to Plan year end

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	13.4	11.4
45	13.4	11.0
55	8.7	4.9

Lifestyle: Cash Focused net returns over periods to Plan year end

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	13.4	11.4
45	13.4	11.0
55	8.7	5.5

Lifestyle: Annuity Protection net returns over periods to Plan year end

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	13.4	11.4
45	13.4	11.0
55	8.7	4.4

Self-select fund net returns over periods to Plan year end

Fund name	1 year (%)	5 years (% pa)
Accelerated growth fund	13.4	11.4
Moderate growth fund	8.2	5.4
Cash fund	4.5	1.3
AAA-AA-A corporate bond all-stocks index fund	7.5	-0.3
Amanah fund	27.2	16.7
Annuity focused fund	7.6	-2.1
Ethical global equity fund	17.1	13.8
Property fund	-1.7	1.5
UK equity fund	7.7	6.6
World emerging markets equity fund	2.4	4.2
World equity fund (hedged)	22.5	12.3
World equity fund (unhedged)	16.9	13.0

AVCs linked to the Plan's DB Section net returns over periods to Plan year end

Fund name	1 year (%)	5 years (% pa)
Prudential With-Profits Cash Accumulation Fund	1.5	1.2
Aviva With-Profit Fund (NU) Pension Standard Series 01	-2.8	3.3
Pension Compound Life & Pension WP conventional Series A3[1]		

[1]At the time of preparing this Statement, Aviva have not provided the net returns for this fund. The Trustee has requested this information.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The date of the last review was 29 April 2024. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

Our investment advisers have confirmed that the fund charges are competitive for the types of funds available to members. The analysis conducted to reach this conclusion compares the Plan's total annual charges with fees (excluding administration costs) against other DC schemes with assets up to £500m that LCP advises.

The fund transaction costs were assessed separately from the implicit charges and are varied when compared with the median for other similar DC schemes, with some being significantly above the median while others are in line with, or below, the median.

Our assessment took account of the Trustee's review of the performance of the Plan's investment funds (after all charges and transaction costs) in the context of their investment objectives over the Plan Year. We believe that the default strategy remains appropriate for its objective of targeting drawdown at retirement. Our investment advisers also confirmed that the self-select fund range provides access to all major asset classes.

In carrying out the assessment, we also consider the other benefits members receive from the Plan, which include:

- The Trustee's oversight and governance, including ensuring the Plan is compliant with relevant legislation, and holding regular meetings to monitor the Plan and address any material issues that may impact members;
- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Plan website where members can access fund information online;
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards; and
- the benefits available in-Plan at retirement.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes provided by Isio.

Overall, we believe that members of the Plan are receiving very good value for money for the charges and cost that they incur, for the reasons set out in this section.

We aim to improve value for members in the future by:

- continuing to monitor member charges to ensure they remain competitive;
- continuing to monitor the administration performance of Isio;
- progressing the ongoing review of the default strategies and self-select range to ensure the optimal strategy design and fund range for the membership;
- continuing to review the appropriateness of the communications strategy and consider any further improvements that could be made to the communications offering; and
- challenging ourselves as Trustee of the Plan to improve how we operate and improve efficiency so we can focus on areas that matter most to members.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, the Trustee Directors all completed a minimum of 15 hours of training and received training on a number of topics, including but not limited to:

- Environmental, Social and Governance (“ESG”);
- Ethical and illiquid investments;
- Use of platforms;
- Task Force on Climate-Related Financial Disclosures (“TCFD”) and Task Force on Nature-Related Financial Disclosures (“TNFD”);
- Stewardship priorities;
- Information Commissioner’s Office (“ICO”) case studies;
- The Pensions Regulator (“TPR”) enforcement;
- Corporate governance;
- Discretions; and
- Cyber training.

Additionally, we receive quarterly updates on topical pension issues from our investment, legal and actuarial advisers.

We are familiar with and have access to copies of the Plan’s governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is reviewed regularly and as part of making any change to the Plan’s investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes (including the Statement of Funding principles) to fulfil our duties.

All the Trustee Directors have completed TPR’s Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. The Plan has a new trustee appointment process and policy in place and a structured induction process for new trustees. This includes a half day training session and mentoring programme for new trustees and sets out the requirements for new trustees, who are also required to complete TPR’s Trustee Toolkit within six months.

A skills matrix is used to conduct an evaluation of our knowledge and to help to identify training needs every 12/18 months.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustee Directors of the Plan properly and effectively.

____ Date: __________________

Signed by the Chair of Trustee of the Cummins UK Pension Plan

Cummins UK Pension Plan

Implementation statement

1 January 2023 to 31 December 2023

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 that year. This is provided in Section 8 below.

In preparing this statement, the Trustee has considered the guidance issued by the Department for Work and Pensions (DWP's guidance) on reporting on stewardship and other topics through the SIP and the Implementation statement.

This statement is based on the SIP, dated July 2022, for periods from January 2023 to November 2023 and the SIP dated December 2023. Please read this statement in conjunction with the Plan's **current SIP.**

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 during the Plan year, with the updates finalised in December 2023. It was updated to reflect:

- a new policy on illiquid investments in the default arrangements of the DC Section
- DWP's guidance which expects trustees to take a more active role in monitoring and engaging with investment managers on stewardship
- the Trustee's net-zero aspiration, which it expects the Plan's investment managers and advisers to help it achieve
- the redemption of a number of private asset managers following the completion of the private equity sale, known as Project Lenoir
- the introduction of an allocation to unleveraged long-dated gilts.

2 Investment objectives

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustee can also view the progress on an ongoing basis online and using LCP Visualise (a tool provided by the Plan's investment adviser that shows key metrics and information about the Plan including the investment strategy's expected return and risks).

As at 31 December 2023, the Plan's long-term funding target and DB investment strategy was in the process of being reviewed by the Trustee. The current target is to achieve 103% funding on the Plan's self-sufficiency basis by 31 December 2028.

As part of the performance and strategy review of the DC and AVC default arrangements, in March to November 2023, the Trustee considered the membership demographics and the variety of ways that DC and AVC members may take their Plan savings at retirement.

Based on the outcome of this analysis, the Trustee concluded that the default arrangements have been designed to be in the best interests of the majority of the DC Section and AVC members and reflect the demographics of those members.

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. The Trustee has made alternative lifestyle strategies and a self-select fund range available to members covering all major assets classes. Details are included on the **Plan website**. The Trustee monitors the take up of these alternative choices, and it has been low in comparison with the number of members using the default strategies. The Trustee reminded members in their annual benefit statements in July 2023 to review their investment holdings and check these are suitable for their risk tolerances and retirement planning.

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, reviewed the DB Section's investment strategy on multiple occasions during the Plan year. The strategy remained under review as at 31 December 2023, as strategy discussions are continuing.

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.

During the Plan year, the Investment sub-committee (ISC) initiated a new allocation to un-leveraged fixed-interest gilts and index-linked gilts to partially restore the Plan's level of interest rate and inflation hedging following the gilts crisis in 2022. It expects this allocation to increase over time as and when the DB Section reduces risk. In October 2023, a further c£19m was invested into the fixed-interest gilt mandate to increase the Plan's interest rate hedging levels. These investments were sourced from redemption proceeds from the Plan's private market assets.

The Trustee monitors the Plan's asset allocation on a quarterly basis, which has been broadly in line with its strategic allocation over the Plan year. The Trustee is currently reviewing this strategic allocation.

Required return triggers put in place as part of the Plan's investment de-risking mechanism were monitored daily using LCP Visualise during the year, and none of these triggers were hit. If a trigger were to be hit, LCP would notify the Trustee so that a discussion could take place. The Trustee also reviews the Plan's progress against the triggers as part of the quarterly investment monitoring reporting it receives.

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 which 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 the respective targets for the drawdown, cash and annuity lifestyles remained appropriate for the default lifestyle arrangements, and that 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 the review, some changes were recommended and agreed by the Trustee. However, the Trustee decided not to implement any changes given a broader review of the investment arrangements taking place in 2024. On a quarterly basis, the Trustee monitored the illiquid assets allocation in the default arrangements over the Plan year to ensure that they remained appropriate.

The Trustee previously carried out a review of the DC section between August 2021 and March 2022. The changes agreed as part of that review were implemented in February 2023. The changes agreed were as follows

<table>
<tr><th>Underlying funds</th><th>Accelerated growth – old</th><th>Accelerated growth – new</th><th>Moderate growth – old</th><th>Moderate growth – new</th><th>Pre-retirement – old</th><th>Pre-retirement – new</th></tr>
<tr><td>LGIM MSCI ACWI Adaptive Cap ESG Index</td><td>50%</td><td>40%</td><td>-</td><td rowspan="3">20%</td><td>-</td><td>-</td></tr>
<tr><td>LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index</td><td>50%</td><td>20%</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>LGIM Low Carbon Transition Global Equity Index</td><td>-</td><td>40%</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>LGIM Diversified</td><td>-</td><td>-</td><td>100%</td><td>80%</td><td>-</td><td>-</td></tr>
<tr><td>LGIM Pre-retirement (now called LGIM Future World Annuity Aware)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>100%</td><td>-</td></tr>
<tr><td>BlackRock Sustainable Short Duration Credit</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>100%</td></tr>
</table>

In addition, a new fund was created, the Annuity focused fund, which is used in place of the Pre-retirement fund in the Lifestyle: annuity protection option. The Trustee believes these changes are in the best interests of the majority of the DC Section and AVC members.

The Trustee reviewed the retirement data provided by the administrator after the Plan year end to see how members access their benefits. The available data is limited given the young age profile of the membership.

4 Investment arrangements

When the Trustee reviewed the DB investment strategy in June 2023, it considered the investment risks set out in sections 7.4 and 7.5 of the SIP. The Trustee also considered a range of relevant asset classes for investment, 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 2023.

The Trustee last formally reviewed its investment beliefs in October 2023. 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 considered that its investment beliefs remained appropriate, given this context.

The Trustee invests for the long term to provide 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 July 2023 to manage an unleveraged fixed-interest gilt and index-linked gilt allocation and invested a further c£19m in October 2023. Before appointing BlackRock to manage this allocation, the Trustee received information on the investment process, the investment teams, past performance, and formal written advice from its investment adviser, LCP. The Trustee believes that the investment into these new mandates will increase the Plan's interest rate and inflation hedging levels.

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis and informs 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 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 level of diversification within the funds.

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using the quarterly performance monitoring report which shows the performance of each fund. Performance is considered in the context of the manager's benchmark and objectives. 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.

*The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Fees

In April 2024, the Trustee, through LCP, carried out a value for members' assessment looking at the Plan year to 31 December 2023. This covers 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 reviewed the investment manager fees for the DB Section during 2023 and found the costs to be reasonable when compared to similar mandates.

5 Social, environmental and ethical issues

The Trustee published the Plan's first Climate change report in July 2023 and will publish its second report alongside the Trustee Report & Accounts for the year to 31 December 2023. The Trustee agreed to the following stewardship priorities for the Plan in March 2023:

- Climate change
- Human rights
- Corporate transparency.

These priorities were selected based on the results of a Trustee poll and were communicated to the relevant investment managers. The Trustee will review the investment managers' policies and engagement activity related to these priorities periodically.

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), voting and engagement, where possible.

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

- Ethical global equity index (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 Sharia Law and ensures the DC Section and AVC arrangement are suitable for a wider variety of members.

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 as well as engaging with the appointed managers on their progress against their net-zero targets. Many of the Plan'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.

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.

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. During the Plan year, the Trustee engaged with BlackRock and LGIM to encourage greater transparency of engagement (through better quality reporting) and more action to be taken to help meet the Plan's net-zero aspiration.

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. Therefore, 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, credit risk, equity risk, liquidity risk, political risk, manager risk, currency risk, custodial risk and ESG (including climate) risks.

Following elevated gilt market volatility in 2022, 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-sufficient 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. The Plan's hedging levels were broadly in line with the target levels and have been increased towards the levels prior to the gilt market volatility in October 2022. 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. 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 (specifically, above inflation) over the longer term. As part of the default lifestyle arrangements, the equity allocation is gradually reduced for the typical member in the years approaching retirement. Lower volatility assets are used to minimise the risk that members lose material amounts of their retirement pots within a small number of years of their retirement.

The Trustee has made available a lifestyle strategy to address the annuity conversion risk present in the DC Section and AVC arrangement 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. An annuity focused fund, which aims to broadly match annuity prices, is also available to members as a self-select option.

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 value of 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 due to unduly high investment charges. The Trustee works to mitigate this risk by regularly reviewing the costs associated with managing the Plan's assets, as noted in **section 4**.

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

In considering the risk of inadequate returns for the DC Section, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used throughout the default option and are also made available within the self-select fund range. These funds are expected to produce adequate real returns over the longer term. The Trustee monitors the standard deviation and returns of these funds on a quarterly basis.

Together, the investment and non-investment risks set out in section 7.4 of the SIP give rise generally to funding risk. The Trustee formally reviews the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis, the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings and has the ability to monitor it daily on LCP Visualise.

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

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 Plan's stewardship by monitoring and engaging with managers as detailed below.

DB Section

As at December 2023, we can confirm that none of the funds held in the DB Section invested in listed equities over the Plan year. However, we've included commentary (provided by the investment managers) on the following funds that don't hold listed equities but have in place a proxy voting policy:

- CDH VGC Fund II LP
- CDH VGC Fund I USD Parallel 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:

- Axiom Asia Private Capital Fund II
- Real Estate Capital Asia Partners IV LP
- CS Capital Partners V LP
- Nuveen Tiaa Cref Global Agriculture II LLC
- CS Iris Low Volatility Plus T Feeder Fund
- Hayfin Direct Lending Fund LP
- BlackRock Buy and Maintain Portfolio
- BlackRock Aquila Life Over 25 Years Index Linked Gilts Fund
- BlackRock Aquila Life Over 25 Years Fixed Interest Gilts Fund

Commentary provided from managers that have a proxy voting policy in place is set out in **Section 7.1**.

DC Section

We've included voting data only on the funds with equity holdings used in the default strategies, given the high proportion of DC Section assets that are invested in these funds. In addition, we've also included self-select funds which incorporate ESG or ethical factors, recognising that members choosing to invest in these funds may be interested in this information. We haven't included any other self-select funds on materiality grounds.

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 reviews its voting policies annually and takes into account feedback from clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's investment stewardship team. The views expressed by attendees during this event form a key consideration in developing LGIM's voting and engagement policies 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 to 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 (Amanah 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.

Commentary from DB asset managers

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

- 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 engages as necessary. If a client wants to implement their own voting policy, they'll need to be in a segregated account. BlackRock's investment stewardship team (BIS) would not 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 BIS team, 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 – 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 of 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 a decision. If not, the fund shall vote in accordance with the deal team's recommendation.

- WTW – WTW Secure Income Fund (SIF)
  As the SIF invests in private markets, via underlying fund managers who often 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 tend to be made up of larger investors and represent the interests of all investors in the fund. It is common for WTW to have an observer seat on these committees in order to represent our wider client base. However, in most situations, the SIF also takes a voting seat and is an active participant. Over the 12 months to 31 December 2023, we attended 25 IAC meetings for the SIF's underlying managers.

7.2 Summary of voting

A summary of voting behaviour over the Plan year is provided in the table below.

DB Section

During the Plan year, none of the Plan's funds held listed equities. Hence, there were no voting rights to be exercised.

DC Section

White-labelled fund(s)	Accelerated growth and Moderate growth	Accelerated growth and Moderate growth	Accelerated growth and Moderate growth	Moderate growth	Ethical global equity index	Amanah
Manager name	LGIM	LGIM	LGIM	LGIM	LGIM	HSBC
Underlying fund name	MSCI ACWI Adaptive Capped ESG Index Fund (Accelerated Growth - 40% allocation, Moderate Growth – 8% allocation)	RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund (Accelerated Growth - 20% allocation, Moderate Growth – 4% allocation)	Low Carbon Transition Global Equity Index (Accelerated Growth - 40% allocation, Moderate Growth – 8% allocation)	Diversified Fund (80% allocation)	Ethical Global Equity Index Fund	Islamic Global Equity Index Fund
Total size of fund at end of the Plan year	c£2,577m	c£1,650m	£4,038m	c£11,284m	c£1,049m	c£2,477m
Value of Plan assets at end of the Plan year (% of total assets)	c£111m (28.5%)	c£55m (14.3%)	c£111m (28.5%)	c£85m (21.8%)	c£1.9m (0.5%)	c£0.7m (0.2%)
Number of equity holdings at end of the Plan year	2,282	2,277	2,837	6,908	1,081	107
Number of meetings eligible to vote	3,205	3,286	4,687	9,077	1,175	107
Number of resolutions eligible to vote	36,736	37,471	47,232	94,290	16,787	1,726
% of resolutions voted	99.9%	99.9%	99.9	99.8%	99.9%	95%
% voted with management	78.1%	79.0%	79.2	76.4%	81.3%	76%
% voted against management	21.4%	20.5%	20.5	23.4%	18.5%	23%
% abstained from voting	0.5%	0.5%	0.4	0.3%	0.2%	0%
% with at least one vote against management	70.9%	68.6%	65.6	75.4%	74.9%	81%
% voted contrary to recommendation of proxy adviser	14.3%	13.7%	11.9	14.6%	14.0%	1%

7.3 Significant votes

Given the large number of votes which are cast by managers during every annual general meeting (AGM), the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, we've retrospectively created a shortlist of most significant votes by requesting each manager 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 to represent a significant escalation in engagement
- impact a material fund holding, although this would not be considered the only determinant of significance, rather an additional factor
- the subject of the resolution aligned with the investment manager's engagement priorities or key themes.

The Trustee has reported on one of these significant votes per fund only. If you'd like more investment manager voting information, this is available on request from the Trustee.

LGIM MSCI ACWI Adaptive Capped ESG Index
(40% of Accelerated growth fund and 8% of Moderate growth fund)

Crown Castle Inc., May 2023	Vote cast: Against	Outcome: Passed
Relevant stewardship priority	Climate change	
Management recommendation	For	
Summary of resolution:	Elect Director P. Robert Bartolo	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.1%	
Rationale	LGIM voted against this proposal as the company is deemed to not meet minimum standards with regards to climate risk management.	
Criteria against which this vote has been assessed as '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 the day after the company meeting, with a 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 the company and monitor progress.	

LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index (20% of Accelerated growth fund and 4% of Moderate growth fund)

Toyota Motor Corp., June 2023	Vote: For	Outcome: Not passed
Relevant stewardship priority	Climate change	
Management recommendation	For	
Summary of resolution	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.3%	
Rationale	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. LGIM voted for this proposal as it believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, they believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.	
Criteria against which this vote has been assessed as '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 pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.	
Outcome and next steps	LGIM will continue to engage with the company and monitor progress.	

LGIM Low Carbon Transition Global Equity Index
(40% of Accelerated growth fund and 8% of Moderate growth fund)

Amazon.com, Inc., May 2023	Vote: For	Outcome: Not passed
Relevant Stewardship Priority	Human rights, corporate transparency	
Management recommendation	Against	
Summary of resolution	Report on Median and Adjusted Gender/Racial Pay Gaps	
Approximate size of the holding at the date of the vote (% of the portfolio)	1.8%	
Rationale	LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives.	
Criteria against which this vote has been assessed as '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 pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.	
Outcome and next steps	LGIM will continue to engage with the company and monitor progress.	

LGIM Diversified Fund (80% of Moderate growth fund)

Shell Plc, May 2023	Vote: Against	Outcome: Passed
Relevant stewardship priority	Climate change	
Management recommendation	For	
Summary of resolution	Approve the Shell Energy Transition Progress	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.3%	
Rationale	LGIM voted against the proposal, though not without reservations. LGIM acknowledge the substantial progress made by Shell in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	
Criteria against which this vote has been assessed as '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 the day after the company meeting, with a 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 continues to undertake extensive engagement with Shell on its climate transition plans.	

LGIM Ethical Global Equity Index Fund

The Coca-Cola Company, April 2023	Vote: For	Outcome: Not passed
Relevant Stewardship Priority	Corporate transparency	
Management recommendation	Against	
Summary of resolution	Report on Congruency of Political Spending with Company Values and Priorities	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.7%	
Rationale	LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. While LGIM appreciate the level of transparency Coca-Cola provides in terms of its lobbying practices, it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values. LGIM believes that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company's stated values, and potentially attracting negative attention that could harm the company's public image and brand. Producing a report on the congruency of political spending with company values and priorities may help the company to identify and question its previous political spending priorities.	
Criteria against which this vote has been assessed as '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 pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.	
Outcome and next steps	LGIM will continue to engage with the company and monitor progress.	

HSBC Islamic Global Equity Index (Amanah fund)

Cisco Systems, Inc., December 2023	Vote: Against	Outcome: Passed
Relevant Stewardship Priority	Human rights	
Management recommendation	Against	
Summary of resolution	Elect Director Michael D. Capellas	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.9%	
Rationale	HSBC voted against this Nomination Committee Chair as they have concerns about insufficient gender diversity of the board.	
Criteria against which this vote has been assessed as '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	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.	