

CATERPILLAR DEFINED CONTRIBUTION PENSION PLAN

Statement of Investment Principles

1. INTRODUCTION

1.1 Caterpillar DC Pension Trust Limited, on behalf of the Trustees of the Caterpillar Defined Contribution Pension Plan (“the Plan”), have drawn up this Statement of Investment Principles (“the Statement”) to comply with:

- the requirements of the Pensions Act 1995 (“the Act”), as amended by the Pensions Act 2004,
- the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- subsequent legislation.

Decision Making Structure

1.2 As required under the Act, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited. The Trustee, in preparing the Statement, has also consulted the Plan Sponsor.

Overall investment policy falls into two parts:

- The strategic management and governance roles, which are fundamentally the responsibilities of the Trustee (acting on professional advice as they deem appropriate), are driven by the investment objectives as set out in Section 2.
- The day-to-day management of the assets is implemented through the use of professional investment management organisations as described in Section 3.

The Trustee has the power to amend both the structure (i.e. how the investments within each of the fund options are structured) and the Investment Strategy (i.e. the fund options and lifestyle strategies), based on advice from its investment consultants.

The Trustee maintains an Investment Policy Implementation Document (IPID), which contains more detail on the Plan’s investment arrangements. This document, whilst complementing the Statement, does not form part of the Statement and therefore Sponsor consultation is not required for making changes to the Statement.

2. OVERALL INVESTMENT POLICY

2.1 Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee's main objective is therefore to make available a range of investment options for this purpose.

The Trustee also recognises that, in practice, most members may not be comfortable making investment choices and would prefer to follow a "default" arrangement. The Trustee therefore provides such an option, the objective being to focus on growth for younger members, introduce diversification as members' pot sizes grow, and focus on lower risk for members as they reach retirement, in order to manage the risks outlined in 2.2 below.

2.2 Investment Risk

The Trustee has considered investment risk from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
<p>Inflation Risk</p> <p>The real value (i.e. post inflation value of members' accounts) decreases.</p>	<p>The Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds).</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>
<p>Pension Conversion Risk</p> <p>Member's investments do not match how they would like to use their pots in retirement.</p>	<p>The Trustee makes available three lifestyling strategies for DC members, each targeting either cash, drawdown or annuity.</p> <p>Lifestyle strategies automatically switch member assets as they approach retirement into investments that are expected to</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices</p>

	<p>be less volatile relative to how they wish to access their pension savings. These lifestyling strategies increase the proportion of assets that more closely match the chosen retirement destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.</p> <p>The Trustee also believes that a default investment option targeting drawdown minimises the overall pension conversion risk for the relevant members accessing pots in a different manner (annuity or drawdown).</p>	<p>(depending on their selected retirement destination).</p> <p>Lifestyle strategies and the suitability of the default investment option are reviewed at least triennially.</p>
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>The Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances.</p> <p>For the multi-asset funds which are targeting non-market benchmarks, this is delegated to investment managers.</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p>
<p>Counterparty Risk</p> <p>A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Delegated to investment managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p>
<p>Currency Risk</p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies.</p> <p>Delegated to investment managers.</p> <p>Members are able to set their own</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p> <p>Consideration to the movements in foreign currencies relative to</p>

	investment allocations, in line with their risk tolerances.	pound sterling.
Liquidity Risk Assets may not be readily marketable when required.	The Trustee accesses daily dealt and daily priced pooled funds.	The pricing and dealing terms of the funds underlying the unit-linked insurance contract
Environmental, Social and Governance ('ESG') Risk Environmental, Social and Governance factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.	Delegated to investment managers. The Trustee's policy on ESG risks is set out in Section 3.3 of this Statement.	Section 3.3 of this Statement also covers how the Trustee monitors the extent to which managers integrate ESG factors and active ownership into their core processes.

The risks identified in the table above are considered by the Trustee to be 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is for this reason that a number of lifestyle options have been made available to members. One of the lifestyle strategies is the default investment for members who do not make a decision about how they want to take their benefits at retirement.

The Trustee believes that the investment strategy outlined in 2.3 is appropriate for meeting the risks outlined above.

2.3 Investment Strategy

The Trustee recognises that the objective identified in 2.1 and the risks in 2.2 are best met by offering members a choice of investment approaches.

Members can choose from three Lifestyle options depending on how they wish to take their benefits in retirement. Under the lifestyle approach, in the early years, members' assets are invested to target long term growth (primarily through equities) regardless of which lifestyle option is chosen. Once a member is 10 years from their chosen retirement age (which defaults to 65 if no decision is made), their assets are progressively switched to the diversified mix of asset classes. When they reach 7 years from retirement age, the assets are then switched into funds suitable for how they would wish to access their pension savings (Income Drawdown (default), Secure Income or Cash).

The Trustee has also made available a number of “core” fund offerings which they believe will be appropriate for a wide range of members. Under this approach, members will be taking responsibility for ensuring their fund choices are appropriate for their individual needs.

In addition to the “core” funds noted above, members who wish to choose their own specific fund options are offered a wide choice of funds from which to select their own investment allocations. These are termed the “freestyle” options. A mix of these funds will help the member manage the risks outlined in 2.2 above, however under the “freestyle” approach; members will be taking responsibility for ensuring their fund choices are appropriate for their individual needs.

2.4 Default Investment Option

A proportion of members will actively choose the Default option because they feel it is most appropriate for them. However, the vast majority of DC scheme members do not make an active investment decision and are therefore automatically invested in the Default option.

The aims of the Default Lifestyle option

The aims of the default lifestyle option, and the ways in which the Trustee seek to achieve these aims are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.
- *The default lifestyle strategy’s growth phase invests in equities and other growth seeking assets. These investments are expected to provide long-term growth above inflation.*
- To provide a strategy that reduces investment risk for members as they approach retirement.
- *As a member’s account grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate.*
- *The Drawdown Lifestyle Option therefore aims to reduce volatility near retirement via automated switches over a 10 year period to a member’s selected retirement date. Investments are gradually switched from an equity portfolio into the Diversified Growth Fund (composed primarily of growth seeking assets but also some defensive assets) before switching into a combination of the Retirement Income Multi-Asset Fund (which has an allocation consisting of traditional and alternative assets) and the Cash Fund for capital preservation purposes.*

- To provide exposure at retirement to assets that are broadly appropriate for an individual planning to use their savings in the Plan to invest in an income drawdown product and to take a 25% tax-free cash lump sum at retirement.
- *At the member's selected retirement date, 75% of the member's assets will be invested in the Retirement Income Fund and 25% in the Cash Fund.*

Policies in relation to the Default option

The Trustee's policies in relation to those matters mentioned in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005 are those set out in this statement as they apply to the Default option.

In addition to the Trustee's Investment Objectives (covered in Section 2.1), the Trustee believes that:

- The default option manages investment risks and other risks through a strategic asset allocation consisting of equities, diversified growth funds and cash. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- Each fund used in the default has an associated benchmark or return target which the Trustees view as the expected return. The expected return targeted by each is shown in the IPID.
- In designing the default option, the Trustee has explicitly considered the trade-off between expected risk and return.
- The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustees consider and how they are managed.

Risk	How it is managed	How it is measured
<p>Inflation Risk</p> <p>The real value (i.e. post inflation value of members' accounts) decreases.</p>	<p>During the growth phase of the default investment option the Trustee invests in a diversified equity portfolio which are likely to grow in real terms over the long term.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>
<p>Pension Conversion Risk</p> <p>Member's investments do not match how they would</p>	<p>The default investment option is a lifestyling strategy which targets flexible access income</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in</p>

like to use their pots in retirement.	drawdown as a retirement destination. The Trustee believes that a strategy targeting drawdown minimises the overall pension conversion risk for the relevant members accessing pots in a different manner (annuity or drawdown).	absolute terms as well as relative to inflation (the retirement destination). As part of the triennial default strategy review, the Trustees ensure the default destination remains appropriate.
Market Risk The value of securities, including equities and interest bearing assets, can go down as well as up.	The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	Monitoring the performance of the default investment strategy on a quarterly basis.
Counterparty Risk A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.	Delegated to investment managers. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitoring the performance of investment funds on a quarterly basis.
Currency Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	A large proportion of equity allocation of the default investment option is currency hedged. Within the diversified growth funds the currency risk management is delegated to investment managers. Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	The Trustee reviews the level of currency hedging used in the equity portfolio as part of the triennial default strategy review. Monitoring the performance of investment funds on a quarterly basis. Consideration to the movements in foreign currencies relative to pound sterling.
Liquidity Risk Assets may not be readily marketable when required.	The Trustee accesses daily dealt and daily priced pooled funds.	The pricing and dealing terms of the funds underlying the unit-linked insurance contract

<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.</p>	<p>In line with the Plan.</p> <p>The Trustee’s policy on ESG risks is set out in Section 3.3 of this Statement.</p>	<p>In line with the main Plan.</p> <p>The Trustee’s policy on ESG risks is set out in Section 3.3 of this Statement.</p>
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- The risks identified in the above table are considered by the Trustee to be ‘financially material considerations’. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and their selected retirement age. It is for this reason that a default investment option is a lifestyle arrangement.
- If members wish to, they can opt to choose their own investment options from a wide range at any time including two other lifestyle strategies. Members are supported by clear communications in the form of a members’ booklet regarding the aims of the default option and the access to alternative funds, albeit the Trustee will not provide advice to members on their individual choice of investment options.
- Assets in the default option are invested in daily traded pooled funds, which hold liquid assets. The pooled funds are commingled investment vehicles, which are managed by LGIM. The selection, retention and realisation of assets within the pooled funds are delegated to LGIM in line with the mandates of the funds.
- Likewise, LGIM have full discretion (within the constraints of their mandates) on the extent to which environmental, social and governance (ESG) considerations are taken into account in the selection, retention and realisation of investments.
- The Trustee accepts that the Plan’s voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and UK Stewardship Code.
- The Trustees’ policy is to ensure that the assets invested are sufficiently realisable to enable the Trustee to meet their obligations to provide benefits as they fall due. The Trustee is satisfied that the arrangements in place conform to this objective. All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets.

Suitability of Default Investment Strategy

Based on their understanding of the Plan's membership, the Trustee believe that the above objectives and policies reflect members' best interests. The rationale underpinning this belief is as follows:

- The Trustee believes that most members save into a pension scheme to achieve an income in retirement. However, the Trustee also believes that members will utilise the new flexibility available to them at retirement. The targeting income drawdown at retirement is aligned with both these beliefs. This does not mean that members have to take their benefits in this format at retirement - it merely determines the investment strategy that will be in place pre-retirement.
- Based on Plan experience to date, almost all members withdraw tax-free cash at retirement. The use of the Cash fund within the default option addresses that requirement.
- Members seeking an adequate income in retirement will likely need to achieve real investment returns for most of their period as pension savers. The retention of some exposure to growth seeking assets throughout the accumulation phase addresses that requirement.

The Trustee intends to monitor members' decisions and other inputs from time to time to ensure that the default option remains suited to their needs. A strategic review will take place at least triennially, or after significant changes to the Plan's demographic, if sooner.

2.5 Additional Default arrangements

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified additional investment options, the Secure Income Lifestyle option, the Long Term Growth Fund and the Cash Fund, which should be all treated as a 'default arrangements' (as defined by these regulations), in addition to the current default investment option as detailed in section 2.4. These investment options have been identified as 'default arrangements' as member savings have been automatically directed to the strategy/fund without members having instructed the Trustee where these savings were to be invested. Details of the aims, objectives and policies in relation to these investment options are set out in the tables below.

Trustee's policies

Trustee's policies	
Secure Income Lifestyle Option	<p style="text-align: center;"><i>Trustee's Aims and Objectives</i></p> <p>The aims of this default lifestyle option, and the ways in which the Trustee seek to achieve these aims are detailed below:</p> <p>To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.</p> <ul style="list-style-type: none"> – <i>The Secure Income lifestyle strategy's growth phase invests in equities and other growth seeking assets. These investments are expected to provide long-term growth above inflation.</i> <p>To provide a strategy that reduces investment risk for members as they approach retirement.</p> <ul style="list-style-type: none"> – <i>As a member's account grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate.</i> – <i>The Secure Income Lifestyle Option therefore aims to reduce volatility near retirement via automated switches over a 10 year period to a member's selected retirement date. Investments are gradually switched from an equity portfolio into the Diversified Growth Fund (composed primarily of growth seeking assets but also some defensive assets) before switching into a combination of an Annuity Aware Fund (a specialist annuity-matching fund) and the Cash Fund for capital preservation purposes.</i> <p>To reduce volatility of a member's pot size and maintain purchasing power in relation to a fixed (non-inflation linked) annuity</p> <ul style="list-style-type: none"> – <i>At the member's selected retirement date, 75% of the member's assets will be invested in the Annuity Aware Fund and 25% in the Cash Fund.</i> <p><i>Types of investment primarily held and the balance between investments</i></p> <p>This fund invests in an equity fund, diversified growth fund, a defensive fund (aiming to broadly move in line with annuity prices) and a cash fund. The balance between investments is described above with the IPID containing further detail of the allocation.</p> <p><i>Expected return</i></p> <p>Each fund used in the secure income fund has an associated benchmark or return target which the Trustees view as the expected return. The expected return targeted by each is shown in the IPID.</p> <p><i>Other policies</i></p> <p>Policies relating to risk, realisation of assets, financially material considerations, members' views on non-financial considerations are consistent with those set out in section 2.2, 3.4 and 3.3, respectively.</p> <p>Policies relating to responsible investment and corporate governance and arrangements with the asset manager are consistent with those set out in section 3.3 and section 4 respectively.</p> <p><i>Member's best interests</i></p> <p>The fund is designed to meet its objective as outlined above. This fund has been deemed a default due to a fund mapping exercise where an additional voluntary contribution ('AVC') investment choice was being removed and assets were subsequently transferred to where the member held their main saving in the Plan. The Trustee believes this was appropriate given the choice the member had made on the main savings in the Plan. The Trustee continues to monitor the performance of this fund quarterly and review the appropriateness of this fund at least triennially.</p>

Trustee's policies	
Long Term Growth Fund	<p><i>Trustee's Aims and Objectives</i></p> <p>This fund invests in equities and is diversified in investments from around the world. Over the long term the Trustee expects this fund to deliver an investment return that exceeds inflation + 3.5% p.a. over rolling 10 year periods.</p> <p><i>Types of investment primarily held</i></p> <p>The Long term growth fund is comprised of holdings in a diverse range of passive equity funds.</p> <p><i>Expected return</i></p> <p>Return Objective - To earn a rate of return that exceeds inflation + 3.5% over rolling 10-year periods.</p> <p>Objective against the benchmark - Tracking the benchmark return within 0.5% (net of transaction costs and following deduction of fees) over rolling three-year periods.</p> <p><i>Other policies</i></p> <p>Policies relating to risk, realisation of assets, financially material considerations, members' views on non-financial considerations are consistent with those set out in section 2.2, 3.4 and 3.3, respectively.</p> <p>Policies relating to responsible investment and corporate governance and arrangements with the asset manager are consistent with those set out in section 3.3 and section 4 respectively.</p> <p><i>Member's best interests</i></p> <p>The fund is designed to meet its objective as outlined above. This fund has been deemed a default due to a fund mapping exercise where an additional voluntary contribution ('AVC') investment choice was being removed and assets were subsequently transferred to where the member held their main saving in the Plan. The Trustee believes this was appropriate given the choice the member had made on the main savings in the Plan. The Trustee continues to monitor the performance of this fund quarterly and review the appropriateness of this fund at least triennially.</p>

Trustee's policies	
Cash Fund	<p><i>Trustee's Aims and Objectives</i></p> <p>To provide members with a fund that:</p> <ul style="list-style-type: none"> – Offers reasonable preservation of capital (although not guaranteed) whilst earning a cash return. It is primarily designed to lock in investment gains during the run-up to retirement on the part of the member's benefit, which are expected to be taken as cash at retirement <p><i>Types of investment primarily held</i></p> <p>This fund is invested in cash and money market instruments and is focused on capital preservation and liquidity</p> <p><i>Expected return</i></p> <p>The benchmark for the Cash Fund is to provide a return in line with the LIBID 7-Day Notice Index.</p> <p><i>Other policies</i></p> <p>Policies relating to risk, realisation of assets, financially material considerations, members' views on non-financial considerations are consistent with those set out in section 2.2, 3.4 and 3.3, respectively.</p> <p>Policies relating to responsible investment and corporate governance and arrangements with the asset manager are consistent with those set out in section 3.3 and section 4 respectively.</p> <p><i>Member's best interests</i></p> <p>The fund is designed to meet its objective as outlined above. This fund has been deemed a default due to a fund mapping exercise where an additional voluntary contribution ('AVC') investment choice was being removed and assets were subsequently transferred to where the member held their main saving in the Plan. The Trustee believes this was appropriate given the choice the member had made on the main savings in the Plan. The Trustee continues to monitor the performance of this fund quarterly and review the appropriateness of this fund at least triennially.</p>

3. DAY TO DAY MANAGEMENT OF THE ASSETS

3.1 Main Assets

The Long Term Growth Fund, Diversified Growth Fund, Annuity Aware Fund, Retirement Income Fund and Cash Fund are all managed by Legal & General Investment Management ("Legal & General"). Other Assets

Assets in respect of members' additional voluntary contributions, including those made via Bonus Sacrifice Funds are held either in ongoing policies with Aviva or Prudential or in the funds highlighted in section 2 with the choice made at the members' discretion. In the event members have not previously elected an investment route, their contributions are invested in line with the default "Lifestyle" option.

3.2 ESG, Stewardship and Climate Change

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Manager's engagement policies are expected to include all relevant matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually. This is done using specific ESG fund ratings provided by the Plan's investment consultant. These ratings represent the extent to which managers integrate ESG factors and active ownership into their core processes. The ESG ratings for the existing investment managers are provided on a quarterly basis.

As previously mentioned in 2.3 section above, in addition to the "core" funds, members who wish to choose their own specific fund options are offered a range of funds (the "freestyle" options) from which to select their own investment allocations. The Trustee regularly reviews the investment arrangements in the Plan. While all aspects of the Plan's investment arrangements are reviewed, the Trustee has considered how ESG factors could be better reflected in the range of funds available to members. There have been significant developments and increased interest in sustainable investment in recent years and there are now more options available to pension schemes allowing members to invest sustainably and consider ESG criteria in their investments. Against that background, and having taken investment advice, the Trustee introduced the Legal & General Future World Global Equity Fund as a freestyle option in 2021 for members that want to invest in an equity fund with a sustainability focus.

A further update to the Plan's freestyle range was in 2022 with the introduction of a global equity fund that is compliant with Shariah law (HSBC Islamic Global Equity Index Fund).

Consideration of non-financial matters

Member views on non-financial matters, when expressed, are taken into consideration in the selection, retention and realisation of investments.

3.3 Realisation of Investments

In general the Plan's Investment Manager has discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

In selecting funds for the Plan, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets.

3.4 Expected Returns

Each fund used in the Plan has an associated benchmark or return target which the Trustees view as the expected return. The expected return targeted by each is shown in the IPID. Trustees have made available funds across the expected risk/return spectrum. This includes assets that target long term growth in real terms and assets that are expected to be less risky and more defensive in nature.

3.5 Monitoring the Investment Manager

The Trustee meets the Investment Manager on a regular basis and receives quarterly reports outlining the Investment Managers' performance.

4. **ARRANGEMENTS WITH ASSET MANAGERS**

4.1 The Trustee appoints investment managers based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The Trustee look to its investment advisor for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the advisor's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the scheme invests in. The advisor's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.

4.2 As the Trustee invests in pooled investment vehicles they accept that they have no ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates can be selected to align with the Trustee's overall investment strategy.

4.3 The Trustee expects investment managers to incorporate the consideration of longer term factors, such as ESG factors, into their decision making process where appropriate. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Trustee also considers the investment adviser's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the

Trustee's responsible investment policy. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

- 4.4 The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustee also relies upon Mercer's manager research capabilities. The remuneration for investment managers used by the Plan is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for members assessment to ensure they continue to represent value for members. If performance is not satisfactory, the Trustee may request further action be taken, including a review of fees.
- 4.5 Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is currently limited by the availability of data and the lack of industry-wide benchmarks. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.
- 4.6 The Trustee is a long term investor. All funds are open-ended and therefore there is no set duration for manager appointments. The Trustee is responsible for the selection, appointment, monitoring and removal of the investment managers. The available fund range and Default Investment Strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

5. **COMPLIANCE WITH THIS STATEMENT**

The Trustee will monitor compliance with this Statement annually. In particular, they will obtain written confirmation from the Investment Manager that it has complied with this Statement and the Trustee undertakes to advise the investment manager promptly and in writing of any material change to this Statement.

6. **REVIEW OF THIS STATEMENT**

The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which they judge to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

This Statement of Investment Principles was formally adopted by the Caterpillar DC Pension Trust Limited on 16 March 2023

Twelfth Amendment: December 2022 (previous amendments, September 2021, June 2020, September 2019, September 2017, February 2016, July 2015, May 2012, June 2010, November 2008 and December 2007)

Other previous amendments (by Caterpillar Pension Trust Ltd) in June 2006, April 2005, and February 2003

APPENDIX 1 – SIP CHANGES

February 2003 – first draft of document

April 2005 – introduction of a lifestyle strategy

June 2006 – change of Long Term Growth Fund to 40% UK:60% overseas and introduction of 50% currency hedging of overseas equity funds; update regulation statements

December 2007 – change to name of advisor (Mercer Limited)

November 2008 – change to Long Term Growth Fund to include Emerging Market Equities allocation and removal of references to an investment sub-committee

June 2010 – revision to the Plan’s Investment Objectives and clarification surrounding a change to a member’s Target Retirement Date

May 2012 – change to investment strategy and structure, introduction of Diversified Growth Fund and revision to the Long Term Growth, Defensive and Cash funds

July 2015 – introduction of additional lifestyle strategies, addition of Retirement Income Fund to fund range, revision of the benchmark of the Defensive Fund. Addition of section 2.4 on the Default strategy as required by regulations in effect from 6 April 2015.

February 2016 – introduction of UK Smaller Companies and Global Property funds as Freestyle options for members effective 1 February 2016.

September 2017 – Change in structure of the lifestyle strategies, change of the default investment option, amendment of performance objectives of the Long Term Growth Fund and Diversified Growth Fund, change of asset allocation of the Long Term Growth Fund and Diversified Growth Fund.

September 2019 – Updated for the Trustee’s policy in relation to Environmental, Social and Governance factors as they relate to investments. Additional detail added on investment policies. SIP split into SIP and IPID.

September 2020 – Updated for additional content on the Trustee’s policy in relation to Environmental, Social and Governance factors as they relate to investments along with a new section on the arrangements with the Plan’s investment managers. Default SIP added for investments with Utmost Life and Pensions Limited.

September 2021 – Updated for additional defaults created during the transition from Utmost Secure Cash fund.

December 2022 – Updated for the introduction of HSBC Islamic Global Equity Index Fund as a Freestyle option for members who wish to invest in a fund compliant with Islamic law effective on November 2022. Defensive Fund is being renamed on all Plan's documents as the 'Annuity Aware Fund', to be in line with a change to the name of the underlying fund, announced by Legal & General Investment Management ("LGIM"), effective on November 2022.

Updated for the introduction of Legal & General Future World Global Equity Fund as a Freestyle option for members who wish to invest by taking ESG factors into consideration effective on 27 August 2021.