

CATERPILLAR DC PENSION PLAN HIGHLIGHTS IN 2022

Each year the Trustee prepares a Chair's Statement that describes how the Plan has been governed in members' interests. Here are some highlights of the Chair's Statement for the year to 30 September 2022.

TRUSTEE VISION



We seek to provide a high-quality, inclusive, Defined Contribution (DC) plan that provides good value and effective retirement outcomes by:

- Providing a plan for members to adequately save for their future income needs
- Providing a range of investment funds for different risk appetites
- Engaging members to make informed decisions.

2023 PRIORITIES

- ✓ Support members in light of current global economic uncertainty.
- ✓ Assess the Plan against The Pensions Regulator's forthcoming new single Code of Practice.
- ✓ Prepare for the new Pensions Dashboard.
- ✓ Delivery of pension education sessions online and on-demand.

HOW YOU BENEFIT FROM BEING A MEMBER OF THE PLAN

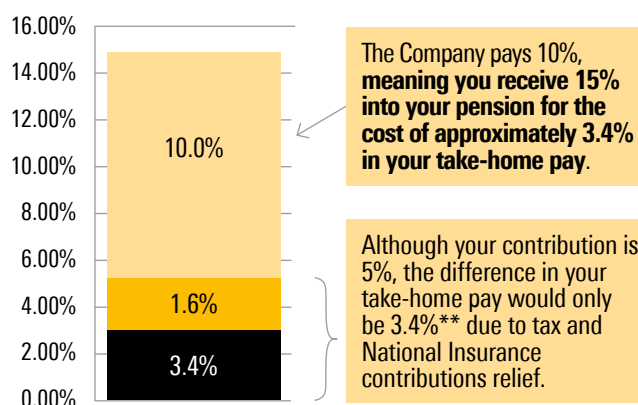
The standard contribution structure for the GB Section of the Plan is:

You pay*	Caterpillar pay*	Total*
3% (minimum)	6%	9%
4%	8%	12%
5% (or more)	10% (maximum)	15%

*As a percentage of Pensionable Earnings.

The actual cost to you will normally be much less than your gross contribution, because you receive tax relief on your contributions at the maximum rate to which you are liable.

The example on the right shows how much would go into your pension savings if you opted to contribute 5%.



**Assumes 20% tax rate and 12% National Insurance contribution (for salary sacrifice).

BUT THE GOOD VALUE DOESN'T STOP THERE...

WHO PAYS FOR PLAN SERVICES?



THE COMPANY PAYS FOR:

- Administration services*
- Member communications
- Trustee governance
- Self-help online tools and benefit modellers
- Professional advice to the Trustee and Company, including legal, investment and audit.

WHAT YOU (AS A MEMBER) PAY FOR:



Investment manager costs**

*Operation and administration costs are split equally between active and deferred members. The Company has chosen to reimburse active members for these charges. This charge is levied on deferred funds.

**These costs are deducted from members' savings in the Plan.

'VALUE FOR MEMBERS' ASSESSMENT



The Trustee regularly assesses the extent to which the Plan's services provide **good value for members**. 'Value' is not just about the price of services, but also their performance against required standards.



The Plan's overall services were assessed in 2022 by the Trustee's advisers and the assessment concluded that the Plan was providing members with **good to very good value**. Further details of this assessment are contained in the Chair's Statement available on the www.mycatpension.co.uk website.

DEFAULT INVESTMENT ARRANGEMENT INVESTMENT RETURNS



Default strategy – Lifestyle Drawdown	Annualised investment returns to 30 September 2022		
Age of member at start of period	1 year	5 years	10 year
25	-10.7%	5.1%	8.9%
45	-10.7%	5.1%	8.9%
55	-11.2%	3.5%	7.0%

These returns are after taking account of charges and transaction costs.

IMPACT OF COSTS AND CHARGES

The Trustee is required to show illustrations of the impact of costs and charges on a member's pension savings in the Chair's Statement. An example of the impact for an illustrative active member invested in the default arrangement is shown below. Further illustrations can be found in the full Chair's Statement which is available to view on the www.mycatpension.co.uk website.

0.16–0.27%

This is the annual charge deducted from members' funds in the default arrangement. The charge varies depending on the period to retirement.

Example of impact



- Member joins Plan at age 44.
- Initial pot size of £26,630.
- Earns £33,870 per year and total contribution (employee and Company) of 15%.
- Inflation and Pensionable Earnings growth assumed to be 2.5% per year to age 65.
- Assumed real investment return varies from 2.53% per year for member further away from retirement to -0.14% per year (gross of charges).

Approximate fund size at age 65

Approximately £5,300 in charges.



*In today's money after charges.

It's important to note that the Trustee regularly examines the charges and costs paid by members and formally assesses them on an annual basis as part of their 'value for members' work.

SOME HIGHLIGHTS FROM 2022



COMPLETED TRIENNIAL INVESTMENT STRATEGY REVIEW

The Trustee completed a comprehensive review of the Plan's investment arrangements in 2022 and, as a result, made some changes to the underlying investment exposures in the lifestyle investment strategies available to members (including the default).



LAUNCH OF ISLAMIC GLOBAL EQUITY INDEX FUND

During 2022, the Plan launched the Islamic Global Equity Index Fund as a freestyle investment option. The fund is invested in a diversified equity index portfolio that meets Islamic investment principles.



CORE FINANCIAL TRANSACTIONS

The Trustee has controls in place to ensure core financial transactions, such as transfers and investment of contributions, are processed promptly and accurately. Some of the ways we achieve this is by:

- Appointing a professional third party administrator, Mercer Limited, to undertake all administration and record-keeping duties
- Having an agreement with Mercer Limited that commits them to Plan-specific service level agreements (SLAs) and having them report on their performance every quarter against the agreed SLAs.



TRUSTEE KNOWLEDGE AND UNDERSTANDING

The Trustee Directors undertook training during the year in order to ensure they are up to date with the latest developments in pension law and industry trends. Training session items included:

- Training on The Pensions Regulator's new single Code of Practice, including analysis of the work required to achieve the new standards set by the Code
- Training in relation to the Pensions Dashboard
- Quarterly News and Views from the Plan's investment adviser, covering industry trends, and legal updates from the Plan's legal adviser.