# Chair's Annual Statement
# Caterpillar Defined Contribution Pension Plan ("the Plan")
# Year Ended 30 September 2023

## Introduction

I am pleased to present the Trustee's statement of governance in relation to the Caterpillar Defined Contribution Pension Plan ("the Plan"), covering the period 1 October 2022 to 30 September 2023. This statement has been prepared by the Trustee of the Plan in compliance with the governance standards under the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The statement describes how the Trustee seeks to ensure that the Plan is well-managed and delivers excellent services to members. The statement examines five key areas of the Trustee's governance, namely:

- The investment strategy relating to the Plan's default arrangement;
- The processing of core financial transactions;
- Charges and transaction costs within the Plan and the Trustee's assessment of value for members;
- Net investment returns; and
- The Trustee's compliance with the statutory knowledge and understanding requirements.

In doing so, we provide the various statutory disclosures required by legislation.

In addition, this statement also covers the governance aspects in relation to the Additional Voluntary Contribution ("AVC") arrangement held with Aviva.

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 ('the 2023 Regulations') introduced a new requirement for the Trustee to report performance-based fees (often associated with illiquid assets) incurred in relation to each default arrangement, as a percentage of the average value of the assets held by that default arrangement in the Chair's Statement. The Trustee must also assess the extent to which any such fees represent good value for members. As there are no performance-based fees relating to any of the default arrangements in the Plan, no additional disclosures have been included in this statement.

During the Plan year Caterpillar (U.K.) Limited ("the Company") undertook a detailed review of its retirement savings arrangements and the master trust provider market, taking advice and guidance from professional pension consultants. As a result of this review, the Company proposed closing the Plan to future contributions with future contributions to be paid to the LifeSight Master Trust. Following a consultation with active members, the Company decided to proceed with its proposal to close the Plan to future contributions from 31 January 2024.

As it was decided to close the Plan to future contributions, the Company asked the Trustee to consider transferring all existing members and their pension savings into the LifeSight Master Trust and subsequently winding up the Plan. The Trustee considered the request, took external legal and investment advice and compared the Plan against the LifeSight Master Trust. Following this review, the Trustee decided to agree to the Company request with members' pension savings to be transferred to the LifeSight Master Trust in April 2024.

## 1. The default investment strategy

The Trustee Directors are responsible for investment governance. This includes setting and monitoring the investment strategy for the Plan's default arrangement.

The Trustee chose the Lifestyle - Drawdown strategy as the investment strategy for the Plan's default arrangement. Contributions were allocated to more than one investment fund as per the Lifestyle - Drawdown strategy. Details of the investment strategy and investment objectives of the default arrangement are recorded in the Statement of Investment Principles, which is produced in accordance with the requirements of the Occupational Pension Schemes (Investment) Regulations 2005, as amended. The latest version of the Statement of Investment Principles, dated 16 March 2023, is attached in Appendix 1 and is also included as an appendix to the Trustee Company's Annual Report and Accounts.

There were also two further lifestyle strategies members could choose from, one intended for members wishing to target annuity purchase at retirement (Lifestyle - Annuity) and one intended for members wishing to use their individual Pension Account to provide one or more cash lump sums (Lifestyle - Cash). Further details are included in the Statement of Investment Principles.

Members could also choose to invest in any of the Plan's 'core' funds, which contain multi-asset funds designed for members with different goals and at different life stages, including the three lifestyle strategies. In addition, the Trustee made available a number of freestyle funds for members who wished to select their own investment allocations.

The last formal review of the investment strategy of the default arrangement was undertaken at the Trustee meeting on 7 September 2022.

The following formed part of this review:

- Investment themes and opportunities.
- Environmental, Social and Governance ('ESG') factors.
- The performance of the default arrangement against the aims and objectives contained in the Statement of Investment Principles. The aims and objectives are summarised below:
    - To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.
    - To provide a strategy that reduces investment risk for members as they approach retirement.
    - 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.
- Understanding the Plan membership and what level of income to target, including an assessment of the projected pensions that active members could receive against the Pension and Lifetime Savings Association's Retirement Living Standards. This helped the Trustee develop a better understanding of the retirement path members are on and to consider broad actions that could potentially help improve these projected outcomes.
- The design of the growth phase and de-risking phase of the default investment strategy.
- The at-retirement allocation in the default.
- The self-select fund range including the alternative lifestyle strategies that were available to members.

- Implementation considerations.

The main recommendations from this review were:

- Restructure the **strategic asset allocation** of the two 'core' blended funds used in the default investment strategy (and the two alternative lifestyle strategies), the Long Term Growth Fund and the Diversified Growth Fund as summarised below:
  - For the Long Term Growth Fund, reduce the existing bias to UK equities in favour of an increase to North American equities and a tilt to more unhedged currency exposure. Also, slightly reduce the allocation to European and Pacific and Japanese equities. In addition, introduce a 15% allocation to the Diversified Growth Fund within the Long Term Growth Fund (in order to provide greater levels of diversification to members).
  - For the Diversified Growth Fund, reduce the allocation to long dated corporate bonds and index linked gilt exposure, increase the overseas bond allocation and marginally increase the allocations of property and infrastructure. In addition, the equity allocation in the Diversified Growth Fund will reflect changes being made to the Long Term Growth Fund.

The agreed changes were implemented in November 2022.

The Trustee Directors continued to monitor regularly the use of the default investment arrangement and the choices being made by members when benefits come into payment and this was taken into account by the Trustee when reviewing the default investment strategy in the LifeSight Master Trust.

In addition, the Trustee Directors also continued to monitor investment performance on a quarterly basis and were provided with regular advice in relation to updates or changes to the funds or managers used by the Plan throughout the Plan year. The Trustee Directors' oversight was supported by an Investment Sub-Committee that met regularly to discuss investment issues relevant to the Plan, including ESG factors.

As a result of the bulk transfer of members' AVC savings from Utmost Life and Pensions to investment options deemed appropriate within the main Plan arrangements with LGIM, but without explicit member consent in March 2021, the Trustee identified additional investment options which were treated as 'default arrangements' (as defined in the Occupational Pension Schemes (Scheme Administration) Regulations 1996), in addition to the Plan's main default arrangement. Ahead of the transfer of the Utmost AVCs, the Trustee received appropriate investment advice on where members' assets were directed and this advice acknowledged these investment options would be considered default arrangements going forward. The additional default arrangements are as follows:

- Lifestyle - Annuity
- Long Term Growth Fund
- Cash Fund

The additional default arrangements are recorded in the Statement of Investment Principles.

## AVC arrangements

### Aviva

The Trustee does not operate default investment arrangements in relation to the Aviva AVC policies; all members with AVCs in these policies have, therefore, selected how these funds are invested from the fund range that is made available. For this reason, the Trustee believes that the disclosures required in this statement with regard to default investment arrangements are not applicable to the Aviva AVCs. For the same reason, the Trustee's Statement of Investment Principles does not contain wording relating to AVC default investment arrangements with Aviva.

## 2. Core financial transactions

The Trustee Directors recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. We therefore operated measures and controls aimed at ensuring that all financial transactions (such as benefit payments and switches between funds) were processed promptly and accurately.

Core financial transactions include:

- **The investment of contributions to the Plan**. A review of the contribution process was undertaken in 2017 to simplify the process being followed and reduce opportunities for error. The process aimed to ensure that contributions were invested within prescribed timelines and in accordance with the Pensions Regulator's DC Code of Practice No 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).
- **The transfer of assets relating to members into and out of the Plan**. The Trustee Directors continued to work with the administration service provider to identify opportunities for process improvements in both transfers into and out of the Plan.
- **The transfer of assets relating to members between different investments within the Plan**. This could be completed online and promptness of this process was captured in the administrator's workflow system.
- **Payment of contributions into the Plan.** A Payment Schedule was in place and set out timescales for the Company to remit monthly contributions to the Plan.

During the last Plan year the Trustee Directors ensured the core financial transactions of the Plan were processed promptly and accurately by:

- Appointing a professional third-party administrator, Mercer Limited, to undertake all administration and record keeping duties.
- Having an agreement with their administration service provider (Mercer) committing them to Plan-specific service level agreements ("SLAs") and having the service provider report on their performance quarterly against these SLAs. The SLAs relate to the timeliness of transactions (internal controls for accuracy are reviewed as part of the AAF audit report and a sample of transactions are checked as part of the accounts audit referred to below). SLAs relating to core financial transactions covered the following processes:
    - Investment change
    - Death annuity purchase
    - Death – Settle fund benefits
    - Individual member switch
    - Leaver – refund
    - Retirement annuity purchase
    - Transfer in – settle
    - Transfer out - settle
- Monitoring SLA performance. The SLA performance over the year for key processes was 98% in Q4 2022, 99% in Q1 2023, 99% in Q2 2023 and 99% in Q3 2022. In addition, no issues relating to the accuracy of financial transactions were flagged by the administrator during the Plan year. There were a number of complaints in the year as a result of the time taken to complete transfers in and out, settlements and queries. However, the Trustee notes that additional

checks were required by administrators and this dissatisfaction is common across the pension administration sector. The Trustee notes SLA performance was still strong over the year.

- Mercer undertaking daily monitoring of the Trustee bank account.
- Maintaining close working links between the relevant Caterpillar in-house teams and Mercer. Caterpillar took an active role in monitoring and working with Mercer on administration processes.
- Having the Plan auditor independently test a sample of financial transactions at an individual level for accuracy and timeliness as part of the annual audit process. The auditor's remit is to ensure the financial statements are materially true and fair.

In addition, over the Plan year:

- Mercer prepared an AAF01/20 & ISAE 3402 Report on internal controls covering the year to 31 December 2022, which was independently audited by KPMG LLP. The independent auditor confirmed that Mercer's description of services and related information technology that were designed and implemented throughout the period assessed (year to 31 December 2022) were fairly presented and the specified control objectives would be achieved if the control activities operated effectively. There were four instances of control objective exceptions highlighted in the AAF report; however, these exceptions were minor and would not be considered to have a significant impact on the Plan.
- In addition, Mercer UK Wealth Administration achieved ISO 9001:2015 certification in 2016. The last annual surveillance audit took place in January 2023 and was completed with no non-conformances.
- A detailed review of the Risk Register took place in Q4 2022 and the Trustee carried out reviews of the Risk Register on a quarterly basis throughout the Plan year.

### AVC arrangements

- The AVCs in the Plan are closed arrangements, meaning no contributions are paid into the funds. During the Plan year there were no AVC payments being made.
- The balances and transactions are audited by PWC at year end (30 September) and are compared to statements from the AVC providers.
- The Trustee Directors also note that members participating in these arrangements receive an annual benefit statement in line with statutory provisions confirming the amounts held in their account and the movements in the year. These statements are issued by Mercer. As part of this process Mercer cross-reference the schedules included against their records. Furthermore, the administrators report any delay in settling benefits to the Trustee Directors but no significant concerns have been raised.

Based on the above, the Trustee Directors are satisfied that the Plan's core financial transactions have been processed promptly and accurately during the period to which this statement relates.

## 3. Charges and transaction costs

The Trustee Directors are required to report on the charges and transaction costs experienced by members for the fund choice available and assess the extent to which the charges and costs represent good value for members (covered in Section 4).

The charge a member pays is split between investment charges and administration charges. These charges are set out below. However, active members only paid investment charges as the Company, or Plan General Account, met the administration charges for active members.

In addition, the Plan was used as a qualifying arrangement for auto enrolment and as such must comply with regulations on charge controls introduced from April 2015. Specifically, all of the default investment arrangements under the Plan must have a total member charge equal to, or below, the charge cap of 0.75% p.a. of savings. The Trustee Directors can confirm this threshold was adhered to.

## Investment charges

Charges relating to investment management were deducted from members' funds. The Total Expense Ratios ("TERs") applicable to the default investment option are quoted in the table below. TERs include the ongoing Annual Management Charge ("AMC") and the additional expenses incurred by the investment manager such as legal fees, auditor fees and other operational expenses. Transaction costs for the year to 30 September 2023 are also shown below. Transaction costs relate to the buying, selling, borrowing or lending of the underlying securities in the fund. Transaction costs are not explicitly deducted from a fund as a charge but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority ("FCA") has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain (on average) from trading activity, whilst a positive figure is effectively a cost from trading activity.

### Main default investment arrangement

The table below shows the total expense ratio (TER) and transaction costs for each of the funds used as part of the default investment strategy (Lifestyle - Drawdown).

| Fund | Total Expense Ratio (p.a.) | Transaction costs (for year to 30 September 2023) |
|---|---|---|
| **Long Term Growth Fund** | 0.161% | 0.038% |
| **Diversified Growth Fund** | 0.220% | 0.016% |
| **Retirement Income Fund** | 0.352% | 0.065% |
| **Cash Fund** | 0.135% | -0.301% |

The table below shows the investment charges at each stage of the default lifestyle strategy (based on the above individual fund charges):

| Years to Retirement | 10+ | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Expense Ratio (% p.a.) | 0.161 | 0.176 | 0.191 | 0.232 | 0.273 | 0.289 | 0.291 | 0.293 | 0.296 | 0.298 | 0.298 |

### Additional default arrangements

In addition to the main default lifestyle strategy, the Plan also has three additional default arrangements as a result of the transfer of assets from Utmost to the main Plan arrangements with Legal & General. As noted in section 1 of this statement, these are the Lifestyle - Annuity, the Long Term Growth Fund and the Cash Fund.

## Caterpillar Defined Contribution Pension Plan

The table below shows the total expense ratio (TER) and transaction costs for each of the funds used as part of the Lifestyle – Annuity strategy. It also sets out the charges and transaction costs for the Long Term Growth Fund and the Cash Fund.

| Fund | Total Expense Ratio (p.a.) | Transaction costs (for year to 30 September 2023) |
|---|---|---|
| Long Term Growth Fund | 0.161% | 0.038% |
| Diversified Growth Fund | 0.220% | 0.016% |
| Annuity Aware Fund (formerly Defensive Fund) | 0.100% | -0.028% |
| Cash Fund | 0.135% | -0.301% |

The table below shows the investment charges at each stage of the Lifestyle - Annuity strategy (based on the above individual fund charges):

| Years to Retirement | 10+ | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Expense Ratio (% p.a.) | 0.161 | 0.176 | 0.191 | 0.181 | 0.172 | 0.150 | 0.140 | 0.129 | 0.119 | 0.109 | 0.109 |

**Additional investment options**

The tables below show the investment charges at each stage of the Lifestyle - Cash strategy (based on the individual fund charges set out above):

| Years to Retirement | 10+ | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Expense Ratio (% p.a.) | 0.161 | 0.176 | 0.191 | 0.205 | 0.220 | 0.203 | 0.186 | 0.169 | 0.152 | 0.135 | 0.135 |

The funds used as part of the default investment strategy and additional default arrangements are the 'core' funds. Members can also self-select these funds.

The table below shows the total expense ratio (TER) and transaction costs for each of the 'freestyle', self-select funds. The overall charge being deducted from a member's fund will reflect the member's allocations in each of the underlying funds.

| Fund | Total Expense Ratio (p.a.) | Transaction costs (for year to 30 September 2023) |
|---|---|---|
| UK Equity Index Fund | 0.138% | -0.012% |
| UK Smaller Companies Index Fund | 0.789% | 0.220% |
| North America Equity Index Fund | 0.080% | -0.001% |
| Europe (ex-UK) Equity Index Fund | 0.133% | 0.012% |
| Japan Equity Index Fund | 0.115% | 0.006% |
| Asia Pacific (ex-Japan) Equity Index Fund | 0.171% | -0.013% |
| World Emerging Markets Equity Index Fund | 0.269% | 0.104% |
| Over 15 Year Fixed Interest Gilts Index Fund | 0.040% | 0.037% |
| Investment Grade Corporate Bond All Stocks Index Fund | 0.102% | -0.025% |
| Over 5 Year Index-Linked Gilts Index Fund | 0.040% | 0.160% |

| Fund | Total Expense Ratio (p.a.) | Transaction costs (for year to 30 September 2023) |
|---|---|---|
| Global Real Estate Equity Index Fund | 0.864% | -0.138% |
| Future World Global Equity Index Fund | 0.142% | 0.014% |
| Islamic Global Equity Fund | 0.300% | 0.003% |

The total ongoing charges above have been provided by the investment managers, LGIM and HSBC.

### Administration charges

In addition to the above investment fees, there is an administration charge of up to 0.25% per annum of fund value, which is deducted quarterly from a member's fund by disinvestment of units. The quarterly charge has been calculated at the end of each quarter during the Plan year by dividing the relevant Plan expenses by the Plan assets. This charge was met by the Company or Plan General Account for active members of the fund and therefore deductions are only made in practice for deferred members.

The quarterly charges relevant for the Plan year are shown below:

| Fund | Total administration charge applied (for year to 30 September 2023) |
|---|---|
| Q4 2022 | 0.046% |
| Q1 2023 | 0.049% |
| Q2 2023 | 0.038% |
| Q3 2023 | 0.039% |
| **Approximate annual charge** | **0.171%** |

### AVC arrangements

Aviva have provided the following charges and transaction costs for the year to 30 September 2023.

| Fund Name | Administration Charge (p.a.) | Total Transaction Costs (for year to 30 September 2023) |
|---|---|---|
| Aviva Pension Global Equity | 0.50% | 0.126% |
| Aviva Pension Pre-retirement Fixed Interest | 0.50% | 0.050% |
| Aviva Pension Managed | 0.50% | 0.107% |
| Aviva Pension UK Equity | 0.50% | 0.049% |
| Aviva Pension Stewardship Managed | 0.50% | 0.205% |
| Aviva Pension Cash | 0.50% | 0.010% |

### Impact of costs and charges

In accordance with the Administration Regulations, the Trustee Directors are also required to present an illustration of the impact of costs and charges on a member’s pot size. The Trustee Directors have prepared the following illustrative examples of the cumulative effect of costs and charges on members’ investments over time. In doing so, we have had regard to guidance produced by the Department of Work and Pensions (“DWP”). The Trustee Directors have also prepared illustrations for the additional default arrangements highlighted earlier in this statement.

## Caterpillar Defined Contribution Pension Plan

Please note that these are illustrative examples, which should help members understand the impact on your savings of investment management and administration charges and transaction costs. The Trustee Directors regularly monitor the level of charges to ensure they provide value for money.

The illustrations have been prepared using certain assumptions about the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

In line with the DWP guidance, the illustrations assume that contributions will continue until the Plan's normal retirement age despite contributions to the Plan ceasing in January 2024.

Please see the **Notes** further below for information on the assumptions used.

The table below provides illustrative examples of the cumulative effect of costs and charges on an **illustrative active member's investments** over time (using the assumptions in the **Notes** below).

| | Default Arrangement | | Highest Cost Fund: UK Smaller Companies | | Lowest Cost Fund: North America Equity Fund | |
|---|---|---|---|---|---|---|
| Age | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 45 | £36,865 | £36,793 | £36,976 | £36,631 | £36,927 | £36,897 |
| 47 | £49,317 | £49,060 | £49,718 | £48,488 | £49,539 | £49,433 |
| 49 | £62,352 | £61,851 | £63,145 | £60,750 | £62,791 | £62,583 |
| 52 | £83,059 | £82,070 | £84,647 | £79,931 | £83,936 | £83,525 |
| 54 | £97,675 | £96,273 | £99,948 | £93,266 | £98,928 | £98,343 |
| 57 | £119,769 | £117,578 | £124,453 | £114,125 | £122,852 | £121,942 |
| 59 | £132,221 | £129,260 | £141,890 | £128,625 | £139,815 | £138,640 |
| 62 | £147,853 | £143,495 | £169,816 | £151,309 | £166,883 | £165,233 |
| 64 | £156,764 | £151,425 | £189,687 | £167,078 | £186,074 | £184,051 |
| 65 | £161,029 | £155,187 | £200,019 | £175,163 | £196,032 | £193,802 |

The table below provides illustrative examples of the cumulative effect of costs and charges on the **additional defaults for an illustrative active members' investment** over time (using the assumptions in the **Notes** below).

| | Additional Default: Lifestyle - Annuity | | Additional Default: Cash Fund | | Additional Default: Long Term Growth Fund | |
|---|---|---|---|---|---|---|
| Age | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 45 | £36,865 | £36,793 | £35,513 | £35,465 | £36,865 | £36,793 |
| 47 | £49,317 | £49,060 | £44,597 | £44,437 | £49,317 | £49,060 |
| 49 | £62,352 | £61,851 | £53,365 | £53,075 | £62,352 | £61,851 |
| 52 | £83,059 | £82,070 | £65,951 | £65,430 | £83,059 | £82,070 |
| 54 | £97,675 | £96,273 | £73,978 | £73,285 | £97,675 | £96,273 |
| 57 | £119,769 | £117,578 | £85,500 | £84,520 | £120,893 | £118,724 |
| 59 | £131,558 | £128,853 | £92,849 | £91,662 | £137,281 | £134,494 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 62 | £145,013 | £141,751 | £103,398 | £101,879 | £163,315 | £159,422 |
| 64 | £152,070 | £148,546 | £110,126 | £108,374 | £181,691 | £176,933 |
| 65 | £155,353 | £151,709 | £113,402 | £111,530 | £191,199 | £185,967 |

**Notes**

1. The projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The assumed real terms investment returns (i.e. after allowing for future inflation) and assumed charges and costs for each of the funds illustrated are as follows:

| | Long Term Growth Fund (Default) | Diversified Growth Fund (Default) | Retirement Income Fund (Default) | Cash Fund (Default) | UK Smaller Companies Fund | North America Equity Fund | Annuity Aware Fund (Additional Default) |
|---|---|---|---|---|---|---|---|
| Assumed real-terms investment return*: | 2.28% | 0.97% | -0.30% | -1.75% | 2.50% | 2.50% | -1.11% |
| Assumed future charges: | 0.161% | 0.220% | 0.352% | 0.135% | 0.789% | 0.080% | 0.100% |
| Assumed future transaction costs**: | 0.035% | 0.023% | 0.062% | 0.000% | 0.144% | 0.000% | 0.000% |

**accumulation rate assumed in the 2023 Statutory Money Purchase Illustrations (SMPI) minus the inflation rate (2.5%)*
***based on average transaction costs over the five year period to 30 September 2023 with a minimum of 0%.*
Charge and costs figures provided by LGIM; growth rate assumptions based on assumptions adopted for the Plan's 2023 SMPIs. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available.

3. To make this analysis broadly representative of the membership, the Trustee has based this illustration on data sourced from the administrator by using median values. The member is assumed to be age 44, with a normal retirement age of 65, using a starting pot size of £30,850 and a salary of £34,970. Total contributions (including those from the employer) are assumed to be 15% of the member's salary per annum and are assumed to increase in line with inflation.
4. Inflation is assumed to be 2.5% per annum.
5. The illustration assumes that further contributions will continue to be paid in. The figures show an assumed contribution of 15% (representing both member and employer's contribution, including tax relief) and increasing in line with assumed earnings inflation of 2.5% each year. 15% represents the approximate total average contribution rate paid as at September 2023. Contributions are assumed to be paid half way through the year.
6. The timeframe shown reflects the approximate length of time that the median active Plan member has to save until they reach the Plan's normal retirement age. It is assumed that members remain active and do not become deferred members. No administration charges are assumed to apply on active member accounts going forward.
7. This is not a personal illustration. The values shown are example illustrations and are not guaranteed. Actual values will depend on a member's circumstances and could be significantly higher or lower than those shown in the illustrations.

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The table below provides illustrative examples of the cumulative effect of costs and charges on the **youngest active member's investments** over time (using the assumptions in the **Notes** below).

| | Default Arrangement | | Highest Cost Fund: UK Smaller Companies | | Lowest Cost Fund: North America Equity Fund | |
|---|---|---|---|---|---|---|
| Age | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 18 | £6,664 | £6,651 | £6,682 | £6,619 | £6,674 | £6,669 |
| 22 | £16,553 | £16,437 | £16,728 | £16,171 | £16,650 | £16,602 |
| 27 | £30,259 | £29,879 | £30,858 | £29,048 | £30,589 | £30,431 |
| 32 | £45,627 | £44,806 | £46,959 | £43,052 | £46,360 | £46,015 |
| 37 | £62,858 | £61,379 | £65,309 | £58,280 | £64,203 | £63,576 |
| 42 | £82,180 | £79,782 | £86,221 | £74,840 | £84,391 | £83,366 |
| 47 | £103,844 | £100,215 | £110,052 | £92,849 | £107,232 | £105,667 |
| 52 | £128,136 | £122,903 | £137,210 | £112,434 | £133,074 | £130,797 |
| 57 | £153,890 | £146,630 | £168,159 | £133,731 | £162,312 | £159,116 |
| 62 | £167,300 | £157,480 | £203,430 | £156,891 | £195,393 | £191,029 |
| 64 | £169,973 | £159,165 | £218,880 | £166,713 | £209,812 | £204,901 |
| 65 | £171,130 | £159,836 | £226,913 | £171,749 | £217,293 | £212,089 |

The table below provides illustrative examples of the cumulative effect of costs and charges on the **additional defaults for the youngest active members' investments** over time (using the assumptions in the **Notes** below).

| | Additional Default: Lifestyle - Annuity | | Additional Default: Cash Fund | | Additional Default: Long Term Growth Fund | |
|---|---|---|---|---|---|---|
| Age | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 18 | £6,664 | £6,651 | £6,447 | £6,438 | £6,664 | £6,651 |
| 22 | £16,553 | £16,437 | £14,550 | £14,481 | £16,553 | £16,437 |
| 27 | £30,259 | £29,879 | £23,907 | £23,712 | £30,259 | £29,879 |
| 32 | £45,627 | £44,806 | £32,473 | £32,106 | £45,627 | £44,806 |
| 37 | £62,858 | £61,379 | £40,315 | £39,739 | £62,858 | £61,379 |
| 42 | £82,180 | £79,782 | £47,495 | £46,681 | £82,180 | £79,782 |
| 47 | £103,844 | £100,215 | £54,068 | £52,993 | £103,844 | £100,215 |
| 52 | £128,136 | £122,903 | £60,086 | £58,732 | £128,136 | £122,903 |
| 57 | £153,890 | £146,630 | £65,595 | £63,952 | £155,373 | £148,096 |
| 62 | £163,927 | £155,454 | £70,639 | £68,698 | £185,914 | £176,068 |
| 64 | £164,551 | £155,916 | £72,535 | £70,474 | £199,144 | £188,104 |
| 65 | £164,659 | £155,963 | £73,458 | £71,337 | £205,989 | £194,313 |

**Notes**

1. The projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The assumed real terms investment returns (i.e. after allowing for future inflation) and assumed charges and costs for each of the funds illustrated are as follows:

| | Long Term Growth Fund (Default) | Diversified Growth Fund (Default) | Retirement Income Fund (Default) | Cash Fund (Default) | UK Smaller Companies Fund | North America Equity Fund | Annuity Aware Fund (Additional Default) |
|---|---|---|---|---|---|---|---|
| Assumed real-terms investment return*: | 2.28% | 0.97% | -0.30% | -1.75% | 2.50% | 2.50% | -1.11% |
| Assumed future charges: | 0.161% | 0.220% | 0.352% | 0.135% | 0.789% | 0.080% | 0.100% |
| Assumed future transaction costs**: | 0.035% | 0.023% | 0.062% | 0.000% | 0.144% | 0.000% | 0.000% |

**accumulation rate assumed in the 2023 Statutory Money Purchase Illustrations (SMPI) minus the inflation rate (2.5%)*

***based on average transaction costs over the five year period to 30 September 2023 with a minimum of 0%.*

Charge and costs figures provided by LGIM; growth rate assumptions based on assumptions adopted for the Plan's 2023 SMPIs. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available.

3. To make this analysis broadly representative of the membership, the Trustee has based this illustration on data sourced from the administrator, considering the median values of the youngest 10% of the active membership. The member is assumed to be age 17, with a normal retirement age of 65, using a starting pot size of £4,330 and a salary of £24,560. Total contributions (including those from the employer) are assumed to be 9% of the member's salary per annum, and are assumed to increase in line with inflation.
4. Inflation is assumed to be 2.5% per annum.
5. The illustration assumes that further contributions will continue to be paid in. The figures show an assumed contribution of 9% (representing both member and employer's contribution, including tax relief) and increasing in line with assumed earnings inflation of 2.5% each year. 9% represents the approximate total average contribution rate paid as at September 2023 for the youngest 10% of the active membership. Contributions are assumed to be paid half way through the year.
6. The timeframe shown reflects the approximate length of time that the youngest active Plan member has to save until they reach the Plan's normal retirement age. It is assumed that members remain active and do not become deferred members. No administration charges are assumed to apply on active member accounts going forward.
7. This is not a personal illustration. The values shown are example illustrations and are not guaranteed. Actual values will depend on a member's circumstances and could be significantly higher or lower than those shown in the illustrations.

The Trustee Directors have also prepared the following illustrative examples of the cumulative effect of costs and charges on an illustrative deferred member's investments over time.

The table below provides illustrative examples of the cumulative effect of costs and charges on **an illustrative deferred member's investments** over time (using the assumptions in the **Notes** below).

| | Default Arrangement | | Highest Cost Fund: UK Smaller Companies | | Lowest Cost Fund: North America Equity Fund | |
|---|---|---|---|---|---|---|
| Age | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 44 | £15,542 | £15,480 | £15,592 | £15,416 | £15,570 | £15,526 |
| 46 | £16,270 | £16,078 | £16,429 | £15,877 | £16,358 | £16,221 |
| 48 | £17,032 | £16,698 | £17,311 | £16,353 | £17,186 | £16,947 |
| 50 | £17,830 | £17,342 | £18,240 | £16,843 | £18,056 | £17,705 |
| 53 | £19,098 | £18,356 | £19,727 | £17,605 | £19,444 | £18,907 |
| 56 | £20,389 | £19,364 | £21,336 | £18,401 | £20,940 | £20,190 |
| 58 | £20,950 | £19,720 | £22,481 | £18,953 | £22,000 | £21,094 |
| 61 | £21,089 | £19,539 | £24,315 | £19,810 | £23,691 | £22,525 |
| 63 | £20,955 | £19,206 | £25,620 | £20,403 | £24,891 | £23,533 |
| 64 | £20,826 | £18,984 | £26,299 | £20,707 | £25,513 | £24,054 |
| 65 | £20,697 | £18,764 | £26,995 | £21,014 | £26,151 | £24,586 |

The table below provides illustrative examples of the cumulative effect of costs and charges on the **additional defaults for an illustrative deferred members' investments** over time (using the assumptions in the **Notes** below).

| | Additional Default: Lifestyle - Annuity | | Additional Default: Cash Fund | | Additional Default: Long Term Growth Fund | |
|---|---|---|---|---|---|---|
| Age | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 44 | £15,542 | £15,480 | £14,924 | £14,874 | £15,542 | £15,480 |
| 46 | £16,270 | £16,078 | £14,406 | £14,262 | £16,270 | £16,078 |
| 48 | £17,032 | £16,698 | £13,907 | £13,675 | £17,032 | £16,698 |
| 50 | £17,830 | £17,342 | £13,424 | £13,112 | £17,830 | £17,342 |
| 53 | £19,098 | £18,356 | £12,732 | £12,311 | £19,098 | £18,356 |
| 56 | £20,389 | £19,364 | £12,075 | £11,559 | £20,455 | £19,429 |
| 58 | £20,914 | £19,699 | £11,656 | £11,084 | £21,414 | £20,178 |
| 61 | £20,769 | £19,350 | £11,055 | £10,407 | £22,936 | £21,358 |
| 63 | £20,394 | £18,876 | £10,671 | £9,978 | £24,011 | £22,182 |
| 64 | £20,135 | £18,579 | £10,484 | £9,771 | £24,567 | £22,606 |
| 65 | £19,880 | £18,286 | £10,301 | £9,568 | £25,136 | £23,038 |

**Notes**

1. The projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The assumed real terms investment returns (i.e. after allowing for future inflation) and assumed charges and costs for each of the funds illustrated are as follows:

| | Long Term Growth Fund (Default) | Diversified Growth Fund (Default) | Retirement Income Fund (Default) | Cash Fund (Default) | UK Smaller Companies Fund | North America Equity Fund | Annuity Aware Fund (Additional Default) |
|---|---|---|---|---|---|---|---|
| Assumed real-terms investment return*: | 2.28% | 0.97% | -0.30% | -1.75% | 2.50% | 2.50% | -1.11% |
| Assumed future charges: | 0.361% | 0.420% | 0.552% | 0.335% | 0.989% | 0.280% | 0.300% |
| Assumed future transaction costs**: | 0.035% | 0.023% | 0.062% | 0.000% | 0.144% | 0.000% | 0.000% |

**accumulation rate assumed in the 2023 Statutory Money Purchase Illustrations (SMPI) minus the inflation rate (2.5%)*

***based on average transaction costs over the five year period to 30 September 2023 with a minimum of 0%.*

Charge and costs figures provided by LGIM; growth rate assumptions based on assumptions adopted for the Plan's 2023 SMPIs. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available.

3. Administration charges are assumed to be 0.20% p.a. in the above table.
4. To make this analysis broadly representative of the membership, the Trustee has based this illustration on data sourced from the administrator, considering the median values. The member is assumed to be age 43, with a normal retirement age of 65, using a starting pot size of £15,190.
5. Future inflation is assumed to be 2.5% each year.
6. The timeframe shown reflects the approximate length of time that the average deferred Plan member has to save until they reach the Plan's normal retirement age.
7. This is not a personal illustration. The values shown are example illustrations and are not guaranteed. Actual values will depend on a member's circumstances and could be significantly higher or lower than those shown in the illustrations.

The table below provides illustrative examples of the cumulative effect of costs and charges on the **youngest deferred member's investments** over time (using the assumptions in the **Notes** below).

| | Default Arrangement | | Highest Cost Fund: UK Smaller Companies | | Lowest Cost Fund: North America Equity Fund | |
|---|---|---|---|---|---|---|
| Age | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 19 | £1,852 | £1,845 | £1,858 | £1,837 | £1,855 | £1,850 |
| 23 | £2,030 | £1,990 | £2,063 | £1,949 | £2,048 | £2,019 |
| 28 | £2,276 | £2,187 | £2,351 | £2,098 | £2,317 | £2,253 |
| 33 | £2,552 | £2,404 | £2,679 | £2,258 | £2,621 | £2,513 |
| 38 | £2,861 | £2,643 | £3,053 | £2,431 | £2,966 | £2,804 |
| 43 | £3,208 | £2,906 | £3,479 | £2,617 | £3,356 | £3,128 |
| 48 | £3,597 | £3,194 | £3,965 | £2,818 | £3,797 | £3,490 |
| 53 | £4,033 | £3,511 | £4,518 | £3,033 | £4,296 | £3,894 |
| 58 | £4,424 | £3,772 | £5,149 | £3,266 | £4,860 | £4,344 |
| 63 | £4,425 | £3,674 | £5,868 | £3,516 | £5,499 | £4,847 |
| 65 | £4,371 | £3,589 | £6,183 | £3,621 | £5,777 | £5,064 |

## Caterpillar Defined Contribution Pension Plan

The table below provides illustrative examples of the cumulative effect of costs and charges on the **additional defaults for the youngest deferred members' investments** over time (using the assumptions in the **Notes** below).

| | Additional Default: Lifestyle - Annuity | | Additional Default: Cash Fund | | Additional Default: Long Term Growth Fund | |
|---|---|---|---|---|---|---|
| Age | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 19 | £1,852 | £1,845 | £1,778 | £1,772 | £1,852 | £1,845 |
| 23 | £2,030 | £1,990 | £1,657 | £1,630 | £2,030 | £1,990 |
| 28 | £2,276 | £2,187 | £1,517 | £1,467 | £2,276 | £2,187 |
| 33 | £2,552 | £2,404 | £1,389 | £1,321 | £2,552 | £2,404 |
| 38 | £2,861 | £2,643 | £1,272 | £1,189 | £2,861 | £2,643 |
| 43 | £3,208 | £2,906 | £1,164 | £1,070 | £3,208 | £2,906 |
| 48 | £3,597 | £3,194 | £1,066 | £964 | £3,597 | £3,194 |
| 53 | £4,033 | £3,511 | £976 | £868 | £4,033 | £3,511 |
| 58 | £4,417 | £3,768 | £893 | £781 | £4,522 | £3,860 |
| 63 | £4,307 | £3,611 | £818 | £703 | £5,071 | £4,243 |
| 65 | £4,198 | £3,498 | £789 | £674 | £5,308 | £4,407 |

**Notes**

1. The projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The assumed real terms investment returns (i.e. after allowing for future inflation) and assumed charges and costs for each of the funds illustrated are as follows:

| | Long Term Growth Fund (Default) | Diversified Growth Fund (Default) | Retirement Income Fund (Default) | Cash Fund (Default) | UK Smaller Companies Fund | North America Equity Fund | Annuity Aware Fund (Additional Default) |
|---|---|---|---|---|---|---|---|
| Assumed real-terms investment return*: | 2.28% | 0.97% | -0.30% | -1.75% | 2.50% | 2.50% | -1.11% |
| Assumed future charges: | 0.361% | 0.420% | 0.552% | 0.335% | 0.989% | 0.280% | 0.300% |
| Assumed future transaction costs**: | 0.035% | 0.023% | 0.062% | 0.000% | 0.144% | 0.000% | 0.000% |

**accumulation rate assumed in the 2023 Statutory Money Purchase Illustrations (SMPI) minus the inflation rate (2.5%)*

***based on average transaction costs over the five year period to 30 September 2023 with a minimum of 0%.*

Charge and costs figures provided by LGIM; growth rate assumptions based on assumptions adopted for the Plan's 2023 SMPIs. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available.

3. Administration charges are assumed to be 0.20% p.a. in the above table.
4. To make this analysis broadly representative of the membership, the Trustee has based this illustration on data sourced from the administrator, considering the median values of the youngest 10% of the deferred membership. The member is assumed to be age 18, with a normal retirement age of 65, using a starting pot size of £1,810.

5. Future inflation is assumed to be 2.5% each year.
6. The timeframe shown reflects the approximate length of time that the youngest deferred Plan member has to save until they reach the Plan's normal pension age.
7. This is not a personal illustration. The values shown are example illustrations and are not guaranteed. Actual values will depend on a member's circumstances and could be significantly higher or lower than those shown in the illustrations.

## 4. Good value for members

The Trustee Board is required to consider the extent to which the member-borne costs and charges represent good value for members.

There is no legal definition of "good value" and so the process of determining good value for members is, to an extent, a subjective one. We have received advice on how to assess good value from our advisers and considered regulatory guidance, particularly the Pensions Regulator's Code of Practice No 13. As per paragraph 115 of the Code, regulatory guidance states that "charges and transaction costs are likely to represent good value for members where the combination of costs and what is provided for the costs is appropriate for the Plan membership as a whole, and when compared to other options available in the market."

The Trustee Board is committed to ensuring that members receive value for money (i.e. that the costs and charges provide good value when compared against the benefits and services provided), to the extent required by law, and so considers this on an ongoing basis. The Trustee Board has concluded, following receipt of a report from an independent Defined Contribution adviser, Lane Clark & Peacock LLP ("LCP"), that, overall, the Plan offers good to very good value for members. The value for members' assessment considered the following:

- Costs and charges,
- Administration,
- Governance,
- Communications,
- Investment (default and self-select options),
- At retirement support, and
- Plan design

A summary of the key findings of this assessment are set out below:

- **Costs and charges -** This area scored a rating of good. The Plan's current fees are generally offering good value when compared to schemes of a similar size. Transaction costs also appear to be in line with other schemes. The investment fees were broadly in line with the median for their respective asset classes. Some funds offered very good value but others did not provide such good value. The Trustee continued to monitor the Plan's costs and charges regularly and reviewed the administration/scheme expense charge deducted quarterly from deferred members' funds.
- **Administration -** This area scored a rating of very good. Mercer's administration service has improved in terms of SLA performance compared to previous Plan years. There are resources available to members and the Trustee can measure Mercer's performance against SLA agreements, as well as monitoring member feedback and complaints. As service standards have improved and no breaches were recorded during the Plan year, an overall rating of very good has been awarded. However, it was recommended that the Trustee discusses the higher number of complaints that occurred during the Plan year to ensure that these have been resolved and that there are no underlying issues.

- **Governance -** This area scored a rating of very good. The Trustee regularly reviews the Plan to ensure governance is of a high standard and undertakes training on topical issues. The Trustee is already making excellent progress with its assessment of the Plan against the new General Code, as well as an overarching review of the Plan's Risk Register.
- **Communications –** This area scored a rating of very good. The Trustee continues to offer a good range of tailored, clear and informative communication media to members.
- **Investment –** Both the default investment strategy and the freestyle fund range scored a rating of good. The Trustee monitors, reviews and adjusts the Plan's default strategy as appropriate and considers the needs and demographics of members, innovations in DC investment products, changes in regulatory requirements, and innovations in the decumulation market. The self-select fund range is broad and members are offered multiple lifestyles, each targeting a different retirement option. The fund range has improved with the recent introduction of new funds in 2021 and 2022.
- **At-retirement –** This area scored a rating of good. Whilst the Plan guide clearly explains the options available to members, and signposts how they can access their benefits via the Hargreaves Lansdown Retirement Service, members still need to access a third party to access alternative flexible retirement options, such as drawdown, which can often generate higher potential charges.
- **Plan design –** This area scored a rating of very good. The Company and Trustee's commitment to the Plan remains strong and this is demonstrated in the Plan design and contribution structure.

## 5. Net investment returns

The Occupational Pensions Plans (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 introduced new requirements for trustees of 'relevant' occupational pension schemes to calculate and publish the investment returns for the Plan's default arrangements, any additional default arrangements and those self-select investment options in which members were able to select, after taking account of transaction costs and charges.

The table below sets out the net investment returns for the Plan's default arrangement (Lifestyle – Drawdown strategy), which have been calculated in accordance with the statutory guidance.

| Default strategy | Annualised returns to 30 September 2023 (% p.a.) | | | |
|---|---|---|---|---|
| | Actives | | | Deferreds* |
| **Age of member at start of period** | **1 year** | **5 years** | **10 year** | **1 year** |
| **25** | 15.0 | 6.3 | 8.3 | 14.9 |
| **45** | 15.0 | 6.3 | 8.3 | 14.9 |
| **55** | 14.4 | 3.2 | 5.7 | 14.2 |

* Deferred members also subject to administration charge – charging methodology changed in recent years, therefore longer term historic net investment returns not available.
Source: LGIM as at 30 September 2023 and Mercer calculations.
Performance shown net of all charges and transaction costs.

The table below sets out the net investment returns for the Lifestyle – Annuity strategy which have been calculated in accordance with the statutory guidance.

## Caterpillar Defined Contribution Pension Plan

| Lifestyle - Annuity | Annualised returns to 30 September 2023 (% p.a.) | | | |
|---|---|---|---|---|
| | Actives | | | Deferreds* |
| **Age of member at start of period** | **1 year** | **5 years** | **10 year** | **1 year** |
| **25** | 15.0 | 6.3 | 8.3 | 14.9 |
| **45** | 15.0 | 6.3 | 8.3 | 14.9 |
| **55** | 14.4 | 1.1 | 3.0 | 14.2 |

* Deferred members also subject to administration charge – charging methodology changed in recent years, therefore longer term historic net investment returns not available.

Source: LGIM as at 30 September 2023 and Mercer calculations.

Performance shown net of all charges and transaction costs.

The table below sets out the net investment returns for the Lifestyle – Cash strategy which have been calculated in accordance with the statutory guidance.

| Lifestyle - Cash | Annualised returns to 30 September 2023 (% p.a.) | | | |
|---|---|---|---|---|
| | Actives | | | Deferreds* |
| **Age of member at start of period** | **1 year** | **5 years** | **10 year** | **1 year** |
| **25** | 15.0 | 6.3 | 8.3 | 14.9 |
| **45** | 15.0 | 6.3 | 8.3 | 14.9 |
| **55** | 14.4 | 3.1 | 6.1 | 14.2 |

* Deferred members also subject to administration charge – charging methodology changed in recent years, therefore longer term historic net investment returns not available.

Source: LGIM as at 30 September 2023 and Mercer calculations.

Performance shown net of all charges and transaction costs.

The table below includes the net investment returns for the Plan's self-select funds:

| Self-select funds | Annualised returns to 30 September 2023 (% p.a.) | | | |
|---|---|---|---|---|
| | Actives | | | Deferreds* |
| | **1 year** | **5 years** | **10 years** | **1 year** |
| **Long Term Growth Fund** | 15.0 | 6.3 | 8.3 | 14.9 |
| **Diversified Growth Fund** | 7.1 | 3.3 | 6.4 | 6.9 |
| **Retirement Income Multi-Asset Fund**** | 4.6 | 2.5 | - | 4.4 |
| **Cash Fund** | 3.9 | 1.1 | 0.7 | 3.7 |
| Annuity Aware Fund*** | 1.1 | -4.0 | 1.1 | 0.9 |
| UK Equity Index Fund | 13.7 | 3.6 | 5.5 | 13.6 |
| UK Smaller Companies Index Fund | 6.7 | 3.4 | - | 6.5 |
| North America Equity Index Fund | 10.9 | 11.1 | 14.6 | 10.7 |
| Europe (ex-UK) Equity Index Fund | 19.2 | 6.0 | 7.8 | 19.1 |
| Japan Equity Index Fund | 14.8 | 3.5 | 7.8 | 14.7 |
| Asia Pacific (ex-Japan) Equity Index Fund | 5.0 | 3.1 | 5.9 | 4.8 |
| World Emerging Markets Equity Index Fund | 1.2 | 3.0 | 5.6 | 1.0 |

| Self-select funds | Annualised returns to 30 September 2023 (% p.a.) | | | |
|---|---|---|---|---|
| | Actives | | | Deferreds* |
| Over 15 Year Fixed Interest Gilts Index Fund | -12.8 | -8.4 | -0.5 | -13.0 |
| Investment Grade Corporate Bond All Stocks Index Fund | 6.7 | -1.0 | 2.0 | 6.6 |
| Over 5 Year Index-Linked Gilts Index Fund | -16.2 | -6.5 | 0.8 | -16.4 |
| Global Real Estate Equity Index Fund | -7.0 | 0.1 | - | -7.2 |
| Future World Global Equity Index Fund**** | 10.7 | - | - | 10.5 |
| Islamic Global Equity Fund***** | 14.7 | - | - | 14.5 |

* Deferred members also subject to administration charge – charging methodology changed in recent years, therefore longer term historic net investment returns not available.

** Performance data only available from September 2015.

*** This fund is part of an alternative lifestyle option.

**** This fund was introduced to the self-select fund range in August 2021.

***** Long-term performance not available for the fund. Fund performance shown is since inception in the Plan from November 2022.

Source: LGIM as at 30 September 2023 and Mercer calculations.

Funds in bold are part of the Default Lifestyle Option.

Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous table.

The table below includes the net investment returns for the Plan's AVC arrangement with Aviva:

| AVC funds | Annualised returns to 30 September 2023 (% p.a.) | | | | |
|---|---|---|---|---|---|
| | **1 year** | **5 years** | **10 years** | **15 years** | **20 years** |
| Aviva Global Equity | 9.0 | 10.2 | 12.4 | 11.7 | 10.6 |
| Aviva Pre-retirement Fixed Interest | -1.0 | -4.6 | 1.1 | 3.1 | 3.3 |
| Aviva Managed | 2.4 | 2.4 | 4.4 | 5.7 | 5.9 |
| Aviva UK Equity | 14.8 | 3.7 | 4.9 | 6.7 | 6.6 |
| Aviva Stewardship Managed | 4.1 | 5.5 | 7.8 | 8.3 | 7.7 |
| Cash | 3.7 | 0.7 | 0.3 | 0.3 | 1.4 |

Source: Aviva as at 30 September 2023

Returns are net of all costs and charges borne by members, including platform or product administration charges, fund management charges, additional fund expenses and transaction costs. The net returns reflect the current charge arrangement.

## 6. Knowledge and understanding of the Trustee Directors

### Requirements

In accordance with section 247 of the Pensions Act 2004, the Trustee Directors are required to maintain an appropriate level of knowledge and understanding which, together with professional advice that is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

The Trustee Directors are also required to explain how their combined knowledge and understanding, together with the advice which is available to them, enables them to properly exercise their functions as trustees of the Plan.

The Trustee Directors must also be conversant with the Plan's own documentation, including the trust deed and rules and statement of investment principles. The Trustee Directors must also be conversant with any other document recording current policy relating to the administration of the Plan generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustee Directors are able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustee. In addition, Trustee Directors are also required to have a knowledge and understanding of the law relating to trusts and pensions and principles relating to the funding and investment of occupational pension schemes.

## How the Trustee Directors have met these requirements

New Trustee Directors are expected to complete The Pension Regulator's Trustee Toolkit within three months of their appointment. It is noted that all Trustee Directors have completed The Pension Regulator's Trustee Toolkit. In addition, any new Trustee Director receives a training session on Pensions Finance in the first month following appointment from the Company's Business Manager and an introductory session with the Company's UK Pensions Manager.

Trustee knowledge gaps are discussed and agreed upon during Board meetings with actions noted to address. The Chair of Trustee also holds one to one sessions with the other Trustee Directors. The Trustee's advisers also suggest training sessions they feel would be beneficial to the Trustee Directors' knowledge and understanding. In addition, the Trustee completed a Trustee effectiveness review in June 2023.

A number of training sessions were undertaken during the year to ensure the Trustee Directors were up to date with the latest developments in pension law and industry trends. Training session items included:

- Security of Assets – December 2022
- Company benefit update covering defined contribution strategy global insights – December 2022
- Disclosure regulations and whistleblowing – September 2023
- Updates to Implementation Statements, including requirements for trustees to define significant votes – September 2023

Additional training was undertaken by individual Trustee Directors during the Plan year, including:

- Information security awareness and confidential information
- Pensions Dashboard trustee obligations
- The General Code
- Attendance at a conference covering the future of retirement saving
- Webinar covering sustainable investment
- Webinar on inflation and challenges for DC schemes
- Webinar on setting strategic investment objectives

In addition, the Trustee Board receives and considers a current topics paper on a quarterly basis from the Plan's DC Consultant, covering such items as industry trends and important legislative requirements relating to DC plans. Furthermore, the Plan's legal advisers provide a legal update paper in the Trustee meeting packs for the quarterly meetings.

The Trustee Directors undertook a number of additional activities during the year that involved giving detailed consideration to pensions and trust law, the Plan's governing documents and investment principles. This allowed them to exercise their knowledge and understanding and to further strengthen their capabilities. These included:

- Reviewing and updating the Statement of Investment Principles and Investment Policy Implementation Document to reflect investment changes adopted in November 2022 following the investment strategy review, inclusion of the new Islamic Global Equity Fund as a self-select option and the change in name of the Defensive Fund to the Annuity Aware Fund.
- The changes set out above also required updates to the Plan's member communications, including the investment guide and Plan website.
- Other Trustee policies and processes that have been put in place by the Trustee are reviewed regularly (for example, the strategic business plan is reviewed quarterly) and are revisited as required based on work being undertaken by the Trustee Board.

Throughout the Plan year the Trustee supported the Company as it reviewed its retirement savings arrangements and the master trust provider market. This involved reviewing the Plan's documentation, including the trust deed and rules and statement of investment principles with support from the Plan advisers. This continued into the new Plan year with further training, including training on discharging DC assets and wind-up.

In addition to the above, the Plan's legal advisers typically attend each Trustee meeting (either in person or by conference call) and provide ongoing support to the Trustee Directors in relation to legal matters and the interpretation of the Plan's documentation.

The Trustee secretariat function is outsourced to professional advisers. The Trustee Directors believe this ensures the Board agendas reflect a best practice approach. In addition, the Plan's advisers also have input into agenda items. Advisers typically attend all Trustee Meetings held on a quarterly basis.

The Trustee Board believe they have a good range of different skillsets and expertise and the Board consists of Trustee Directors who are from different parts of the business. The Trustee Directors' combined knowledge and understanding complements this and, together with the advice available to them from a range of appointed professional advisers, gives them a broad base of knowledge and experience in order to identify and analyse issues, and recognise where further advice may be required, so as to properly exercise their functions as a Trustee of the Plan.

Taking account of actions taken individually and as a Trustee body, together with the professional advice available to them, the Trustee Directors consider they are able to exercise their function as Trustee properly.

Signed ________________________________________ Dated __________________

**Barbara Henry – Chair**
**Caterpillar DC Pension Trust**

## Attachments

### Appendix 1 – Statement of Investment Principles