HSBC Bank (UK) Pension Scheme

DC governance statement for the year ended 31 December 2025

1. Chair's foreword

Ruston Smith
Chair of the Trustee Board

"I'm delighted to be taking on the role of Chair of the Trustee Board. The Trustee takes its responsibilities seriously, and we focus our time on providing clear oversight and effective decision-making, as this can make a real difference in helping our members achieve better retirement outcomes.

I'd like to thank Russell Picot for his leadership as Chair and for the work completed during 2025 to keep the Scheme well run and focused on members. I'm grateful for the strong foundations he leaves, and I'm looking forward to building on them as we continue to support our members".

As Trustee of the HSBC Bank (UK) Pension Scheme (the "Scheme"), we play an important role in helping to make sure that the Scheme is run well and continues to support members effectively. I am pleased to introduce this update, which explains more about the work we have carried out over the year.

In 2025, as part of the Trustee's continued work to enhance member knowledge and experience, a new online retirement process for DC members was introduced as well as a series of new retirement seminar programs for members preparing for and approaching retirement. Further details on both can be found on the next page.

Looking after the Scheme properly means having strong arrangements in place. Put simply, that involves effective processes to support good decisions, manage risks carefully and protect members' benefits. We review these arrangements regularly and, once each year, we produce a statement explaining how the Scheme has been managed. The statement is signed by me on behalf of the Trustee Board and is known as the DC Governance Statement (the "Statement").

The purpose of the Statement is to give members with DC benefits a clearer picture of the governance processes we have in place and how these have met the relevant legal requirements. For our Scheme, the Statement covers members with only a DC pension pot, members with Hybrid benefits that include a DC pension pot, and members with Additional Voluntary Contributions ("AVCs").

Why is good governance important?

We spend a great deal of time reviewing and overseeing the Scheme's DC investment options, charges and member services. We do this because these areas are important in helping more than 97,000 members achieve good outcomes in retirement.

We hope that you find this Statement helpful, informative and a useful guide to how we look after the Scheme on your behalf.

Providing a good range of investment options

The majority of our members have their DC pension pots invested in the default investment arrangements. That's why we regularly review their design, suitability and performance. Following a comprehensive review, we updated the Targeted Investment Strategies in 2025. We also aim to make sure that you have a broad range of appropriate investment options for your DC pension pot.

See sections 2 and 6

Delivering the services you need

It's essential that your DC pension pot or AVCs are properly looked after and that financial transactions are accurate and timely. That's why we regularly review the service standards you receive from the Scheme's administrators and AVC providers. We also check to make sure they have appropriate processes in place to manage risks that could impact, for example, investing contributions, paying transfers out or making benefit payments.

See section 3

Ensuring you get value for money

To help you get the most out of your DC pension pot, the Bank pays the Scheme's administration costs, investment management fees and the platform expenses. The charges paid by members with a DC pension pot are limited to the fund managers' additional expenses and transaction costs. We review these member charges to make sure they remain highly competitive. We also check to make sure all member charges continue to represent good value for your money for the wide range of services and options provided.

See sections 4 and 6

Helping your DC pension pot to grow

We set targets for each DC investment fund and regularly monitor both performance and risk over the short and long term. When necessary, we make changes to the investment options.

See section 5

Looking after your interests

There are 11 Trustee Directors on the Trustee Board and we oversee the running of the Scheme and look after the interests of our members. We obtain advice from the Scheme advisors and ensure that all the Trustee Directors have up to date knowledge. The Trustee Directors bring a diverse range of skills and experience to make sure the Scheme is well run.

See section 7

£9.8 billion

combined value of DC pension pots at 31 December 2025

Improving your retirement service in 2025

More about Retire Online

The Scheme has a growing population of members who are getting closer to their Target Retirement Age and who need more support as they start to make plans for the future.

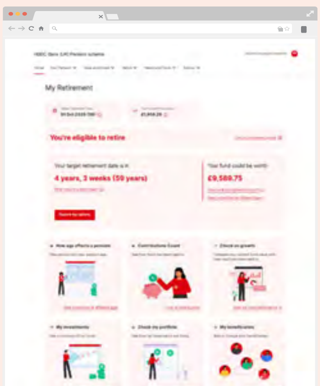
Over 14,000

Members with a DC pension pot aged 55 and over

The Scheme Administration Team, WTW have been working with the Trustee to introduce a new online retirement process for DC members called Retire Online.

All the groundwork to launch the new service was completed in 2025. The new service will allow members to complete their retirement application online, making it quicker and easier for members to start taking their benefits. It only takes about 20 minutes to submit an application online using the new service.

Retire Online also provides helpful tools and information. Members can model different retirement income options and to get instant retirement quotes.



Retire Online is available through 'My Pension'. The journey includes help text, on-screen guidance, and links to trusted sources of financial information like Pension Wise. The process adapts based on member data and responses, guiding members step-by-step and allowing them to go back and update their answers as needed.

This service is being introduced in phases and is expected to be available to all members with a DC pension pot in 2026.

New retirement masterclass

Alongside improvements to the retirement process, the Trustee has also worked with WEALTH at work, a pensions education specialist, to launch a series of new retirement masterclass seminars. These will complement the existing retirement seminar program offered to members as they prepare for and approach retirement.

Retirement and pension seminars

Retirement seminars have been available for our active and deferred DC members aged 40 and over for several years. Following their success, and the very positive feedback from members, we extended the seminars. In 2025, we made retirement seminars available for members with Hybrid benefits and deferred members with Defined Benefits. We launched a pilot of brand new seminars for members who have recently joined our Scheme.

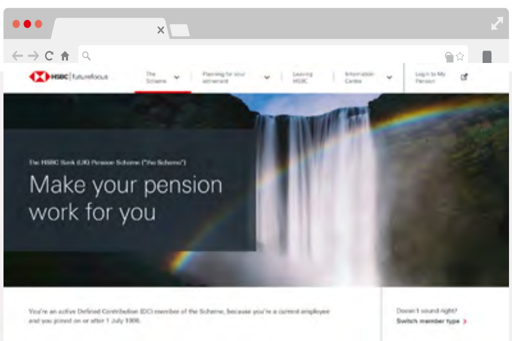
These new joiner seminars are designed to help these members to understand the basics about their DC pension pot, why it's important to save for the long term and explain more about the Scheme's investment options. Feedback from attendees so far has been very positive, and we are currently reviewing this in more detail to help shape future seminars.

We have also updated all of our online retirement webcasts. These are all now available on futurefocus. We have broken down each topic, from saving through to retirement options, into short, bitesize videos that are easy to follow. Each one is no more than 3 to 4 minutes long. We've created a new page on futurefocus where members can find all the webcasts in one place. Members can filter the content based on their member type, making it easier to find what's most relevant to them.

Members can watch the webcasts by going to https://futurefocus.staff.hsbc.co.uk, choosing their member type using the Wizard and selecting the 'Information Centre' tab at the top of the page and then 'Retirement pensions webcasts'.

Find out more

Members can read more about their retirement options for their DC pension pot (or AVCs) on the retirement pages on the Scheme's website, futurefocus: https://futurefocus.staff.hsbc.co.uk:



Who helps to run the Scheme?

Trustee	The Trustee is responsible for making sure the Scheme is run well and in accordance with the Scheme's Rules and legislation. There are 11 Trustee Directors on the Trustee Board. The Trustee responsibilities are wide ranging, from the collection of contributions to the investment of assets, the administration of membership records and the payment of benefits. In broad terms, the Trustee's role is to act in the best interests of the Scheme's members.
Pension Scheme Executive ('PSE')	The PSE is a team of experienced pension professionals who are employed by the Bank and support the Trustee to meet its responsibilities. The team has day-to-day oversight of the Scheme and is fully accountable to the Trustee.
Scheme administrators	The administration and record keeping for the Scheme is outsourced to specialist pension service providers appointed by the Trustee.
Scheme advisors	The Trustee appoints advisors including the actuarial, legal and investment advisors as well as the auditor. The Trustee has full access to their expertise and for certain activities and decisions, is required by law to obtain their advice.

Where can you get more information?

If you want to read more, you can find the following Scheme documents in the information centre on the Scheme's website, futurefocus: https://futurefocus.staff.hsbc.co.uk:

DC investment guide

Explains the range of investment options available for your DC pension pot. This was updated in 2024.

Closed investment options guide

Provides an overview of the closed investment options. This was updated in 2024.

Member guide

Explains how the Scheme works including your benefits and options (please refer to the relevant guide for your benefits).

Trustee's Annual Report and Financial Statements

Shows the money coming into and paid out of the Scheme during the year.

Statements of Investment Principles - Defined Contribution ('SIP')

Sets out how the Trustee invests the Scheme's DC assets. This has an accompanying document called the Annual Implementation Statement (DC) that explains how the SIP has been followed during the year.

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1. What this Statement covers

This Statement describes how the Scheme has met its legal governance requirements in relation to:

- the Scheme's default investment options (including the Flexible Income Strategy and the Lump Sum Strategy in which members are invested, other legacy strategies and funds also classed as default arrangements);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- investment returns;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

The Trustee must monitor these areas and produce this Statement to fulfil its regulatory requirements. The Trustee also believes that good governance, including appropriate systems and controls, support the delivery of important goals set out in the Trustee mission statement, which include "providing high quality investment options" to members and "helping members to make well informed decisions about their retirement savings".

The Scheme is used as a Qualifying Scheme for automatic enrolment purposes.

This Statement covers the period from 1 January 2025 to 31 December 2025 (the 'Scheme year') and relates only to the DC benefits of members with a DC pension pot, members with Hybrid benefits that include a DC pension pot and members with AVCs in the Scheme.

2. Default investment arrangements

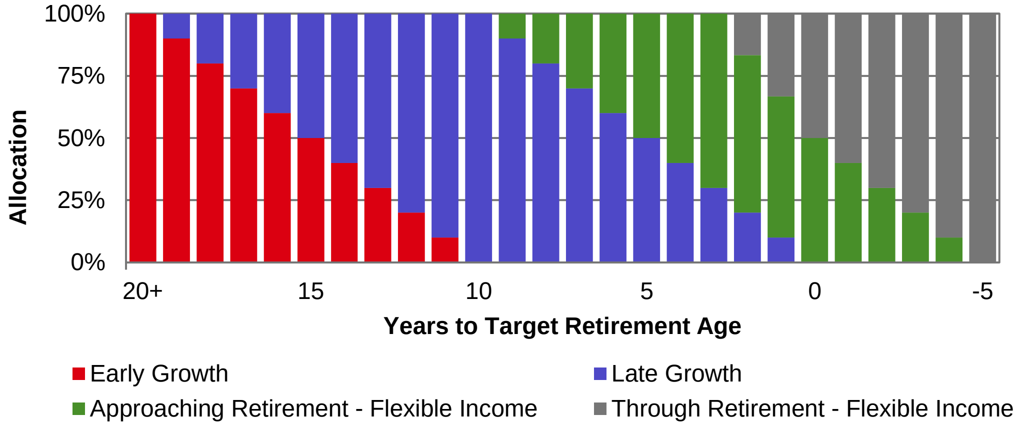
The Trustee has made available a range of investment options for members. Each member is responsible for specifying one or more options for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, from the range available in the Scheme, their DC pension pot and any future contributions are automatically invested in the Scheme's default arrangement applicable to them. This is managed as a 'targeted' strategy (i.e. it automatically combines assets in proportions that vary according to the time to retirement age). The targeted strategies are 100% invested in growth assets (equities and private markets) until twenty years from a member's target retirement age from which time they switch gradually into lower risk assets appropriate to the type of retirement income targeted.

2.1. Main default investment arrangements

The Scheme has different default arrangements for members, depending on the type of benefits they have. The default options have been designed, with support from the Scheme's advisors, to be in what the Trustee believes to be the best interests of the majority of the members based on the demographics of the Scheme's membership.

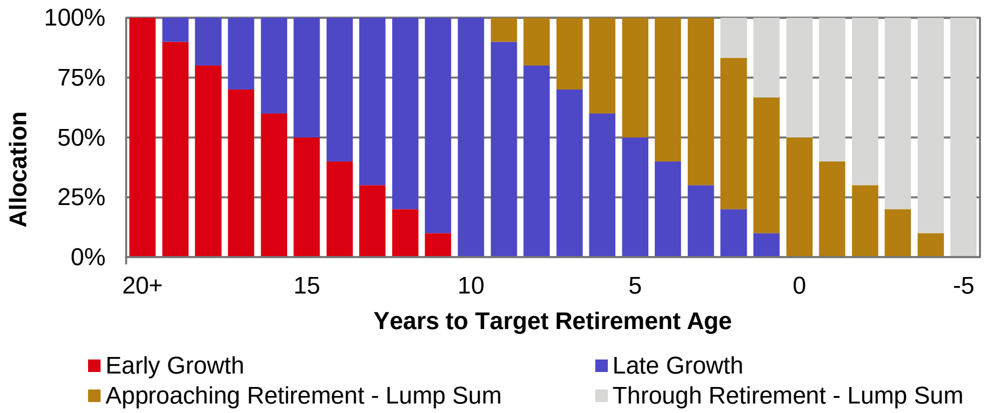
The Scheme has two main default arrangements which are targeted strategies: the Flexible Income Strategy and the Lump Sum Strategy. These targeted strategies were set as the default investment arrangement for two different groups of members, those with only a DC pension pot and those who are members with Hybrid benefits (former active members with DB benefits on 30 June 2015 who became active members with DC benefits from 1 July 2015), respectively.

For members with only a DC pension pot, the Flexible Income Strategy is the default arrangement. It is designed for members, at their retirement or beyond, to take 25% of their DC pension pot as a cash lump sum and the balance to provide a flexible income (e.g. income drawdown), spreading the amount and timing of withdrawals. Members can do this by transferring their DC pension pot out of the Scheme. This strategy works by switching the investment mix of members' DC pension pots from the 'Early Growth Fund' into the 'Late Growth Fund' from 20 years to retirement. Members' DC pension pots are then switched into the Approaching Retirement – Flexible Income Fund from 10 years to retirement and, in their final working years and on reaching retirement, are switched into the Through Retirement – Flexible Income Fund, as illustrated in the chart below.



This design is based on the overall demographic profile of the membership and the generous contribution structure combined with the belief that members are likely to both accrue large pots and choose to take a flexible income. Market trends and Scheme experience since the introduction of Pension Freedoms in 2015 also indicate that members with larger DC pension pots are moving away from purchasing annuities and are choosing flexible income instead.

For members with Hybrid benefits, the Lump Sum Strategy is the default arrangement. It is designed for members to use their DC pension pot for a cash lump sum at their target retirement age or beyond. This strategy works by switching the investment mix of members' DC pension pots from the 'Early Growth Fund' into the 'Late Growth Fund' from 20 years to retirement. Members' DC pension pots are then switched into the 'Approaching Retirement – Lump Sum Fund' from 10 years to retirement and, in their final working years and on reaching retirement, are switched into the 'Through Retirement – Lump Sum Fund', as illustrated in the chart below.



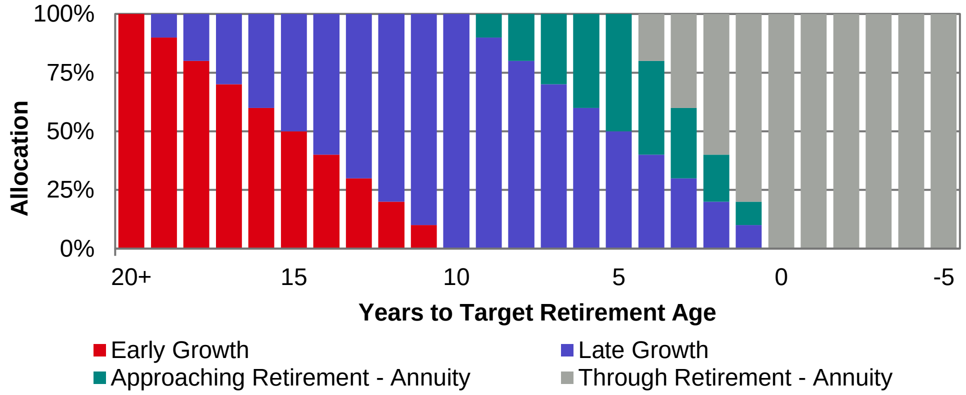
The rationale for this design is the belief that many members with Hybrid benefits are expected to use their DC pension pot as part of their overall Scheme tax-free cash lump sum at retirement.

As a material proportion of members continue to leave their DC pension pots invested past retirement, the Trustee has ensured that both the Flexible Income Strategy and the Lump Sum Strategy continue to de-risk after members' target retirement age. This was introduced following the triennial investment strategy and performance review in 2017 and confirmed as remaining appropriate as part of the triennial investment strategy review that took place on 3 March 2023. The latest triennial strategy took place on 27 February 2026 following the end of the Scheme Year, which confirmed the Trustee continues to support this view.

2.2. Legacy default investment arrangements

There are two additional legacy default arrangements: the Annuity Purchase Strategy and the Cash Lifecycle. These strategies are no longer used as default arrangements for new members. A number of members who were within one year of their target retirement age at the time of the asset transition to the current Flexible Income Strategy and the Lump Sum Strategy were allowed to remain invested in these legacy default targeted strategies.

The Annuity Purchase Strategy is designed for members to take 25% of their DC pension pot as a cash lump sum and the balance to buy an annuity (a regular income for life) at their target retirement age. This strategy works by switching the investment mix of members' DC pension pots from the 'Early Growth Fund' into the 'Late Growth Fund' from 20 years to retirement. Members' DC pension pots are then switched into the 'Approaching Retirement – Annuity Purchase Fund' from 10 years to retirement and, in their final working years and on reaching retirement, are switched into the 'Through Retirement – Annuity Purchase Fund', as illustrated in the chart below.



The objective of the Annuity Purchase Strategy is to be appropriate for members intending to take their benefits in the form of an annuity at retirement.

The Cash Lifecycle is designed for members to use all of their DC pension pot for a cash lump sum at their target retirement age. This strategy works by switching the investment mix of members' DC pension pots from the Global Equities – passive Fund into the Diversified Assets – active Fund and then switching into the Cash – active Fund as the member nears retirement. The objective of the Cash Lifecycle is to be appropriate for members seeking to take their entire pot as a cash lump sum at retirement. All members invested in the Cash Lifecycle are at or within 5 years to or beyond target retirement age.

2.3. Additional default investment arrangement

The Scheme also makes use of an additional default fund called the Cash - active (default) Fund (previously named the Cash – active (ex-Property) Fund). This fund was introduced in March 2020 (and held a small amount of assets from March 2020 to early December 2020) as a result of a decision taken to ensure that there was a fund where members' contributions could be allocated if their selected fund closed (as was the case for the Property – active Fund in 2020). This fund invests in the same underlying fund as the Cash - active Fund. As members' contributions can be directed into this fund without them making an active selection, this fund will continue to be treated as a default for the purpose of fulfilling legislative requirements.

The objective of the Cash – active (default) Fund is to protect the absolute value of the investment by investing in deposits and other short-term money market instruments. The fund aims to perform in line with its benchmark.

2.4. Asset allocation breakdown

The Trustee is required to calculate the percentage of the Scheme's assets within the default arrangements allocated to each of the following asset classes. In line with the DWP's guidance the Trustee has also shown this asset allocation for different ages as at the Scheme year end.

Flexible Income Strategy (main default for members with only a DC pension pot)

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.4	0.4	3.7	28.3
Corporate bonds (UK and overseas)	0.0	0.0	11.4	27.0
UK government bonds	0.0	0.0	0.0	1.2
Overseas government bonds	0.0	0.0	3.9	12.8
Listed equities	87.5	87.5	72.9	18.3
Private equity	2.4	2.4	0.0	0.0
Infrastructure[1]	2.6	2.6	1.0	0.8
Property [1]	2.0	2.0	0.5	0.4
Private debt	2.9	2.9	1.0	0.8
Other[2]	2.3	2.3	5.7	10.4
Total[3]	100.0	100.0	100.0	100.0

[1] Includes listed and unlisted allocations. [2]Other includes listed/unlisted natural resources, gold, insurance linked securities, alternative credit and derivatives. [3]Figures may not sum due to rounding.

Lump Sum Strategy (main default for members with Hybrid benefits)

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.4	0.4	3.7	25.7
Corporate bonds (UK and overseas)	0.0	0.0	11.4	38.3
UK government bonds	0.0	0.0	0.0	2.6
Overseas government bonds	0.0	0.0	3.9	20.8
Listed equities	87.5	87.5	72.9	0.0
Private equity	2.4	2.4	0.0	0.0
Infrastructure[1]	2.6	2.6	1.0	0.0
Property[1]	2.0	2.0	0.5	0.0
Private debt	2.9	2.9	1.0	0.0
Other[2]	2.3	2.3	5.7	12.5
Total[3]	100.0	100.0	100.0	100.0

[1] Includes listed and unlisted allocations. [2]Other includes listed/unlisted natural resources, gold, insurance linked securities, alternative credit and derivatives. [3]Figures may not sum due to rounding.

Annuity Purchase Strategy (legacy default and current self-select "Freechoice" option)

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.4	0.4	3.7	25.0
Corporate bonds (UK and overseas)	0.0	0.0	11.4	33.5
UK government bonds	0.0	0.0	0.0	41.5
Overseas government bonds	0.0	0.0	3.9	0.0
Listed equities	87.5	87.5	72.9	0.0
Private equity	2.4	2.4	0.0	0.0
Infrastructure[1]	2.6	2.6	1.0	0.0
Property[1]	2.0	2.0	0.5	0.0
Private debt	2.9	2.9	1.0	0.0
Other[2]	2.3	2.3	5.7	0.0
Total[3]	100.0	100.0	100.0	100.0

[1] Includes listed and unlisted allocations. [2]Other includes listed/unlisted natural resources, gold, insurance linked securities, alternative credit and derivatives. [3]Figures may not sum due to rounding.

Cash Lifecycle (legacy default arrangement)

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.0	0.0	3.7	100.0
Corporate bonds (UK and overseas)	0.0	0.0	11.4	0.0
UK government bonds	0.0	0.0	0.0	0.0
Overseas government bonds	0.0	0.0	3.9	0.0
Listed equities	100.0	100.0	72.9	0.0
Private equity	0.0	0.0	0.0	0.0
Infrastructure[1]	0.0	0.0	1.0	0.0
Property[1]	0.0	0.0	0.5	0.0

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Private debt	0.0	0.0	1.0	0.0
Other[2]	0.0	0.0	5.7	0.0
Total[3]	100.0	100.0	100.0	100.0

[1] Includes listed and unlisted allocations. [2]Other includes listed/unlisted natural resources, gold, insurance linked securities, alternative credit and derivatives. [3]Figures may not sum due to rounding.

Cash active (default) Fund (additional default arrangement)

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	100.0	100.0	100.0	100.0
Corporate bonds (UK and overseas)	0.0	0.0	0.0	0.0
UK government bonds	0.0	0.0	0.0	0.0
Overseas government bonds	0.0	0.0	0.0	0.0
Listed equities	0.0	0.0	0.0	0.0
Private equity	0.0	0.0	0.0	0.0
Infrastructure[1]	0.0	0.0	0.0	0.0
Property[1]	0.0	0.0	0.0	0.0
Private debt	0.0	0.0	0.0	0.0
Other[2]	0.0	0.0	0.0	0.0
Total[3]	100.0	100.0	100.0	100.0

[1] Includes listed and unlisted allocations. [2]Other includes listed/unlisted natural resources, gold, insurance linked securities, alternative credit and derivatives. [3]Figures may not sum due to rounding.

There are no performance fees attached to the default arrangements and therefore performance fees make up 0% of the average value of the assets held by that default arrangement.

2.5. Statement of Investment Principles

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangements.

Details of the objectives and the Trustee's policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles - Defined Contribution' ('SIP'). The Scheme's most recent DC SIP covering the default arrangements is attached to this Statement.

As stated in the SIP, the Trustee aims to provide default arrangements that the Trustee believes to be in the best interests for those members who do not wish to make their own investment decisions. As at the end of the Scheme Year, the Scheme's Flexible Income Strategy and the Lump Sum Strategy's objectives were to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually into less risky assets as the member nears retirement, with the asset allocation at retirement being designed to be appropriate for members who wish to flexibly take their benefits through an income drawdown arrangement or remain invested in the Scheme or, in the case of the Lump Sum Strategy take their retirement pot as cash. The SIP was reviewed and updated during the Scheme Year, with the version published on 1 January 2025 reflecting updates to the policies on daily-dealing and illiquid assets following the investment in the WS Fulcrum Diversified Private Markets (H) LTAF, as well as revised Environmental, Social and Governance ("ESG") commentary.

The objectives of the Scheme's other default arrangements are noted in the applicable sections above.

2.6. Monitoring and review

The Trustee formally reviews the strategy and performance of the default arrangements (and other investments) in detail at least every three years or immediately following any significant change in investment policy or the Scheme's member profile. The last formal triennial investment strategy and performance review before the Scheme Year end took place on 3 March 2023. A further review was carried out after the Scheme Year end, on 27 February 2026.

The Trustee also carries out an annual performance and strategy review of the DC default arrangement, which took place on 28 May 2025. As part of this review, the Trustee considered the membership demographics and the variety of ways that members may draw their DC benefits in retirement from the Scheme. Based on the outcome of this annual review, the Trustee concluded that the target of the main default arrangement, the Flexible Income Strategy, remains in the best interests of the majority of the members with DC benefits and reflects the demographics of those members. The growth phase of the default arrangement outperformed inflation over the last 5 years to 31 December 2025. As part of this review the Trustee confirmed that the Scheme's targeted strategies were adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from. Members also have the choice to invest into any of the 18 DC funds available in the self-select range (known as 'Freechoice'). These options were also included in the latest review.

As part of the triennial strategy review on 3 March 2023, the Trustee agreed to adjust the structure of the Flexible Income, Lump Sum and Annuity Purchase strategies. The previous approach of the strategies was for members to be invested in white-labelled funds, split by asset class. The current approach is for members to be invested in the 'Early Growth Fund,' before switching into the 'Late Growth Fund' from 20 years to retirement. From 10 years to retirement, members are then switched into the 'Approaching Retirement Fund,' of which there are three versions dependent on the strategy members are invested in. When members are in their final working years and reach retirement, they are transitioned into the 'Through Retirement Fund', of which there are three versions dependent on the strategy members are invested in. These changes were implemented on 20 June 2024.

As part of an ongoing project to investigate how the Scheme can access private markets, the Trustee agreed in the strategy review to allocate 15% of the Early Growth Fund to private markets. The Trustee agreed to use a bespoke multi-asset private markets fund, the WS Fulcrum Diversified Private Markets (H) Long Term Asset Fund ('LTAF'), and the first investment was made on 1 July 2024. The percentage invested in private markets was gradually built up reaching the target allocation of 15% in May 2025. It is expected that this portfolio will achieve its final 'target' portfolio structure within the next 3-5 years.

The Trustee also reviews the performance of the default arrangements against their aims, objectives and policies on a quarterly basis, through a performance report provided by their investment advisors. This review includes an analysis of DC fund performance and member activity to check that the risk and return levels meet expectations. The Trustee monitors both short- and long-term performance on a quarterly basis. The Trustee reviews that took place during the Scheme year concluded that over the long-term the default arrangements were performing broadly as expected given the market backdrop and the assets held and that the performance of the default arrangements remains broadly consistent with their stated aims and objectives.

3. Requirements for processing core financial transactions

The Trustee has appointed WTW Outsourcing GB ("WTW") to administer the Scheme's DC benefits (including processing of core financial transactions), as well as the provider of the Scheme's current AVC arrangements. Equiniti has been appointed to administer the Scheme's DB and Hybrid member benefits, though WTW continues to be responsible for maintaining the DC recordkeeping for DB and Hybrid members with AVCs and DC pension pots respectively. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members or beneficiaries.

3.1. DC benefits (including current AVC arrangements)

3.1.1. Service level agreement

The Trustee has a service level agreement ("SLA") in place with WTW which covers the accuracy and timeliness of all core financial transactions. The SLA includes (but is not limited to):

- The processing of monthly contributions, including resolution of queries with the Bank, and payment reconciliation with the asset manager within 9 days of receipt of the payroll contribution file (around the 16th of the month). In addition to this the Scheme also targets the investment of contributions within 5 days following deduction from pay, and this target is also monitored quarterly.
- The processing of DC fund switches within 2 days of receipt of a member's written request. Members also have the facility to do this online, in which case, the request will be actioned within 24 hours.
- The processing of transfer requests (both in and out of the Scheme) within 5 days from receipt of request. Some members also have the facility to run transfer out quotes online.
- The processing of retirement requests and payments within 4 days from receipt of request and all necessary information and authorisations.
- The production of annual benefit statements and Statutory Money Purchase Illustration statements within 2 months following the receipt of full, accurate data.
- The answering of 80% of member calls within 30 seconds.
- Quarterly reporting on the completeness and accuracy of common and conditional data.
- Management of member records and financial data.
- The provision and management of member online access.

Equiniti are responsible for processing core transactions for members with Hybrid benefits, although Equiniti has no role in the processing of monthly DC contributions, DC fund switches, processing of transfer in requests and production of annual benefit statements and Statutory Money Purchase Illustration statements, which remains with WTW. The Trustee has an SLA in place with Equiniti which covers the accuracy and timeliness of all core financial transactions. The SLA includes (but is not limited to):

- The processing of transfer requests out of the Scheme within 5 days from receipt of request and all necessary information and authorisations.
- The processing of retirement requests and payments within 4 days from receipt of request and all necessary information and authorisations.
- Provide agreed DB benefit data to the DC administrator for use in Annual Benefit Statements within 6 weeks of receipt of full data.
- The answering of 80% of member calls within 20 seconds.
- Quarterly reporting on the completeness and accuracy of common and conditional data.
- Management of member records and financial data.
- The provision and management of member online access.

3.1.2. WTW Outsourcing GB internal controls

The Trustee has received assurance from WTW that there are adequate internal controls to ensure that core financial transactions for the Scheme were processed promptly and accurately during the Scheme year. The key activities undertaken by WTW to help it ensure that core financial transactions were processed promptly and accurately included:

- Recording all member monetary transactions and benefit processing activities, that form part of core financial transactions, in a work management system which automatically assigns the correct SLA for each activity. Work activity is monitored and allocated on a daily basis.
- Preparing monthly and quarterly reporting which is presented and discussed with the PSE on no less than a monthly basis.
- Monthly bank, unit and fund reconciliations are performed, which are provided to the PSE.
- Peer review of all monetary transactions with different levels of payment authorisation required depending on the value of the payment.

WTW provided its own most recent annual assurance report (AAF 01/06) covering the Scheme year in order to confirm the adequacy of its internal controls and the application of those controls in ensuring that core financial transactions were processed promptly and accurately. While there were no significant findings, a small number of repeat observations were noted relating to physical access security arrangements. These are being followed up with WTW to confirm remediation actions required.

In addition, analysis was undertaken over the Scheme year by WTW in respect of any issues, errors or breaches arising to understand the cause, with rectification plans implemented where necessary, which were monitored on a monthly or more frequent basis.

3.1.3. Equiniti internal controls

Equiniti has controls that apply to the processing of members with Hybrid benefits as outlined below:

- Recording all member transactions and benefit processing activities that form part of core financial transactions in a workflow management system which automatically assigns the correct SLA for each activity. Work activity is monitored and allocated on a daily basis.
- Preparing monthly and quarterly reporting which is presented and discussed with the PSE on no less than a monthly basis.
- Weekly and monthly bank reconciliations are performed and shared with the PSE.
- Peer review of all monetary transactions with different levels of payment authorisation required depending on the value of the payment.

Equiniti also provided its own most recent assurance report (AAF 01/06) in May 2026 covering the Scheme year 2025 to demonstrate the adequacy of its internal controls and the application of those controls when processing core financial transactions. While there were no significant findings, a small number of repeat observations were noted relating to physical access security arrangements. These are being followed up with Equiniti to confirm remediation actions required.

When issues and errors have occurred over the Scheme year, analysis has been undertaken by Equiniti to understand the cause of the issue and implement corrective actions where necessary. These are monitored on behalf of the Trustee by the PSE on a monthly or more frequent basis.

3.1.4. Trustee monitoring

The Trustee recognises that delays and errors can cause significant issues for members and may cause them to lose trust in the Scheme. This could impact their decisions to save more into the Scheme and affect their future retirement outcomes. The Trustee has taken steps to ensure that there were adequate internal controls maintained so that core financial transactions relating to the Scheme, including those in relation to member decisions were processed promptly and accurately during the Scheme year. The Trustee, working with the PSE, regularly monitored the timeliness and accuracy of core financial transactions as follows:

- Reviewed monthly performance reporting on key processes, core financial transactions and complaints. Any issues and anomalies identified were followed up with the administrator for explanation.
- Held ad hoc meetings to monitor project specific progress.
- Reviewed quarterly reporting, which included, but was not limited to membership statistics, member transaction levels, service performance, financial reporting, complaints, errors and breaches, member online usage.

As part of these review processes, the PSE reviewed whether core financial transactions were accurate, up to date and completed within statutory timeframes and within the service levels agreed with WTW and Equiniti. Any issues identified by the PSE as part of its oversight were raised with WTW or Equiniti immediately and steps were taken to resolve them.

The accuracy and quality of Scheme data is assessed and monitored on a quarterly basis by the Trustee. No significant issues/exceptions were identified during the Scheme year in relation to the accuracy and quality of DC related data.

The last detailed cyber security reviews of WTW and Equiniti were completed in September 2024. No areas of concern were identified, and the findings reports including recommendations, were shared with WTW and Equiniti to ensure they continue to evaluate and if relevant, improve their controls. A formal mid-period check-in will be carried out in 2026.

3.1.5. Performance over the Scheme year

In each quarter of the Scheme year, core financial transactions were completed within the agreed timescale for the following percentage of cases:

Members with:	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Only a DC pension pot	97%	98%	98%	96%
Hybrid benefits	91%	89%	89%	86%

For members with Hybrid benefits, overall, the Scheme administrators performed behind agreed service levels, with an average of 89% in 2025 which is below the agreed target of 95%. There was a general decline in administrator performance levels in respect of members with Hybrid benefits over the year. This was caused by delays with the processing of core financial transactions during 2025, because of high volumes of incoming member activity. The Trustee has been working with Equiniti to improve the operating model so that they can adapt more effectively to high levels of incoming work and continue to maintain service performance.

The Trustee, working with the PSE, required additional reporting in respect of any monetary transactions and benefit processing activity that were not completed within the agreed timescales, including the cause of the delay, the extent to which agreed timescales were breached and whether the cause of the delay was a systemic issue. The delays affecting a small number of disinvestment requests for active Hybrid members, and the proposed remedial activities, were closely monitored by the PSE, on behalf of the Trustee, to minimise the risk of the issues re-occurring. A separate issue affecting the treatment of certain benefit payments for a small number of members was also closely monitored by the PSE, on behalf of the Trustee, together with the steps taken to address it.

The volume of avoidable complaints remained low over 2025, and below the target of less than 0.2% of all completed casework. These were primarily centred around procedural issues, followed by communication issues and individual delays.

The Bank is responsible for calculating contributions and paying them to the Scheme within the timeframes set out in each section's Schedule of Contributions. While this is out of the control of the Trustee and WTW, WTW perform validation checks based on information that is available to them. The Trustee is also required to obtain an audit opinion as to whether contributions are paid in accordance with the Schedules of Contributions, which can be found in the Scheme's Annual Report & Financial Statements.

No other issues or anomalies were identified during the Scheme year in relation to the processing of core financial transactions of DC benefits for DC and Hybrid members.

During the year, WTW completed the first two phases of its process and control improvement work and launched a new knowledge tool for administrators, Equiniti continued to progress its remediation activities, and both administrators strengthened the quality of their incident reporting.

Overall, based on the processes operated and information provided as described above, the Trustee is satisfied that over the Scheme year (in relation to DC and Hybrid benefits), other than the exceptions noted above:

- the administrators were operating appropriate procedures, checks and controls and operating within the agreed SLAs;
- there have been no known material administration errors in relation to processing core financial transactions; and

- core financial transactions were processed promptly and accurately during the Scheme year.

3.2. Legacy AVCs

There are a small number of members invested in a relatively large number of legacy AVC arrangements. These legacy AVCs only account for a small proportion (less than 0.1%) of the total DC assets within the Scheme and are no longer open to contributions. Therefore, the Trustee has taken a proportionate approach to collecting information on and reviewing them, compared to the other DC benefits within the Scheme.

The Scheme's legacy AVC providers are:

- Standard Life* - 129 members
- Prudential – 33 members
- Phoenix Life* - 2 members
- Aviva (Ex Friends Life policy) – 2 members
- Scottish Widows – no members as at Scheme Year end.
- Aegon – 2 members

*On 27 October 2023, all Phoenix Life Assurance Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited policies were transferred to Phoenix Life Limited following approval from the Court of Session on 3 October 2023 and the High Court on 10 October 2023. The brand name Standard Life is already fully owned by the Phoenix Group and this will continue to be used.

The Trustee's investment advisor has sought to obtain information from these AVC providers on the processing of core financial transactions for the AVC assets they hold and the internal controls in place to ensure that core financial transactions relating to the Scheme are processed promptly and accurately. As these products are largely standardised insurance products, some of the information that has been provided reflect the provider's standard processes rather than Scheme specific processes.

3.2.1. Standard Life

There is a standard SLA covering the accuracy and timeliness of all core financial transactions which targets completion within 10 working days. There is also an internal controls statement which outlines information about the processing of these core financial transactions and achieving the stated SLA targets alongside how this is managed through controlled systems including, but not limited to, the following actions:

- automated systems are designed to ensure consistent, timely and accurate receipt and allocation to the correct funds for regular and single payments;
- regular monitoring of process and people performance, including control self-assessment reviews;
- reconciliations are carried out between Fund Accounting Team and Customer Operations to ensure contributions are accurately recorded;
- documented business procedures are in place for contributions processes;
- compliance with processes is supported by an automated workflow system that ensures work is enabled, tracked and managed;
- a control team actively manages manual payments (including automation failures); and
- an automated quotes system, which ensures the consistent application of calculations.

A quality assurance framework is in place to ensure that payments are processed in line with the defined processes and service levels.

Standard Life has confirmed that there have been no material administration issues, errors or unreasonable delays over the Scheme year.

3.2.2. Scottish Widows

Scottish Widows has confirmed it has effective quality controls in place to assess the accuracy of the transactions processed and information provided to customers. This includes full end to end monthly quality checking across all areas of the business. Scottish Widows aims to ensure all core transactions are completed within 5 working days of receiving all the information they require. Scottish Widows has confirmed that there have been no material administration issues, errors or unreasonable delays over the Scheme year. As at the end of the Scheme year, there were no members invested under Scottish Widows.

3.2.3. Prudential

Prudential uses "End to End" working and reporting. This aims to join up all of the current transactional activities together with the 'journey time' calculated from the member's first point of contact to the point of closure where no other activity is required to deliver the customer outcome.

It sets out four main work areas including bereavements, claims, new business and servicing, and provides an upper, lower and tail target for the number of days they aim for a case to be completed.

Prudential monitors service performance on a weekly basis with senior management oversight, against a variety of metrics. Prudential aims for 80% of cases to be completed within the upper target. Over the year 82% of cases were completed within the upper target. Prudential has confirmed that there have been no material administration issues, errors or unreasonable delays over the Scheme year.

3.2.4. Phoenix Life

Phoenix Life has a range of internal controls to ensure arrangements and procedures are being followed in the administration and management of the Scheme and are monitored. Below are some examples of key controls Phoenix Life operates on behalf of the Trustee:

- specialist training provided to specific business units;
- Internal Audit (regularly monitoring systems and controls);
- IT security polices to protect customer and Phoenix Life's data; and
- data protection procedures, policies including annual staff training and testing.

The Trustee has not received confirmation from Phoenix Life on administration activity over the Scheme year but continues to regularly request this information. At this time the Trustee is not aware of any material administration issues, errors or unreasonable delays over the Scheme year.

3.2.5. Aviva (Ex Friends Life)

Aviva has a wide range of policies, internal controls, and practices in place to manage their investment administration activities. It aims to deal with servicing requests within 5 working days.

Aviva has confirmed that there have been no material administration issues, errors or unreasonable delays over the Scheme year.

The Trustee receives an Annual Short Investment Report as and when requested, in addition to a Quarterly Investment Report which is provided each quarter.

3.2.6. Aegon

Aegon aims to respond to most SLAs within 10 working days and operates different SLAs based on the type of query; these range from 1 day (investigating death claims) and 10 days (providing Scheme valuations). The SLA for the majority of tasks is 10 days. Tasks completed during the Scheme year included providing Scheme valuations, changing Scheme details, renewing Schemes and issuing statements. Most tasks (6 out of 7 total over the course of the year) were not completed within the SLA, which was due to a combination of a lack of skilled staff and resource being diverted to fulfil business priorities. There were no financial transactions over the Scheme year.

Aegon has confirmed there have been no complaints, no material administration issues or errors over the Scheme year.

3.3. Trustee monitoring

The Trustee carries out regular reviews (at least every 3 years) of its legacy AVC arrangements with the last review undertaken on 28 August 2024. This review highlighted no material concerns with the legacy AVC arrangements. The next full review is due to be carried out in 2027 with a light touch interim review planned in 2026.

4. Member-borne charges and transaction costs

The Trustee is required to set out the charges incurred by members during the Scheme year in this Statement. As the Bank pays the DC fund annual management charges, platform expenses and all other administration expenses, the member borne charges are limited to the additional fund expenses incurred by the underlying fund managers in the day-to-day running of the funds for example, custodian fees, with the exception of some legacy AVCs funds (see below).

The Trustee endeavours to ensure that the additional fund expenses are below 0.20% per annum on each DC fund. As at 31 December 2025, the highest additional expenses of all DC funds that were available to members was for the Property - Active Fund, at 0.27% per annum (p.a.). This is the only fund with an additional fund expense higher than the 0.20% per annum target. A small number of funds saw slight increases in additional fund expenses during the year. The increases were minimal overall and have not given rise to any concerns.

The Trustee is also required to disclose transaction cost figures. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell DC assets but are exclusive of any costs incurred when members invest in and switch between funds.

The transaction costs are borne by members. The charges and transaction costs have been supplied by Fidelity (the Scheme's platform provider) and the legacy AVC providers. The charges and transaction cost information has been provided for the Scheme year for the default arrangements and self-select options (but not all of the legacy AVC funds – further details below).

When preparing this section of the Statement, including the illustrations, the Trustee has taken account of statutory guidance. All additional DC and AVC fund expenses and transaction cost figures shown in this section are over the Scheme year. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. The Trustee has shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations have used zero where a transaction cost is negative to give a more realistic projection (i.e. the Trustee would not expect transaction costs to be negative over the long-term).

4.1. Default arrangements charges and transaction costs

The default arrangement for most members with only a DC pension pot is the Flexible Income Strategy and for most members with Hybrid benefits the default arrangement is the Lump Sum Strategy. These default arrangements have been set up as targeted strategies (i.e. they automatically combine DC funds in proportions that vary according to the time to retirement age). This means that the level of charges and transaction costs will vary depending on how close members are to retirement and in which DC funds they are invested. Statutory guidance has been taken into account in the calculation of these numbers.

The Trustee notes there are no performance fees (charges based on fund's return) attached to the default arrangements and therefore performance fees make up 0% of the of the average value of the assets held by that default arrangement. For the Scheme year, annualised charges and transaction costs are set out in the following tables.

Flexible Income Strategy (main default for members with only a DC pension pot)

Years to retirement	Additional fund expenses (p.a.)	Transaction costs
20 or more years to retirement	0.04%	0.11%
15 years to retirement	0.02%	0.16%

Years to retirement	Additional fund expenses (p.a.)	Transaction costs
10 years to retirement	0.00%	0.20%
5 years to retirement	0.01%	0.20%
At retirement	0.02%	0.17%

Lump Sum Strategy (main default for members with Hybrid benefits)

Years to retirement	Additional fund expenses (p.a.)	Transaction costs
20 or more years to retirement	0.04%	0.11%
15 years to retirement	0.02%	0.16%
10 years to retirement	0.00%	0.20%
5 years to retirement	0.02%	0.21%
At retirement	0.03%	0.19%

For the Scheme year, annualised charges and transaction costs for the legacy default arrangements are set out in the following tables. Charges are only shown at retirement for the Cash Lifecycle as the strategy is closed to new members and all members invested are within 5 years of their target retirement age.

Annuity Purchase Strategy (legacy default and current Freechoice option)

Years to retirement	Additional fund expenses (p.a.)	Transaction costs
20 or more years to retirement	0.04%	0.11%
15 years to retirement	0.02%	0.16%
10 years to retirement	0.00%	0.20%
5 years to retirement	0.00%	0.10%
At retirement	0.00%	0.03%

Cash Lifecycle (legacy default arrangement)

Years to retirement	Additional fund expenses (p.a.)	Transaction costs
At retirement	0.00%	0.14%

Cash active (default) fund (additional default arrangement)

Years to retirement	Additional fund expenses (p.a.)	Transaction costs
Cash - active (default)	0.00%	0.14%

4.2. Self-select options charges and transaction costs

With the exception of the legacy Cash Lifecycle Strategy, the default arrangements are also available as self-select options for members who want to use them. Members also have the choice to invest into any of the 18 DC funds available in the self-select range (known as "Freechoice").

The level of charges for each self-select DC fund and the transaction costs over the Scheme year are set out in the following table.

Fund name	Additional fund expenses (p.a.)	Transaction costs
UK Equities - active	0.02%	0.43%
Diversified Assets - active	0.01%	0.31%
Shariah Law Equities - passive	0.05%	0.01%
Sustainable and Responsible Equities – active[1]	0.10%	0.29%
Global Bonds - active	0.04%	0.22%
UK Equities - passive	0.00%	0.01%
Global Equities – passive[2]	0.00%	0.11%
Property - active	0.27%	0.09%
Fixed Annuity Tracker - passive	0.00%	0.00%
Inflation Linked Annuity Tracker - passive	0.00%	-0.04%
Cash - active	0.00%	0.14%
European (ex UK) Equities - passive	0.00%	0.04%
North American Equities - passive	0.00%	0.00%
Japanese Equities - passive	0.00%	0.01%
Asia Pacific (ex-Japan) Equities - passive	0.00%	0.02%
Global Equities - active	0.09%	0.10%
Sterling Corporate Bonds - active	0.02%	0.00%
Emerging Markets Equities - active	0.12%	0.11%

[1] The Trustee conducted a review of the Sustainable & Responsible Equities – active Fund and agreed to replace the WHEB Sustainability Impact Fund with a new 25% allocation to the Ninety One Global Environment Fund and 75% allocation to the Columbia Threadneedle Sustainable Opportunities Global Equity Fund. This change was implemented in February 2025. [2]The Trustee also agreed changes to the Global Equities – passive Fund, with Robeco appointed as the index provider and LGAM being retained as the investment manager. The transition of the assets to align with the new index took place in December 2025.

4.3. Legacy lifecycle strategies

The Scheme also has two legacy lifecycle strategies which were previously available for members to select: Lifecycle 2 and Flexicycle. These strategies are closed to new members, but existing members have been permitted to remain invested. The Scheme previously had a further legacy lifecycle strategy, Capital Lifecycle, however no members remained invested over the Scheme year.

For the Scheme year, annualised charges and transaction costs are set out below.

Lifecycle 2 (legacy lifecycle strategy)

Years to retirement	Additional fund expenses (p.a.)	Transaction costs
5 or more years to retirement	0.11%	0.14%
At retirement	0.00%	0.04%

Members in Lifecycle 2 who are 5 or more years from retirement are invested in 60% Global Equities – active, 20% Property – active and 20% Diversified Assets – active. Members who are five years from retirement are then switched gradually so that at target retirement age, members are invested in 75% Fixed Annuity Tracker – passive and 25% Cash – active. As part of the annual Lifecyle review over the 2023 Scheme year, the Trustee agreed that members in Lifecycle 2 were to be automatically moved to a more appropriate default arrangement, unless they actively choose to opt out of the automatic switch and stay in Lifecycle 2.

Flexicycle (legacy lifecycle strategy)

Flexicycle is a lifecycle strategy that allowed members to create an investment strategy by selecting their preferred growth and consolidation phase funds and the point at which their DC pension pot would switch between them. There was also a choice of switching periods between these phases and a choice of at retirement DC fund allocation. The Trustee is therefore not able to disclose annualised charges and transaction costs for each possible combination in this Statement. The relevant charges and costs can be seen for the possible underlying funds with the options for the growth phase being the Global Equities – active, Global Equities – passive, Diversified Assets – active, Sustainable and Responsible Equities – active and Emerging Markets Equities – active Funds and the options for the consolidation phase being the Fixed Annuity Tracker – passive, Inflation Linked Annuity Tracker – passive, Diversified Assets – active and Cash – active Funds.

4.4. Additional Voluntary Contribution fund charges and transaction costs

As well as the DC funds noted above, which contain the majority of the Scheme's AVC assets, some members also had assets in one or more legacy AVC funds during the Scheme year.

The majority of the Scheme's legacy AVC assets are invested in 'With-Profits' funds. With-Profits returns are delivered through guaranteed annual and non-guaranteed terminal bonuses (guarantees only apply at contractual events, e.g. retirement) and these can be influenced by the asset allocation within the fund which is itself reflective of the strength of the provider, and therefore affects investment returns and bonus rates.

The Trustee, with its investment advisors, has sought to obtain details of the charges and transaction costs from the Scheme's legacy AVC providers for the Scheme year. At the time of producing this statement, that process is still ongoing. Some data to 31 December 2025 is currently outstanding from Phoenix Life, Prudential and Aviva. The Trustee will continue to ask its legacy AVC providers on a regular basis to disclose details of the charges and transaction cost data with the intention of adding this into the next annual DC governance statement.

In last year's Statement, the following information was missing:

- Aviva With-Profits Fund net returns;
- Phoenix Life With-Profits Fund net returns (confirmed do not provide detailed information of this Fund's performance as it is closed to new business);
- Prudential With-Profits Cash Accumulation Fund Total Expense Ratio (confirmed charges are not explicit, they are accounted for in the bonus declared on the Fund); and
- Phoenix Life administration activity.

The Trustee continues to work with its investment advisors to collect outstanding data.

The charges shown for the AVC arrangements are the Total Expense Ratios ('TER') for the Scheme year (except where otherwise shown), which includes the annual AVC fund fees as these are not met by the Bank, unlike for the DC funds.

Aviva (Ex Friends Life) AVC funds	**TER[1]**	**Transaction costs**
GM UK Equity Fund	0.37%	0.17%[2]
GM Overseas Equity Fund	0.43%	0.16%[2]
GM Property Fund	0.61%	0.17%[2]
With-profits Fund[3]	1.02%	0.01%
Standard Life AVC funds[4]	**TER[1]**	**Transaction costs**
Pension Millennium With Profits Fund	1.00%[5]	0.03%
Pension Millennium With Profits 2006 Fund	1.00%[5]	0.03%
Pension With Profits Fund	1.00%[5]	0.02%
Standard Life Managed Pension Fund	1.02%	0.08%
Prudential	**TER[1]**	**Transaction costs**
Prudential With-Profits Cash Accumulation Fund	n/a[5]	0.10%[2]
Other AVC providers	**TER[1]**	**Transaction costs**
Aegon Cash Fund	1.01%	0.00%
Phoenix Life With-Profits Fund	1.15%	0.11%
Scottish Widows With-Profit Fund	n/a[6]	0.24%

[1]TER = Total Expense Ratio. The TER encompasses charges made to / by funds, typically including the Annual Management Charge, custody fees and other expenses.

[2]As at 30 September 2025.

[3]As at 31 December 2023.

[4]A Scheme-specific discount of 0.40% is applied annually.

[5]The Fund has no explicit fund management charge. The charge shown includes an allowance for the cost of guarantees and is the deduction Standard Life currently use, for illustrative purposes, in quotations.

[6]Charges on the Scottish Widows With Profits Fund are not explicit, they are accounted for in the bonus declared on the Fund.

4.5. Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of members' DC pension pots can reduce the amount available to them at retirement. The following table sets out an illustration of the impact of charges and transaction costs on the projected value of an example member's DC pension pot. In preparing this illustrative example, the Trustee has had regard to the relevant statutory guidance.

As each member has a different amount in their DC pension pot within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below:

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges (i.e. the additional expenses) or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member-borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the DC fund managers over the past three years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). The Trustee has used the average annualised transaction costs over the past five years as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the Scheme year.

Illustrations are provided for the default arrangement for members with only a DC pension pot (the Flexible Income Strategy) since this is the arrangement that most members have assets in, the Lump Sum Strategy (which is the default for most members with Hybrid benefits), the Annuity Purchase Strategy, the Cash Lifecycle and the Cash – active Fund as these strategies are also classified as default arrangements as well as two DC funds from the Freechoice DC fund range. The two Freechoice DC funds shown in the illustration are:

- the DC fund with the highest charges which is the UK Equities – active Fund;
- the DC fund with the joint lowest charge which is the Inflation-Linked Annuity Tracker – Passive Fund.

The charges illustration table is shown below.

Years invested	Flexible Income Strategy		Lump Sum Strategy		Annuity Purchase Strategy		Cash Lifecycle		Cash – active (default)	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,200	£5,200
3	£11,400	£11,400	£11,400	£11,400	£11,400	£11,400	£11,400	£11,400	£10,600	£10,600
5	£18,000	£17,900	£18,000	£17,900	£18,000	£17,900	£18,000	£17,900	£16,100	£16,000
10	£36,600	£36,300	£36,600	£36,300	£36,600	£36,300	£36,600	£36,300	£29,400	£29,300
15	£58,600	£57,900	£58,600	£57,900	£58,600	£57,900	£58,600	£57,900	£42,400	£42,100
20	£84,800	£83,300	£84,800	£83,300	£84,800	£83,300	£84,800	£83,500	£55,100	£54,600
25	£115,800	£113,300	£115,800	£113,300	£115,800	£113,300	£114,200	£111,900	£67,400	£66,800
30	£152,700	£148,300	£152,700	£148,300	£152,700	£148,300	£145,400	£141,200	£79,500	£78,600
35	£191,100	£183,800	£185,700	£178,700	£196,600	£189,900	£176,700	£170,000	£91,300	£90,000
40	£220,100	£209,700	£202,400	£193,100	£234,800	£226,800	£198,800	£189,800	£102,700	£101,200
Percentage Difference	**5.0%**		**4.8%**		**3.5%**		**4.7%**		**1.5%**	

Years invested	UK Equities - active		Inflation-Linked Annuity Tracker - passive	
	Before costs	After costs	Before costs	After costs
1	£5,300	£5,300	£5,300	£5,300
3	£11,700	£11,600	£11,400	£11,400
5	£18,500	£18,400	£18,000	£18,000
10	£38,600	£37,900	£36,600	£36,600
15	£63,700	£61,900	£58,600	£58,600
20	£94,900	£91,200	£84,800	£84,700
25	£133,900	£127,200	£115,800	£115,800
30	£182,400	£171,200	£152,700	£152,600
35	£242,800	£225,200	£196,600	£196,400
40	£318,100	£291,400	£248,600	£248,400
Percentage Difference		**9.2%**		**0.1%**

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each DC fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected DC pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting account (DC pension pot) size used is £2,400. This is the average (median) DC pension pot size for Scheme members aged 25 years and younger (the Trustee has used the average of the under 25s rather than the average of the whole Scheme to allow for a more representative 40-year projection rather than using a median member who will not be invested in the Scheme for 40 years). This assumption, and others mentioned, are as at 31 December 2025, the Scheme year end.
- The projection is for 40 years, being the approximate duration that the youngest Scheme member has until they reach the Scheme Normal Pension Age.
- The starting salary is assumed to be £27,800. This is the median salary for Scheme members aged 25 years and younger.
- The contribution rate is assumed to be 10% (includes employee and employer contributions). This is the median contribution rate for Scheme members aged 25 years and younger (for the purposes of the illustration this rate is assumed to remain constant over time).
- None of the investments modelled have a performance fee attached.

- The Early Growth fund within the Flexible Income, Lump Sum, and Annuity Purchase strategies implemented the LTAF in July 2024. As a result, long-term transaction costs prior to 2024 have been calculated using Global Equities – Passive fund data. The projected before charges annual returns used are as follows:
  - Flexible Income Strategy: 3.5% above inflation for the initial years, gradually reducing to a return of 0.5% above inflation at the ending point of the lifestyle.
  - Lump Sum Strategy: 3.5% above inflation for the initial years, gradually reducing to a return of 0.5% below inflation at the ending point of the lifestyle.
  - Annuity Purchase Strategy: 3.5% above inflation for the initial years, gradually reducing to a return of 1.5% above inflation at the ending point of the lifestyle.
  - Cash Lifecycle: 3.5% above inflation for the initial years, gradually reducing to a return of 0.5% below inflation at the ending point of the lifestyle. The Trustee has shown projections over 40 years however the strategy is closed to new members and all members in this strategy are at least at their Target Retirement Age.
  - Cash – active (default) Fund: 0.5% below inflation.
  - Inflation-Linked Annuity Tracker – passive: 3.5% above inflation.
  - UK Equities – active: 4.5% above inflation.
- No allowance for active management has been made in the return assumptions (e.g. assumed return for a passive and active global equity fund is equal). Expected returns are consistent with those used in the Scheme's Statutory Money Purchase Illustrations during the Scheme year and were produced taking account of AS TM1.
- Please note that the expected returns used in the projections are the same assumptions used in the Scheme's latest Statutory Money Purchase Illustrations ("SMPIs"). Rules around SMPIs mean that return assumptions are set in a prescribed way based on the volatility of investment returns, with higher volatility meaning higher assumed returns. Because government bonds have been volatile in recent years the SMPI approach results in assumptions that may be considered unrealistic, specifically that government bonds are assumed to have the same return than equities over the long term. Therefore, the projections should be interpreted with caution and alongside professional financial advice before influencing investment decisions.

5. Investment returns

This section states the annual return, after the deduction of member borne charges and transaction costs, for all investment options that members can select or could select during the Scheme year, and in which assets relating to members were invested during the Scheme year. The return on investments has been calculated in accordance with the statutory guidance and takes the form of the geometric average annual return.

For the arrangements where returns vary with age, such as for the DC default arrangements and the other current and legacy targeted strategies, returns are shown over various periods for a member aged 25, 45 and 55 at the start of the period the returns are shown over. The majority of members have a target retirement age of 65. To calculate the investment returns at different ages for the targeted strategies, the Trustee has used the mix of DC funds that apply to a member with a target retirement age of 65 i.e. for a member aged 55 they have assumed they are 10 years from their target retirement age. Performance below reflects any changes made to underlying DC fund managers over the periods shown.

Flexible Income Strategy (main default for members with only a DC pension pot) net returns over periods to Scheme year end

Age of member at the start of the period*	1 year (%)	5 years (% p.a.)
25	19.6	11.8
45	19.6	11.3
55	17.2	7.7

*Performance figures take into account the investment strategy changes for members from 1 July 2024.

Lump Sum Strategy (main default for members with Hybrid benefits) net returns over periods to Scheme year end

Age of member at the start of the period*	1 year (%)	5 years (% p.a.)
25	19.6	11.8
45	19.6	11.3
55	17.2	7.5

*Performance figures take into account the investment strategy changes for members from 1 July 2024.

Annuity Purchase Strategy (legacy default and current Freechoice option) net returns over periods to Scheme year end

Age of member at the start of the period*	1 year (%)	5 years (% p.a.)
25	19.6	11.8
45	19.6	11.3
55	17.2	6.1

*Performance figures take into account the investment strategy changes for members from 1 July 2024.

Cash Lifecycle (legacy default arrangement) net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	5 years (% p.a.)
25	21.4	12.2
45	21.1	11.3
55	17.9	7.7

Net returns have been shown for the Cash Lifecycle at ages 25, 45 and 55, however, the strategy is closed to new members and all members invested are within 5 years to target retirement age.

Cash - active (default) Fund (additional default arrangement) net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	5 years (% p.a.)
25	4.4	3.1
45	4.4	3.1
55	4.4	3.1

Self-select DC fund net returns over periods to Scheme year end

DC Fund name	1 year (%)	5 years (% p.a.)
UK Equities - active	21.8	10.1
Diversified Assets - active	15.0	5.0
Shariah Law Equities - passive	13.3	15.2
Sustainable and Responsible Equities - active	6.8	1.5
Global Bonds - active	6.4	4.0
UK Equities - passive	24.7	11.8
Global Equities - passive	21.4	12.2
Property - active	3.6	3.5
Fixed Annuity Tracker - passive	5.6	-5.9
Inflation Linked Annuity Tracker - passive	3.1	-7.7
Cash - active	4.4	3.1
European (ex UK) Equities - passive	26.4	9.4
North American Equities - passive	10.9	14.6
Japanese Equities - passive	17.1	7.2
Asia Pacific (ex-Japan) Equities - passive	31.7	5.9
Global Equities - active	15.3	8.8
Sterling Corporate Bonds - active	6.9	-0.7
Emerging Markets Equities - active	31.8	6.1

Flexicycle is a targeted strategy that allowed members to create an investment strategy by selecting their preferred growth and consolidation phase funds and the point at which their DC pension pot would switch between them. There was also a choice of switching periods between these phases and a choice of at retirement allocation. The Trustee is therefore not able to display net returns for each possible combination in this Statement. The relevant charges and costs can be seen for the possible underlying DC funds in the table above with the options for the growth phase being the Global Equities – active, Global Equities – passive, Diversified Assets – active, Sustainable and Responsible Equities – active and Emerging Markets Equities – active Funds and the options for the consolidation phase being the Fixed Annuity Tracker – passive, Inflation Linked Annuity Tracker – passive, Diversified Assets – active and Cash – active Funds.

Lifecycle 2 (legacy Freechoice targeted strategy) net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	5 years (% p.a.)
25	12.9	7.0
45	12.9	7.0

Age of member at the start of the period	1 year (%)	5 years (% p.a.)
55	12.9	7.0

Net returns have been shown for Lifecycle 2 at ages 25, 45 and 55, however, the strategy is closed to new members.

AVC fund net returns over periods to Scheme year end

Fund name	1 year (%)	5 years (% p.a.)
GM UK Equity Fund	22.8	10.9
GM Overseas Equity Fund	14.5	12.6
GM Property Fund	-1.0	1.9
Aviva (ex Friends Life) With-profits Fund	TBC	TBC
Standard Life Pension Millennium With Profits Fund	15.1	8.3
Standard Life Pension Millennium With Profits 2006 Fund	15.1	8.3
Standard Life Pension With Profits Fund	9.6	5.7
Standard Life Managed Pension Fund	15.1	6.3
Aegon Cash Fund	3.5	2.2
Phoenix Life With-Profits Fund	N/A[1]	N/A[1]
Prudential With-Profits Cash Accumulation Fund	1.5	1.2
Scottish Widows With-Profit Fund	6.1	6.7

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

[1]Phoenix have confirmed they no longer provide detailed information of this fund's performance as it is closed to new business.

The Trustee, with its investment advisors, has sought to obtain details of the net returns from the Scheme's legacy AVC providers for the Scheme year. At the time of producing this statement, that process is still ongoing. Some data is currently outstanding from Aviva. The Trustee will continue to ask its legacy AVC providers on a regular basis to disclose details of the net returns data with the intention of adding this into the next annual DC governance statement.

6. Value for members assessment

The Trustee is required to assess the extent to which member-borne charges and transaction costs for the Scheme year represent good value for members.

6.1. DC benefits (including current AVC arrangements)

The Trustee reviews all member-borne charges annually (including transaction costs where available), with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The most recent value for members review covering the 2025 Scheme year took place on 11 June 2026. The assessment was completed taking account of the Pensions Regulator's Code of Practice (Governance and administration of occupational trust-based schemes providing money purchase benefits) and accompanying guidance. Because there is no legal definition of 'good value', determination is subjective. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the benefit received by members was also considered in this assessment. The assessment was undertaken with assistance from the Trustee's DC advisor and involved a wide assessment of value considering the key elements of the Scheme and agreeing relevant value ratings for each area, in addition to looking at the value attributable to member-borne costs and charges.

6.1.1. Assessment of value relating to member-borne charges and transaction costs

The Bank pays the administration and DC fund management charges, so the member-borne charges are limited to additional DC fund expenses and transaction costs for the DC funds, which the assessment found compares very favourably to other DC schemes.

The Trustee's investment advisors have confirmed that the additional expenses paid by members for the DC funds are competitive for the types of funds available to members. Members pay significantly less than members in other schemes as they only pay the additional expenses element for the DC funds. The Trustee also assesses the value of the total charges of the investment options (including charges met by the Bank) and found these to also be very competitive compared to other DC schemes.

6.1.2. Wider value assessment

In carrying out the value assessment, the Trustee also considered the wider benefits members receive from the Scheme, which include:

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

The following table sets out the summary of how the Trustee has assessed value.

Area	**Assessment**	**Commentary**
Charges	Very good	The costs borne by members for investment are very competitive compared to similar schemes. Fees are considered as part of any investment changes, with discounts negotiated where possible. Members benefit from only paying additional expenses and transaction costs with other costs being covered by the Bank.
Scheme Administration	Good	The agreed service levels for achieving a task are generally shorter than the standard levels in the market place, and these are achieved in the majority of cases for members with DC benefits. During 2025 the Trustee monitored the performance of its administrator on a regular basis, including via quarterly reporting on SLAs. For DC only members, SLAs performance has been above agreed target of 95% in 2025, with an average of 97%. Hybrid Scheme administration performance was more mixed over the year with an average of 89%.
Scheme management and Governance	Very good	The Trustee demonstrated a high level of commitment to the effective operation of the Scheme through ongoing training. The Board regularly monitors member outcomes and activities through the quarterly dashboard and regularly communicates with members on key relevant issues. The Board meets on a regular basis and attends away days to focus more specifically on key areas of the Scheme. Training is adjacent to both Board and Committee meetings. Where training is delivered ahead of Committee meetings, it is also open to Trustee Directors who do not sit on

		that Committee. Additionally, the Trustee has a program whereby Trustee Directors are encouraged to attend and observe meetings of Committees they are not members of. A detailed analysis, which included an internal audit review, of the Scheme's compliance with the General Code's Effective System of Governance requirements took place during 2025. The findings confirmed that the Trustee did meet the General Code requirements. Work to deliver the Scheme's Own Risk Assessment, which is due 31 December 2026, is currently underway.
Communications	Very good	Communications are of a very good standard. In addition to regular communications providing updates on the Scheme, new and refreshed content was developed over the Scheme year for new joiners and mid-career members. Member nudges were issued during 2025, providing insights into Scheme developments and encouraging members to engage with their pension savings, with engagement levels remaining in line with 2024. Insights from the 2025 member survey have been fed into the communications plan for 2026, including providing greater clarity on death benefits. The modeller continued to be monitored following its update in 2025.
At Retirement	Very good	The Trustee has progressed with developing its offering for members who wish to drawdown their benefits and has chosen to signpost LifeSight as the post-retirement master trust provider; this was extended to Hybrid members during 2025. Members continue to be signposted to their retirement options, with support available in the form of retirement seminars/webinars. In response to the continued complaints around delays, the PSE has been working with LifeSight to better manage the process of transitioning into the post-retirement master trust. This includes enhancing reporting on time taken for accounts to be set up and payments to be made, as well as further reviewing the member journey and communications. The Trustee monitors member behaviour at retirement regularly, to review when DC only members are retiring relative to their Target Retirement Age and their benefit choices.
Default arrangement	Very good	Different defaults are available to different cohorts of members, recognising their different requirements. During the Scheme Year, the Trustee agreed changes to the later phases of the Flexible Income strategy to improve the expected investment return profile for members closer to their target retirement age. The Fulcrum LTAF allocation has been building up over the year towards its target allocation of 15%.
Self-select investment range	Very good	The Scheme offers a good range of DC funds covering all the main asset classes with active and passive options and the option to invest in targeted strategies designed for members who plan to use their DC pension pot to provide a flexible income (e.g. income drawdown), or for annuity purchase or a cash lump sum (reflecting the three broad choices members have at retirement). The agreed changes to the Sustainable & Responsible Equities – active Fund were implemented in February 2025.
Scheme design	Very good	The Scheme's employer contributions are generous compared to the UK market generally, and the banking sector. The Scheme also has relatively high assets under management for its level of membership resulting in an average pot size that is considerably large, pointing to the importance of the Scheme's bespoke design for your members' retirement outcomes

6.1.3. Conclusion

Overall, the Trustee believes that members of the Scheme are receiving good value for the charges and transaction costs that they incur as the assessment showed that members benefited from well-designed default investment strategies and a range of investment options as well as very low charges, amongst other benefits as summarised above.

6.2. Legacy AVC arrangements

The Trustee carries out regular reviews (at least every 3 years) of its legacy AVC arrangements with the last review undertaken on 28 August 2024. This review highlighted no material concerns with the AVC arrangements and confirmed it would be in members' best interests to remain with these providers rather than be transferred into an alternative arrangement because members would suffer detriment (due to their age or the presence of penalties or loss of guarantees) if moved. The next full review is due to be carried out in 2027 with a light touch interim review planned in 2026.

The Trustee continues to close 'empty' legacy AVC policies and remove funds with no remaining members as and when these are identified. While the Trustee's most recent review concluded that it would not be in members' best interests to transfer their AVC assets to an alternative arrangement, the Trustee will continue to communicate with members on the possibility of moving their AVC assets to funds in the main DC investment platform with Fidelity.

7. Trustee knowledge and understanding

7.1. General

The Trustee Directors are required to develop and maintain appropriate levels of knowledge and understanding. Considering the knowledge and experience of the Trustee Directors with the specialist advice received from the appointed professional advisors (e.g. investment advisors, legal advisors), the Trustee believes it is well placed to properly exercise its functions as Trustee of the Scheme.

The Scheme invests considerable support in the design and provision of a Trustee training curriculum to ensure that all Trustee Directors develop and maintain the necessary knowledge, understanding and skills to manage and govern the Scheme effectively. The training is designed to help the Trustee Directors to learn about and discuss current legislative and regulatory requirements concerning pensions law and the principles relating to funding and investment, as well as being cognisant of the key risks that the Scheme and its members are exposed to and how these may best be managed. This is underpinned by the Trustee's policy on knowledge and understanding which was applied during the Scheme year. In accordance with this:

- Every member-nominated Trustee Director candidate must complete the Pensions Regulator's Trustee Toolkit prior to being interviewed for selection. Bank-nominated Trustee Directors are required to comply with the TKU Regulations by completing the Trustee Toolkit within six months of becoming a Trustee Director. The Trustee Toolkit is an online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law.
- The Scheme has a robust onboarding programme for newly appointed Trustee Directors, which includes introductory meetings with key advisors and PSE executive committee members. These sessions provide an opportunity for the advisors and PSE members to introduce themselves and explain their roles, and familiarise the new Trustee Director with relevant scheme and industry materials and concepts.
- Focused training is provided to support the Trustee Directors in advance of specific decisions and topics.
- Trustee Directors have performance conversations with the Board Chair and complete periodic self-assessments to help identify training needs. Trustee Directors are encouraged to seek out specialist training both as regards pensions technical and non-pensions technical matters.
- Training logs are completed for each training session undertaken. The learning log documents what the Trustee has learnt from the module, how it has improved their skills and knowledge and how they will use it in their role as Trustee.
- Trustee Directors are expected to attend all meetings and training sessions to ensure they stay informed of Scheme-specific and regulatory updates. Trustee meeting attendance is recorded.
- All Trustee Directors have access to previous years' training modules, as well as support from advisors and the PSE.

Three of the Trustee Directors, including the Board Chair, are independent trustees, with two of them being professional trustees who represent independent trustee firms. There is a formal annual review of the balance of skills and competencies on the Trustee and on the committees. The Trustee is comfortable that the Committee structure and membership provides sufficient oversight of DC matters.

7.2. Activities during the Scheme year

During the Scheme year, the Trustee Directors undertook the following Trustee training relevant to the Scheme's DC benefits:

- Two Trustee training away days took place, namely an investment day and governance day, to update all Trustee Directors with relevant developments. Example topics covered included factor investing, policy engagement and LGAM Climate impact pledge, Scheme Rules and Diversity, Equity and Inclusion hotspots. Attendance is documented and in 2025, all Trustee Directors attended at least one training day.
- Throughout the year the Trustee Directors have engaged with various other training sessions which focused on topics such as the macroeconomic outlook, Scheme delegations and balance of powers, Pensions Dashboards and the Pension Schemes Bill.

In addition, the following steps were taken in respect of TKU:

- Using the outputs of the skills assessments and feedback from Trustee directors 1:1s, the PSE has devised a training plan for the Trustee as a whole.
- Training needs for individual Trustee Directors were identified by each individual and agreed in the annual reviews held with the Deputy Trustee Chair.
- There was a continual focus on DC governance and investment strategies, as well as training on, amongst other things, legislative changes, Scheme rules and cyber risk management. This approach to Trustee training, in conjunction with the external support received from advisors (described below), enables the Trustee to have the relevant knowledge and understanding of the Scheme documentation, the relevant principles relating to funding and investment, and the law and regulations relating to pensions and trusts, as well as market developments at the appropriate times to effectively run the Scheme and make decisions.
- The Trustee continued to build on its expertise in relation to ESG and climate change risks through a number of training sessions. The frequency and level of training that Trustee Directors receive depends on their role and their membership of specific committees. At these sessions the Trustee Directors receive training from its advisors or on occasion by external experts in a given field. In addition, the transition to a more digital way of working has allowed Trustee advisors to deliver shorter and more targeted training sessions in the form of pre-recorded videos. This allowed Trustee Directors to be better informed and to ask more meaningful questions during quarterly meetings when making decisions.

In particular, during the Scheme year, in addition to the ongoing training outlined above, the Trustee has met the knowledge and understanding requirements by:

- receiving updates on topical issues each quarter from its legal and investment advisors to keep up to date with pensions law and the principles of DC investing;
- obtaining advice from its relevant professional advisors. All Trustee decisions are supported by advice where required, which includes the attendance of professional advisors at Trustee meetings;
- receiving legal advice on the Scheme's trust deed and rules and any amendments required to it, such that the Trustee Directors have a working knowledge of this document;
- the Trustee Directors considering and applying their knowledge of the Trust Deed and Rules, SIP and Trustee policies where relevant to Trustee decisions; and
- attending external events, such as training provided by advisors, topic specific conferences and seminars. As well as learning opportunities, this provides an external perspective of what other schemes are doing and insights relevant to the Scheme.

The Trustee Governance and Nominations Committee appraises the balance of skills and competencies on the Trustee, and Trustee Director succession is planned to address any gaps which are identified in this process.

For the reasons set out above, considering the collective knowledge and experience of the Trustee with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors, the Trustee believes it is well placed to exercise its functions as the Trustee of the Scheme properly.

R Smith
____ Date: 1 July 2026

R Smith, Chair of the Trustee of the HSBC Bank (UK) Pension Scheme For and on behalf of HSBC Bank Pension Trust (UK) Limited

Statement of Investment Principles

HSBC BANK (UK) PENSION SCHEME DEFINED BENEFITS

November 2025

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Section 1: Introduction

Background

1.1. Under Section 35 of the Pensions Act 1995 (Pensions Act) and as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 ('the Investment Regulations'), trustees of a pension fund are required to prepare a statement of principles governing their investment decisions. This is that statement for the Defined Benefits of the HSBC Bank (UK) Pension Scheme ('the Scheme'). The Trustee of the Scheme is HSBC Bank Pension Trust (UK) Limited ('the Trustee').

1.2. The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme consists of three sections; the HSBC UK Bank plc ('HBUK') Section, the HSBC Bank plc ('HCIB') Section and the HSBC Global Services (UK) Ltd ('HGSU') Section. Whilst Defined Benefit ('DB') and Defined Contribution ('DC') benefits are provided by each section, the Statement of Investment Principles for the Scheme's DC benefits is separate to this document.

1.3. In preparing this statement, the Trustee has consulted the persons performing the role of the Bank (as defined in the Scheme Rules) in relation to each of the three sections of the Scheme providing DB benefits and the Scheme Actuary and has sought written advice from the Trustee's investment advisors. At the date of this document:

- the Principal Employer in relation to the HBUK Section is HSBC UK Bank plc;
- the Principal Employer in relation to the HSBC Bank plc Section is HSBC Bank plc; and
- the Principal Employer in relation to the HGSU Section is HSBC Global Services (UK) Limited.

It is the intention of the Trustee to review this statement annually or sooner following any unscheduled actuarial valuation or any other material change in the asset or liability position of the Scheme. It will also be reviewed following any material change to the Scheme's investment strategy.

1.4. The Trustee will consult:

- the Principal Employer of the HBUK Section on changes to this statement that apply to the HBUK Section; and
- the Principal Employer of the HSBC Bank plc Section on changes to this statement that apply to the HSBC Bank plc Section; and
- the Principal Employer of the HGSU Section on changes to this statement that apply to the HGSU Section.

The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.

1.5. In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy, but delegates the responsibility for selection of specific assets to appointed investment managers. The investment managers shall provide the skill and expertise necessary to manage the assets of the Scheme competently.

1.6. In preparing this statement, the Trustee has had regard to the requirements of the Pensions Act 1995 (as amended) and the Occupational Pensions Schemes (Investment) Regulations 2005 concerning the exercise of its investment powers and, in particular, concerning diversification and the specified criteria to be applied in choosing assets. The Trustee will consider those requirements on any review of this statement or any change in its investment strategy. These requirements were also taken into account in determining the benchmark, permitted asset classes and the investment restrictions applicable to the DB fund and asset managers.

1.7. The Scheme is a Registered Pension Scheme for the purposes of Chapter 2 Part 4 of the Finance Act 2004.

Section 2: Governance

2.1. The Trustee has ultimate responsibility for decision-making on investment matters. The Trustee appoints an Asset and Liability Committee ('ALCo') to which it has delegated responsibility for certain investment functions such as developing investment strategy, assessing the quality of performance and processes of the asset and fund managers and identifying potential future asset classes and asset and fund managers. These delegations are set out in a Terms of Reference for each Committee.

2.2. The ALCo handles the majority of investment matters in relation to the assets. ALCo then makes recommendations to the Trustee where decisions are required to be taken by the Trustee.

2.3. When making decisions about the Scheme's investment arrangements, the Trustee takes advice as appropriate from its investment advisors, the Scheme Actuary and/or the Trustee's other advisors. To improve the efficiency of this decision-making process, the Trustee has appointed a Chief Investment Officer to the Pension Scheme Executive. It is the responsibility of the Chief Investment Officer to liaise with the Trustee's advisors to ensure that the procurement of legal and investment advice and their input to the Trustee's decision-making process are optimised from the Trustee's perspective. It is also the responsibility of the Pension Scheme Executive, and especially the Chief Investment Officer, to provide oversight to the Trustee's advisors and asset and fund managers, on behalf of the Trustee.

2.4. Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustee draws on the skills and expertise of external advisors including the asset and fund managers, custodians, legal advisors, accountants, investment advisors and Scheme Actuary, as well as that of the Pension Scheme Executive, especially the Chief Investment Officer.

2.5. The Trustee has appointed asset and fund managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business. After gaining (and reconfirming, at least as frequently as annually) appropriate investment advice, the Trustee has specified asset allocation guidelines for each manager. Investment choice has been delegated to the managers subject to defined tolerances relative to their respective benchmarks. In this context, investment advice is defined by Section 36 of the Pensions Act 1995 (as amended).

2.6. Monitoring is carried out by having regular meetings with the asset and fund managers to ensure that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme. The appointment of the asset and fund managers will be reviewed from time to time, based on the results of monitoring of performance and process and after gaining (and reconfirming, at least as frequently as annually) appropriate investment advice. This includes, where applicable, the asset and fund managers' compliance with the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.

Section 3: Objectives of the Scheme

3.1. There are three DB investment strategies, one for the HBUK Section, one for the HSBC Bank plc Section and one for the HGSU Section.

Objectives for HBUK Section assets

3.2. The objectives for the DB HBUK Section are:

a) maintain a strategy which will enable the Trustee to meet the cost of current and future benefits that the DB HBUK Section of the Scheme provides;

b) ensure that the funding level remains above 100% on the Low Risk Funding Measure ('LRFM') by holding a resilient portfolio that looks to minimise the risk of further contributions being required from the Bank.

3.3. The Scheme Actuary is responsible for carrying out a full investigation into the financial position of the DB HBUK Section and certifying the Technical Provisions on a triennial basis. As an actuarial investigation could give rise to changes in investment policy, it is intended that this statement will be comprehensively reviewed within a reasonable timeframe of the date as at which any such triennial investigation is made. It would also be reviewed following an unscheduled actuarial investigation, or where the Trustee considers a review is needed for other reasons. The Trustee will consult the Scheme Actuary and the Bank when deciding upon the appropriate response to any shortfall identified by any actuarial investigation.

3.4. In order to achieve its objectives, the Scheme holds a low dependency portfolio, the majority of which is implemented using a Cashflow Driven Investment approach ('CDI approach'). This approach involves a strategy consisting of UK Government bonds, high quality investment grade bonds and other secure income assets. The Scheme also holds a diversifying allocation to return-seeking assets in the form of public equities.

3.5. The Trustee considers that the investment policy and direction set out in this statement is consistent with it meeting its overall long-term investment objectives.

Policy for HBUK Section assets

3.6. The Trustee's policy is to seek to achieve the objectives through investing the majority of its assets in a CDI approach, which is outlined in Appendices 2 and 3.

3.7. The CDI approach comprises of three strategies:

- a Liability Driven Investment ('LDI') portfolio consisting of gilts, swaps, other bond derivatives, and cash, and will act as a 'completion' portfolio to help the asset cashflows equate more closely to the liability cashflows.
- credit assets consisting of high quality corporate and government agency bonds, Asset Backed Securities and Mortgage Backed Securities ('ABS' and 'MBS') and global investment grade bonds across a range of durations. This provides a credit premium over and above the return on UK gilts with a level of diversification.
- illiquid matching assets which benefit from secure and/or inflation-linked cashflows, but whose value is not readily realisable. This provides an illiquidity premium over and above the return on UK gilts.

3.8. To the extent that the Scheme retains exposure to return-seeking assets, for diversification and return enhancement purposes, these are likely to be more volatile relative to the liabilities of the Scheme than the cashflow driven investments, albeit with a higher expected return.

3.9. When exercising its powers of investment, including in implementing the hedging arrangements adopted for this section of the Scheme, the Trustee intends to consider, and take into account:

- the exposure of this section of the Scheme, including the potential impact on the funding position measured relative to the Low Risk Funding Measure, to:
    - potential future changes in interest and inflation rates,
    - potential fluctuations in the market value of assets, and the expected returns of those assets, which are expected to outperform the yields on gilts,
    - potential fluctuations in the experience of this section, including as a result of funding any items from the general assets of the Scheme, and
- the cashflow matching characteristics of the assets versus the HBUK Section's liabilities, including:
    - any signs of a structural deterioration in the creditworthiness of assets held, and
    - any mismatch between the size and shape of projected asset cashflows versus projected liability cashflows.
    - the Bank's views on its preferred investment strategy to be followed for any surplus of assets above the Low Risk Funding Measure.

Objectives for the HSBC Bank plc Section assets

3.10. The objective for the DB HSBC Bank plc Section is to maintain a strategy which will enable the Trustee to meet the cost of current and future benefits that the HSBC Bank plc Section of the Scheme provides;

3.11. The Scheme Actuary is responsible for carrying out a full investigation into the financial position of the DB HSBC Bank plc Section and certifying the Technical Provisions on a triennial basis. As an actuarial investigation could give rise to changes in investment policy, it is intended that this statement will be comprehensively reviewed within a reasonable timeframe of the date as at which any such triennial investigation is made. It would also be reviewed following an unscheduled actuarial investigation, or where the Trustee considers a review is needed for other reasons. The Trustee will consult the Scheme Actuary and the Bank when deciding upon the appropriate response to any shortfall identified by any actuarial investigation.

3.12. The Trustee considers that the investment policy set out in this statement is consistent with it meeting its overall long-term investment objectives.

Policy for the HSBC Bank plc Section assets

3.13. Given the small size of the HSBC Bank plc Section relative to the HBUK Section, the Trustee's policy is to invest the assets in a strategy that:

- is easy to implement
- minimises costs
- utilises the scale from the HBUK Section
- is liquid.

3.14. The Trustee has decided that an investment strategy utilising an off-the-shelf corporate bond fund which tracks an investment grade credit index that incorporates ESG factors, off-the-shelf passively managed LDI funds and a sterling liquidity fund are appropriate for this Section.

Objectives for HGSU Section assets

3.15. The objective for the DB HGSU Section is to maintain a strategy which will enable the Trustee to meet the cost of current and future benefits that this Section of the Scheme provides;

3.16. The Scheme Actuary is responsible for carrying out a full investigation into the financial position of the DB HGSU Section and certifying the Technical Provisions on a triennial basis. As an actuarial investigation could give rise to changes in investment policy, it is intended that this statement will be comprehensively reviewed within a reasonable timeframe of the date as at which any such triennial investigation is made. It would also be reviewed following an unscheduled actuarial investigation, or where the Trustee considers a review is needed for other reasons. The Trustee will consult the Scheme Actuary and the Bank when deciding upon the appropriate response to any shortfall identified by any actuarial investigation.

3.17. The Trustee considers that the investment policy set out in this statement is consistent with it meeting its overall long-term investment objectives.

Policy for HGSU Section assets

3.18. Given the small size of the Section relative to the HBUK Section, the Trustee's policy is to invest the assets in a strategy that:

- is easy to implement
- minimises costs
- utilises the scale from the HBUK Section
- is liquid.

3.19. The Trustee has decided that an investment strategy utilising an off-the-shelf corporate bond fund which tracks an investment grade credit index that incorporates ESG factors, off-the-shelf passively managed LDI funds and a sterling liquidity fund are appropriate for this Section.

Suitability

3.20. The Trustee has taken advice that the strategic asset allocations for the HBUK, HSBC Bank plc and HGSU Sections are suitable, given their liability profile and the level of risk the Trustee is prepared to take. The Trustee will continue to monitor, and take advice on, the strategy, portfolios and funds used on an ongoing basis.

Realisation of Investments

3.21. The Trustee's policy is that there should be sufficient liquid or readily realisable assets to meet cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Trustee's overall investment policies where possible.

3.22. The Trustee has delegated responsibility for the selection, retention and realisation of assets to the fund and asset managers, within certain guidelines and restrictions.

3.23. The Trustee and fund and asset managers that have delegated discretion, are required to exercise their powers in a manner calculated to ensure the security, quality, liquidity and profitability of the Scheme. The Trustee invests the assets of the Scheme in a manner it believes to be appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme. The Trustee aims to invest the majority of the assets of the Scheme in regulated markets and any allocation to unregulated markets is maintained at a prudent level.

Diversification

3.24. The need for adequate diversification is taken into account in the choice of asset allocation and investment manager structure in the HBUK, HSBC Bank plc and HGSU Sections.

Derivatives

3.25. The Trustee may use, or permit the fund and asset managers to use derivative instruments if they contribute to a reduction of risks or facilitate efficient asset management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk).

Additional Voluntary Contributions

3.26. The Scheme provides a facility for the receipt of additional voluntary contributions by members to enhance member benefits at retirement. The Trustee has undertaken a large project to significantly reduce the number of legacy funds and portfolios available to DB members who pay voluntary contributions or bonus sacrifices and provide them with access to the fund range offered to members with DC benefits. The majority of members' assets held through the range of legacy funds have been transitioned to the DC fund range. With certain exceptions, all future voluntary contributions and bonus sacrifice payments will be directed to the DC fund range. The ALCo monitors the remaining legacy funds.

Section 4: Strategic asset allocation and manager structure

HBUK Section

4.1. The Scheme's HBUK Section asset allocation has been set following an analysis of both assets and liabilities that has considered the full range of investment opportunities available to the Scheme. Asset allocation is regularly reviewed. The assets are detailed in Appendices 2 and 3.

4.2. The HBUK Section asset allocation is driven by the financial characteristics of the Scheme, in particular the Scheme liabilities and the risk tolerance of the Trustee and the Principal Employer of the HBUK Section. The allocation takes account of the need to adequately diversify the HBUK Section's assets and to avoid undue concentration of risk.

4.3. The Trustee appoints its asset and fund managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets, which is discussed further in Section 6. When assessing an asset or fund manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an asset or fund manager's appointment based purely on short term performance. However, an asset or fund manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure, the investment team or agreed contractual terms.

4.4. Alignment between an asset or fund manager's management of the Scheme's assets and the Trustee's policies and objectives are a fundamental part of the appointment process of a new asset or fund manager. The following steps are taken to encourage alignment between the Trustee and its asset and fund managers:

- before investing, the Trustee will seek to understand the asset or fund manager's approach to sustainable investment (including engagement). When investing in a pooled investment vehicle, the Trustee will ensure the investment objectives and guidelines of the vehicle are consistent with its own objectives, set out in Section 6. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement.
- to maintain alignment, asset and fund managers are provided with the most recent version of the Scheme's Statement of Investment Principles, which includes the Trustee's policy on sustainable investment, on an annual basis and are required to explicitly confirm that the Scheme's assets are managed in line with the Trustee's policies as outlined in those documents.
- should the Trustee's monitoring process reveal that an asset or fund manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the asset or fund manager further to encourage alignment. This monitoring process includes specific consideration of the environmental, social and governance ('ESG') characteristics of the assets and the asset or fund managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the asset or fund manager will be considered for termination.

4.5. Asset and fund managers are paid an ad valorem fee and/or performance related fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee reviews the fees incurred in managing the Scheme's assets triennially. The Trustee reviews the other costs incurred in managing the Scheme's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the turnover costs at an individual asset or fund manager level, the Trustee will have regard to the actual turnover and how this compares with the expected turnover range for that mandate.

HSBC Bank plc Section

4.6. Given the nature of the liabilities within the HSBC Bank plc Section (largely covering the effects of salary increases), the Trustee believes that a corporate bond fund plus LDI assets is appropriate. In the interests of simplicity and cost minimisation, the Trustee has invested these assets in an off-the-shelf corporate bond fund which tracks an investment grade credit index that incorporates ESG factors, pooled LDI funds and sterling liquidity funds. The HSBC Bank plc Section's asset allocation and fund manager structure are outlined in Appendix 4.

HGSU Section

4.7. Given the nature of the liabilities within the HGSU Section (largely covering the effects of salary increases), the Trustee believes that a corporate bond fund plus LDI assets is appropriate. In the interests of simplicity and cost minimisation, the Trustee has invested these assets in an off-the-shelf corporate bond fund which tracks an investment grade credit index that incorporates ESG, pooled LDI funds and sterling liquidity funds. The HGSU Section's asset allocation and fund manager structure are outlined in Appendix 5.

General

4.8. The Trustee has considered the use of both passive and active management when reviewing the Scheme's strategy, in each of the sections of the Scheme. The resultant use of active and passive management is formed following consideration of the efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the asset and fund manager fees on future expected returns.

Rates of return

4.9. In setting the strategic asset allocations, the Trustee has regard to the historical rates of return earned on the various classes of asset available for investment. The Trustee's expectations for the future long-term returns on the asset classes in which the Scheme's assets are principally invested are set out in Appendix 6.

Section 5: Investment beliefs

5.1. The Trustee holds the following set of DB investment beliefs which help to guide the Trustee's investment decision making so that it can fulfil its mission to pay DB benefits as they fall due.

Understanding the world on which we rely to deliver resilient retirement outcomes for members

- global systems, such as the planet, its climate, its people and societies have a material impact on the whole of the economic system, today and over the longer term.
- a robust global economy, society and planet are critical elements for stable and resilient retirement outcomes for members.
- ESG risks and opportunities are important factors to consider in investment decision making. Some ESG risks and opportunities may be specific to certain companies or assets, others can have a material impact on large parts of the global economy and are considered risks to the whole economic system.

Navigating the risks and opportunities over the long-term

- investment returns can be enhanced by investing over the long-term in equities, credit and illiquid assets (such as real estate and infrastructure) where appropriate.
- there can be a material benefit to members when the Trustee acts quickly to take advantage of new investment opportunities.
- good stewardship and engagement can protect or enhance member retirement outcomes in the long-term.
- liability risks (interest rate, inflation and life expectancy) should be removed where practicable and in a cost-efficient manner.

5.2. The Trustee has adopted a set of investment principles to help guide investment implementation.

Practising Good Governance

- the Trustee will focus its time and effort towards investment decisions that will have the greatest positive effect on member outcomes.
- conflicts of interest between the Trustee and its advisors and stakeholders (such as investment advisors, investment managers, Pension Scheme Executive, the Banks and members) will be monitored and managed.

Building and implementing a robust investment strategy

- the amount of risk taken in the DB investment strategies will be directly related to the strength of the Banks' ongoing support to the Scheme.
- both quantitative and qualitative factors should be taken into account when evaluating and managing investment risk.
- for the HBUK section, the Trustee will focus on generating the required cashflows to pay members benefits as they fall due, using low risk assets. Short term market price changes can be tolerated provided the expected cashflows due from the assets are not permanently lost.
- the benefits of active management can only be harnessed by skilful managers in select asset classes, and where appropriately skilful managers can be identified by the Trustee, its Pension Scheme Executive and its advisors.
- asset and fund manager mandates that can replicate active management strategies in a cost-effective manner are preferable solutions for some types of asset classes.

Section 6: Environmental, social and governance ('ESG') and other financially material considerations

6.1. Section 5 outlines the Trustee's investment beliefs, including in relation to ESG factors. In summary, the Trustee recognises that global systems, such as the planet, its climate, its people and societies have a material impact on the whole of the economic system, today and over the longer term. A robust global economy, society and planet are critical elements for stable and resilient retirement outcomes for members. ESG risks and opportunities are important factors to consider in investment decision making. Some ESG risks and opportunities may be specific to certain companies or assets, others can have a material impact on large parts of the global economy and are considered risks to the whole economic system.

6.2. The Trustee has chosen to prioritise a number of system-wide ESG risks which it believes are considered especially financially material to the Scheme, now and/or in the future. These priorities have been identified using evidence-based research and training and include:

- climate change
- biodiversity and nature related loss, including antimicrobial resistance
- diversity, equity and inclusion.

6.3. The Trustee anticipates evolving its approach on these system-wide ESG risks over a number of years. To date, the Trustee is most progressed in its integration and oversight of risks and opportunities related to climate change.

6.4. In setting the investment strategy for the HBUK Section, the HSBC Bank plc Section and the HGSU Section the Trustee's primary objective is to maintain a strategy appropriate to each Section which will enable the Trustee to meet the cost of current and future benefits that the Scheme provides. ESG factors can have a material financial impact on the value of the Scheme's assets over the time horizon applicable to each Section. The Trustee therefore believes that by taking such factors into account in its investment process, the Scheme is better positioned to deliver on its objectives.

6.5. The Trustee aims to take account of ESG factors when setting the asset allocation for each Section, and when selecting (and monitoring the performance of) its appointed asset and fund managers. For most of the Scheme's assets, the Trustee expects the asset and fund managers to invest with a long-time horizon, and to use their engagement activity to aim to drive improved performance over these periods.

6.6. The Trustee aims to adopt the following approach in relation to the selection (and monitoring) of asset and fund managers:

- in relation to mandates where the asset or fund manager is permitted to make active decisions about the selection, retention and realisation of assets, the Trustee expects the asset or fund manager to take steps to incorporate financially material considerations (including ESG considerations) into the investment decision-making process where permissible, within applicable guidelines and restrictions. The Trustee undertakes regular reviews to ensure the policy is being carried out effectively and in line with evolving good practice.
- Nevertheless, in index-tracking (passive) mandates, the Trustee recognises that the choice of index dictates the assets held by the asset or fund manager and that the asset or fund manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive asset or fund manager is to deliver returns in line with the index and this approach is in line with the basis on which their current strategy has been set. Although, the Trustee also expects that its passive asset and fund managers will make efforts to undertake effective stewardship and engagement in order to improve the assets under management where possible, including but not limited to company, public policy and/or regulatory level engagement. The Trustee periodically reviews the indices employed for this purpose and keeps up to date with other passive fund options available in the market via updates from its investment advisors.

6.7. The Trustee aims to apply these principles to all asset classes, although a greater emphasis is given to credit, listed and unlisted equities, property and infrastructure assets.

6.8. The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Scheme's assets. Within the context of its fiduciary responsibility, the Trustee is supportive of the Paris Agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

6.9. The Trustee has set a long-term objective for the Scheme's assets (across both its DB and DC assets) to emit 'net zero' Greenhouse Gas ('GHG') emissions by 2050 or sooner. The ambition will be to achieve this well in advance of this date.

6.10. An interim target date of 2030 has been set to attempt to ensure that sufficient progress is made towards the ultimate target of reaching net zero GHG emissions. The interim targets include:

- a real economy emissions reduction of 50% by 2030 or sooner for the Scheme's equity and corporate bond funds and portfolios.
- having the ambition of achieving all of the Scheme's corporate bond and equity funds and portfolios being fully aligned to the goals of the Paris Agreement by 2030 across its DB and DC assets.
- enhancing the Trustee's engagement and stewardship efforts through working collaboratively with the Trustee's asset and fund managers.

6.11. The Trustee considers climate-related factors within its separately documented scheme-wide Sustainability Risk Management Framework. In summary, the Trustee:

- has made ALCo responsible for aiming to ensure that the Trustee's climate objectives are implemented into the Scheme's investment policy. This includes selecting the appropriate analysis and metrics to measure climate-related risks and opportunities;
- requires its investment advisors to advise on, and provide objective assessments of, differing approaches to responsible investment to help the Trustee decide appropriate responsible investment objectives for the Scheme. This includes informing the Trustee of new responsible investment opportunities or emerging risks and assisting with the implementation of the climate-related strategy of the Trustee;
- has included specific climate-related objectives in the advisors' annual objectives to attempt to ensure its advisors are taking adequate steps to identify and assess climate-related risks and opportunities. The Trustee annually assesses the delivery of this advice using the Pension Regulator's Investment Consultant Objectives framework;
- expects its appointed asset and fund managers to be cognisant of climate change risks and opportunities within their investment processes as applied to the Scheme assets. Asset and fund managers are further required to annually report on how these risks and opportunities have been incorporated into the investment process within applicable guidelines and restrictions;
- has a preference for 'Engagement' rather than 'Exclusion' as a method of incorporating climate change risks into an effective fiduciary framework. However, the Trustee recognises that in some circumstances, exclusion may be necessary. For example, supporting an orderly transition of the energy sector from a high carbon intensive sector to a low carbon intensive sector, in a manner that is in line with the Trustee's long-term investment objectives and fiduciary duties, requires considerable engagement, and may require exclusion of certain securities to avoid stranded asset risk. The Trustee expects asset and fund managers to independently consider whether exclusion or engagement is more appropriate within their investment process;
- encourages the further development of asset classes that are supportive of the ambition to achieve the well below 2°C target provided they are all based within the primary fiduciary framework;
- supports the Task Force on Climate-related Financial Disclosures ('TCFD') and aims to incorporate its recommendations into the Scheme's reporting, subject to data availability;

- supports the further development of effective climate change risk metrics to enhance the ability of all stakeholders in the investment chain to assess and minimise such risks;
- supports the Transition Pathway Initiative and uses the analysis it provides to review material exposures to the world's largest emitters and inform impactful engagement strategies through its investment managers, in line with the Trustee's investment beliefs;
- recognises that 'Climate Change' will be subject to much further analysis and subsequent policy changes in the coming years. The Trustee is supportive of adopting an evolving policy in order to ensure all relevant developments are captured; and
- is supportive of policy initiatives that, in its opinion, contribute towards the ambition of achieving the well below 2°C target.

6.12. The Trustee will support Responsible Investment organisations or initiatives where it believes that doing so will help the Trustee achieve at least one of the following goals:

- aim to help to implement new Responsible Investment solutions in a proportionate and practical way with a clear focus on excellence and continuous improvement.
- aiming to inform government policy, market developments and pension funds with respect to Responsible Investment.
- aim to improve the risk and return characteristics of investments to increase the likelihood of members receiving benefits as they fall due.
- aim to improve transparency in reporting, being generous with knowledge and helping to shape new ideas within Responsible Investment.

6.13. Currently the Trustee is associated with the following organisations:

- a member of the Institutional Investor Group on Climate Change ('IIGCC')
- a member of the Willis Towers Watson Thinking Ahead Institute ('TAI')
- a signatory to the Asset Owner Diversity Charter
- a signatory to the UK Stewardship Code
- a supporter of the Transition Pathway Initiative ('TPI')
- a supporter of Climate Action 100+

6.14. The Trustee recognises that it cannot support all organisations or initiatives and so will review its associations periodically.

6.15. The Trustee has a policy of avoiding investments in controversial weapons manufacturers on grounds of financial risk, as it believes this is in the best financial interests of the Scheme and its members. Where the financial implications of excluding controversial weapons manufacturers (either due to increased costs to members or reduced investment opportunities) are, in the opinion of the Trustee, greater than the financial risks of including them, some exposure to controversial weapons manufacturers may be maintained. The Trustee has a policy of requesting that each of its appointed asset and fund managers' report on an annual basis whether they have any exposure to controversial weapons manufacturers.

6.16. The Trustee seeks to avoid investments which may present a legal risk and/or financial risk to the Trustee or the Scheme as a result of over-riding legislation or international sanctions. These currently include:

- companies that breach any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the United Kingdom, European Union or United States of America; and
- companies with ties to the legal production of and/or retail sale of cannabis products for recreational use.

This position has been taken on the grounds of protecting the Trustee and the Scheme from the legal and financial risks associated with such assets and is considered to be in the best financial interests of the Scheme and its members. The Trustee expects its appointed asset and fund managers to adhere to this position and monitor for any potential changes and regularly report back to the Trustee, as far as it is practical to do so.

Members' Views and Non-Financial Factors

6.17. The Trustee does not take into account any non-financial matters in setting the investment strategy for the HBUK Section, the HSBC Bank plc Section and the HGSU Section.

Stewardship

6.18. The Trustee has examined how rights, including voting rights, attached to assets should be exercised. The Trustee recognises its responsibilities as shareholders being the owners of capital, and believes that good stewardship practices including monitoring and engaging with investee companies, and exercising voting rights attaching to assets, protects and enhances asset owner value in the long-term.

6.19. The Trustee has delegated to its asset and fund managers the exercise of rights attached to assets, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations. The Trustee expects its asset and fund managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, which reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and which are provided to the Trustee from time to time, taking into account the financial interests of the beneficiaries.

6.20. The Trustee seeks to appoint asset and fund managers that have strong stewardship policies and processes. While the Trustee chooses asset and fund managers with an aim to align their beliefs on stewardship, and there is a degree of influence, the Trustee has less direct influence over the fund managers' policies on the exercise of investment rights where assets are held in funds; this is due to the collective nature of these investments.

6.21. The Trustee monitors and regularly reviews the ownership rights that it has delegated to its asset and fund managers as well as how the asset and fund managers have voted and engaged with the companies in which they invest. This process is to ensure the policy is also being carried out effectively and in line with evolving good practice.

6.22. The Trustee has a separate Stewardship and Voting Policy, which sets out how DB fund and asset managers are held to account for the use of their influence as owners or part-owners of assets. The Trustee considers DB fund and asset managers' voting policies and records and requires DB fund and asset managers to report significant votes as relevant. As active owners, the Trustee holds its DB fund and asset managers to account for their voting activities to seek to ensure they are exercising voting rights in the members' best interests. The effective delivery of stewardship is one of the key factors the Trustee engages managers on.

6.23. To best channel stewardship efforts, three key priorities have been identified, described in more detail earlier in Section 6. These stewardship priorities are reflected in the Stewardship and Voting Policy described above and the Trustee monitors DB fund and asset managers' voting and engagement practices in the context of these priorities.

Section 7: Risk Management

7.1. The Trustee recognises a number of risks involved in the investment of the Scheme's DB assets:

- Funding risk:
  - is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the Scheme's investment policies.
  - is managed through assessing the progress of actual growth of the assets relative to the amounts expected to be required to meet the projected liabilities by reference to various assumptions as to future investment returns.
- Cashflow risk:
  - is measured by assessing the size and timing of expected cashflows generated by the Scheme's assets relative to the expected cash outflows to meet the Scheme's liabilities.
  - is managed by annually assessing the expected cashflows of the asset relative to liabilities as part of the strategy review, and monitoring changes to expected future income as a result of changes in assumptions around credit defaults.
- Liquidity risk:
  - is measured by the level of cashflow required for the Scheme over a specific period and the amount of liquid assets available to cover cash requirements in stressed market conditions.
  - is managed by the Scheme administrators assessing the level of cash held in order to limit the impact of the cashflow requirements on the investment policy and ALCo monitoring the relative size of available liquid assets to required liquidity in stressed conditions.
- Credit risk:
  - is measured by assessing the characteristics (eg credit quality, issuer diversification, spread, maturity) of the credit portfolio in aggregate on a quarterly basis.
  - is managed by providing each of the Scheme's credit managers with a set of clear guidelines by which to manage to the assets.
- Liability hedging risk:
  - is measured by assessing the level of interest rate and inflation exposure within the Scheme's assets relative to the interest rate and inflation exposure within the Scheme's liabilities.
  - is managed by the Scheme's LDI manager being given clear guidelines by which to manage to assets, including consideration of assets that have interest rate and/or inflation sensitivity outside of the LDI portfolio. The sensitivities that they are required to match are updated at least every three years following each Actuarial valuation, or more frequently if there is a significant change in market conditions or assumptions.
  - The Trustee also hedges a proportion of the longevity risk within the pensioner population.
- Currency risk:
  - is measured by the level of concentration of assets denominated in any foreign currency and the translation effect of currencies leading to the risk of an adverse influence on investment values arising from unfavourable conditions affecting that particular currency.
  - is managed by reducing the translation risk of investing overseas by pursuing and monitoring an appropriate level of hedging of the overseas assets' currency translation risk for those overseas currencies that can be hedged efficiently.

- Sustainability risks:
  - are sources of risk to the Scheme's assets which could be financially material over both the short and longer-term. Climate change, specifically, is considered to be a systemic risk by the Trustee, though it is difficult to measure with a single number. The Trustee seeks to appoint fund and asset managers who will manage these risks appropriately on its behalf and regularly reviews how these risks are being managed in practice.
  - the risks highlighted in this section are considered and monitored on a regular basis by the ALCo or Trustee, which includes a qualitative review of the factors as set out above as well as regular quantitative reviews of investment performance over various periods against benchmark, performance targets and the Scheme actuarial assumptions.
  - Climate risk, specifically, is managed through a combination of both positive and negative tilts where appropriate as well as a robust engagement policy via the Trustee's appointed fund and asset managers. (See detailed Climate Change Policy in Section 6)
- Inflation basis risk:
  - is measured by assessing the impact of changes in key inflation assumptions such as the RPI/CPI gap and the use of inflation delta assumptions within the liability proxy.
  - is managed through the regular comparison of these metrics to agreed limits and the update of the liability proxy should the limits be breached.
- Operational risk:
  - is measured by ongoing monitoring of fund and asset managers actions relative to the guidelines that have been set.
  - Is managed, where the Trustee has direct control, through the use of investment management agreements and clear guidelines being provided to the Scheme's asset managers.
- Asset and fund manager risk:
  - is measured by the expected deviation of the prospective risk and return, as set out in the asset and fund manager objectives, relative to the agreed benchmark.
  - is managed by monitoring the actual deviation of returns relative to the objective as well as factors supporting the investment process for each asset and fund manager. It is further managed through the diversification of the Scheme's assets between active and passive asset and fund managers and negotiation of appropriate investment management agreements.
- Counterparty risk:
  - Is measured through the monitoring of the activities of the asset managers and assessing the custodians and the ability of the organisations to settle trades on time and provide secure safekeeping of the DB assets.
  - is managed through the use of standard ISDA documentation, appropriate Credit Support Annexes and collateral management and by monitoring the custodians' activities and discussing the performance of the custodians with the asset managers where appropriate. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made and the Trustee does not allow its custodian to engage in any stock lending of the Scheme's assets.
- Covenant risk:
  - is measured by the level, ability and willingness of the Bank to support the continuation of the Scheme and to make good any current or future deficit.
  - is managed by assessing the interaction between the Trustee and the Principal Employers (for the HBUK Section, the HSBC Bank plc Section and the HGSU Section) businesses, as measured by a number of factors including the creditworthiness of the Banks and the size of the pension liability relative to a number of metrics reflecting the financial strength of the Banks.

The ALCo endorsed the SIP on 28 November 2025 and the full Board approved the SIP on 17 December 2025. Document effective from 1 January 2026.

Appendix 1: Responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of advice and service. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the Banks;
- developing a mutual understanding of investment and risk issues with the Banks;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) asset and fund managers, investment advisors and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the asset and fund managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on taking account of non-financial factors when making investment decisions and a policy on voting rights;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the Banks when reviewing the SIP.

The Trustee has delegated responsibility for a number of investment matters to the ALCo. The full delegations are set out in the Trustee's Delegations Framework and the ALCo's Terms of Reference.

The Trustee has appointed a Chief Investment Officer ('CIO') to the Pension Scheme Executive. It is the responsibility of the CIO to liaise with the Trustee's advisors to ensure that the procurement of legal and investment advice and their input to the Trustee's investment decision making process are optimised from the Trustee's perspective.

2. Asset and fund managers

In broad terms, the asset and fund managers will be responsible for:

- managing assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing assets;
- exercising rights (including voting rights) attached to assets and undertaking engagement activities in respect of assets;
- having regard to the provisions of Section 36 of the Pensions Act 1995 insofar as it is necessary to do so.

The custodians of the assets (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions.

The Trustee, the CIO and its advisors will have regular meetings with the asset and fund managers to ensure they continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme.

3. Investment advisors

In broad terms, the investment advisors will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on a suitable investment strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this;
- advising on the selection, and review, of the asset and fund managers; and
- participating with the Trustee in reviews of this SIP.

4. Fee structures

The Trustee recognises that the provision of asset and fund management and advisory services to the Trustee results in a range of charges to be met. These charges are accounted for in the Trustee's investment decision making. The Trustee monitors the level of additional expenses charged by fund and asset managers to ensure that they remain appropriate.

The Trustee has agreed Terms of Engagement with the Trustee's investment advisors, under which work undertaken is charged for by an agreed fixed fee or on a 'time-cost' basis.

5. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's assets and the Trustee's investment providers and professional advisors from time to time. The Trustee will also carry out periodically an assessment of its own effectiveness as a decision-making body and will decide how this may then be reported to members.

Appendix 2: HBUK Section

Based on advice from the investment advisors and Scheme Actuary, the Trustee has adopted a CDI approach to investment strategy and hedging of investment risks for the majority of its portfolio. These assets seek to generate cashflows which broadly match the expected benefit obligations arising from the Scheme's liabilities. As such, the asset class weights in the Scheme are expected to evolve over time as asset cashflows are released, reducing the value of the Scheme assets and impacting the relative proportions of remaining assets. Some legacy Illiquid assets held under the preceding strategy have been placed in run off and remain within the Scheme until the run-off is complete.

The strategy is also designed to mitigate risk (some rewarded, some unrewarded), as follows:

- **Interest rate hedging**: It is the Trustee's policy to hedge interest rate risk in the liabilities. The credit and illiquid matching assets within the Scheme provide a level of interest rate sensitivity, with the remainder of the target exposure provided by a completion portfolio of derivatives and gilts.
- **Inflation hedging**: It is the Trustee's policy to hedge inflation risk in the liabilities. Modest inflation exposure is provided by the Scheme's illiquid matching assets, with the remainder of the target exposure provided by a completion portfolio of derivatives and gilts.
- **Currency hedging** (and overseas interest rate exposure): The Trustee's policy is that a proportion of the Scheme's foreign currency exposure generated by its overseas assets should be hedged back to sterling. This is achieved across several channels utilising instruments such as cross currency swaps and currency forwards.
- **Longevity hedging**: The Trustee considers that longevity (members living longer than anticipated) is a significant risk and as such have entered into longevity swap contracts to hedge a proportion of the longevity risk. As at 30 June 2025, this represents around 49% of the pensioner liabilities.

Appendix 3: HBUK Section – Manager Structure

The table below identifies the current asset and fund managers appointed, indices used as a performance measurement benchmark for each asset class and each manager's target performance.

DB fund or portfolio	DB fund or asset manager	Benchmark/Index	Performance target (for active management)
Private equity	Pathway Capital Management[2]	30% FTSE 100, 70% S&P 500[1]	4.0% per year over the long-term
Global equity	Legal & General - Asset Management	Robeco Custom Global Multi-Factor Equity Index Mid-Day GBP (Net Total Return)	To perform in line with the benchmark index within an annualised tracking error of +/- 0.5%.
Global credit	Schroder Pension Management Limited	Custom mandate	N/A
Global credit	AXA Investment Management	Custom mandate	N/A
Global credit	Legal & General - Asset Management	Custom mandate	N/A
Global credit	Loomis, Sayles & Company	Barclays Capital Global Aggregate Credit Index, (Dev Mkt GBP hedged)	0.75% - 1.0% per year above benchmark over rolling three years
Global securitised credit	M&G Investments	1-Month EURIBOR	1% - 1.5% return above the benchmark over the long-term
Asset-backed securities (US)	Wellington Management	3-Month T-Bills	1.3% - 1.8% per year above benchmark over rolling five years
Liquid Matching Assets (index-linked gilts and swaps)	Insight Investments	Custom mandate	N/A
Liquid Matching Assets (USD and GBP Core Portfolio)	Insight Investments	Custom mandate	N/A
Cash – liquidity	HSBC Global Asset Management	Sterling Overnight Index Average (SONIA)	N/A
UK commercial property	LaSalle Investment Management	N/A – Mandate in run-off	N/A
Illiquid Matching Assets (index-linked corporates)	M&G Investments	Custom mandate	N/A
Illiquid Matching Assets (property)	LaSalle Investment Management	Custom mandate	N/A
Illiquid Matching Assets (renewables)	Schroders Greencoat	Custom mandate	N/A
Illiquid Matching Assets (infrastructure debt)	Vantage Infrastructure	Custom mandate	Gilts + 175 bps net of fees and expenses for fixed rate assets; SONIA + 175 bps net of fees and expenses for floating rate assets
Illiquid Matching Assets (ground rents)	Alpha Real Capital	Custom mandate	N/A

1) Included only for performance measurement, the Manager being required to manage to a different agreed benchmark.

2) Pathway also manages (on a monitoring basis) the legacy HSBC and Montagu private equity investments.

Appendix 4: HSBC Bank plc Section – Asset allocation and structure

Asset allocation

Based on advice from the investment advisors and Scheme Actuary, the Trustee has agreed to invest the HSBC Bank plc Section assets in the Future World GBP Corporate Bond Index Fund, two LDI pooled funds and a sterling liquidity fund. The Trustee will undertake to review the asset allocation on a regular basis and at least once every three years taking account of prevailing market conditions, investment opportunities and feedback from the Bank.

DB fund	DB fund manager	Benchmark/Index	Performance target (for active management)
Future World GBP Corporate Bond Index Fund	Legal & General - Asset Management	Solactive L&G ESG GBP Investment Grade Corporate TR Index	N/A
Matching Core Fixed Long Fund (LDI)	Legal & General - Asset Management	N/A	N/A
Matching Core Real Long Fund (LDI)	Legal & General - Asset Management	N/A	N/A
Sterling Liquidity Fund	Legal & General - Asset Management	SONIA	N/A

Appendix 5: HGSU Section – Asset allocation and structure

Asset allocation

Based on advice from the investment advisors and Scheme Actuary, the Trustee has agreed to invest the HGSU Section assets in the Future World GBP Corporate Bond Index Fund, two LDI pooled funds and a sterling liquidity fund. The Trustee will undertake to review the asset allocation on a regular basis and at least once every three years taking account of prevailing market conditions, investment opportunities and feedback from the Bank.

DB fund	DB fund manager	Benchmark/Index	Performance target (for active management)
Future World GBP Corporate Bond Index Fund	Legal & General - Asset Management	Solactive L&G ESG GBP Investment Grade Corporate TR Index	N/A
Matching Core Fixed Long Fund (LDI)	Legal & General - Asset Management	N/A	N/A
Matching Core Real Long Fund (LDI)	Legal & General - Asset Management	N/A	N/A
Sterling Liquidity Fund	Legal & General - Asset Management	SONIA	N/A

Appendix 6: Risk and return assumptions

1. HBUK Section

The HBUK Section's strategy was constructed with reference the cashflows generated by the assets. The allocations were set such that, accounting for a prudent amount of defaults, the assets are expected to generate cashflows that are broadly aligned with those of the Scheme's liabilities. The expected yield over gilts of the assets was 66bps as at the date of the most recent cashflow analysis (June 2024). The Trustee's long-run target investment return for the asset portfolio is a 80bps yield over gilts.

2. Bank and HGSU Sections

The asset class assumptions utilised in the latest HCIB and HGSU Section strategy work are as follows (effective 30 June 2023)

Asset classes	10 year median real return	10 year median returns over Gilts	10 year standard deviation (relative to RPI)
	% pa	% pa	% pa
Corporate Bonds	1.8%	1.1%	0.9%
Liability matching portfolio	0.6%	-0.2%	0.7%
UK Cash	0.8%	0.0%	0.7%

Statement of Investment Principles

HSBC BANK (UK) PENSION SCHEME DEFINED CONTRIBUTIONS

November 2025

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Statement of Investment Principles for the HSBC Bank (UK) Pension Scheme – Defined Contributions

Section 1: Introduction

This Statement of Investment Principles ('SIP') sets out the policy of the HSBC Bank Pension Trust (UK) Limited ('the Trustee') on various matters governing decisions about the investments of the HSBC Bank (UK) Pension Scheme ('the Scheme'). The Scheme consists of three sections; the HBUK Section, the HSBC Global Services Section and the HSBC Bank plc Section. Each section provides Defined Benefit ('DB') and Defined Contribution ('DC') benefits. This SIP covers all the DC benefits of all three sections, including default arrangements and self-select options, and replaces the previous SIP dated November 2024. For details on the Scheme's DC investment arrangements, please see the separate Investment Policy Implementation Document ('IPID').

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ('the Act'), the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's DC advisor, whom the Trustee considers to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments, including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustee has consulted with the Principal Employers in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisors, and will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, or in the demographic profile of the relevant members, and at least once every three years.

Appendix 1 sets out details of the respective key responsibilities of the Trustee, platform provider, advisor and DC fund managers. It also contains a description of the basis of remuneration of the advisor and the DC fund managers.

Appendix 2 sets out the Trustee's policy towards risk measurement and management.

Section 2: Investment objectives

The Trustee's primary objectives are to provide members with access to:

- an appropriate range of high-quality investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement; and
- default investment arrangements that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The Scheme's default arrangements' objectives are to generate returns above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near the taking of their DC pension pot.

Section 3: Investment strategy

The Trustee has made available a range of DC investment funds ('DC funds') for members. Each member is responsible for specifying one or more DC funds for the investment of their DC pension pot, having regard to their attitude to the risks involved. If a member does not choose an investment option, their DC pension pot will be invested into a default arrangement, deemed most appropriate to them, which is managed as a 'targeted' strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).

The Scheme has different default arrangements for members, depending on the type of benefits they have. The default arrangements have been designed to be in line with what the Trustee believes to be the best interests of the majority of the members based on the demographics of the Scheme's membership.

For members with only DC benefits, the main default arrangement targets flexible income drawdown at retirement, since the Trustee believes that most of these members will wish to take their benefits in this form. Therefore, the initial growth phase is invested to target a return above inflation, and then in the 20 years before retirement, it switches gradually into a lower risk strategy, with the asset allocation at retirement being designed to be appropriate for members who wish to flexibly take their benefits through an income drawdown arrangement or remain invested in the Scheme. This default targeted strategy continues to move into a lower risk asset allocation with a proportion of cash holdings in the 5 years following a member's target retirement age; providing further gradual de-risking for members who may not have updated their target retirement age despite deciding to retire at an older age.

For members with both a DC pension pot and DB benefits in the Scheme, called Hybrid benefits, the main default arrangement targets a cash lump sum at retirement, because the Trustee believes that most of these members will wish to take their DC benefits in this form. Similar to the main default for DC members, the initial growth phase targets a return above inflation, and then in the 20 years before retirement, it switches gradually into a lower risk strategy, into an asset allocation at retirement designed to be appropriate for member taking a cash lump sum. This default targeted strategy for members with Hybrid benefits also continues to move into lower risk asset allocation in the 5 years following a member's target retirement age; providing further gradual de-risking for members who may not have updated their target retirement age despite deciding to retire at an older age.

In addition to the two main default arrangements, the Scheme also currently offers an alternative targeted strategy; one designed to be appropriate for members who wish to purchase an annuity at retirement. This strategy was the previous main default arrangement for members of the Scheme with DC benefits and therefore continues to be considered a default by the Trustee for the purpose of fulfilling legislative requirements. This targeted strategy does not further change its asset allocation once a member has reached their target retirement age.

As well as the three targeted strategies noted above, the Scheme also makes use of an additional default arrangements called the Cash - active (default). This fund was introduced following a decision taken to ensure a separate fund (ie one which members could not self-select into) was available to allocate members' contributions into in the event of a DC fund closure (such as one similar to that of the Property – active Fund in 2020). This fund invests in the same underlying fund as the Cash - active fund. As members' contributions can be directed into this fund without them making an active selection, this fund is treated as a default for the purpose of fulfilling legislative requirements. The objective of the fund is 'To protect the absolute value of the investment by investing in deposits and other short term money market instruments.' The fund aims to perform in line with the benchmark.

The Trustee also operates three legacy lifecycle strategies known as Cash Lifecycle, Flexicycle and Lifecycle 2. Whilst closed to new member investment, members invested at the time of closure are able to continue to contribute to these strategies. The Cash Lifecycle is a legacy default arrangement for members with Hybrid benefits and, as these members did not make a choice to invest in this strategy, this lifecycle also continues to be considered a default by the Trustee for the purpose of fulfilling legislative requirements. Flexicycle uses a lifecycle strategy structure but previously allowed members some flexibility to choose between a number of funds to invest in during the growth phase and the de-risking phase and to decide when to switch between the phases. Members invested in Flexicycle when it was closed to new member investment are no longer able to amend their fund selections within the strategy. Lifecycle 2 makes greater use of active management and has an asset allocation at retirement suitable for members planning to purchase an annuity at retirement.

The Trustee monitors the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

Section 4: Considerations made in determining the investment arrangements

When deciding how to invest the DC assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considers a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes.

In determining the investment arrangements, the Trustee also takes into account:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and targeted strategies and whether the return expected for taking any given investment risk is considered sufficient;
- the need for appropriate diversification within the default arrangements, other targeted strategies and self-select investment options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes;
- the level of liquidity and the liquidity management process; and
- the expected and actual investment return, to ensure it reflects the aims and objectives of the investment arrangements, on an ongoing basis.

The Trustee's key investment beliefs are set out below:

Understanding the world on which we rely to deliver resilient retirement outcomes for members

- global systems, such as the planet, its climate, its people and societies have a material impact on the whole of the economic system, today and over the longer term.
- a robust global economy, society and planet are critical elements for stable and resilient retirement outcomes for members.
- Environmental, social and governance ('ESG') risks and opportunities are important factors to consider in investment decision making. Some ESG risks and opportunities may be specific to certain companies or assets. Some ESG risks can have a material impact on large parts of the global economy and are considered risks to the whole economic system.

Navigating the risks and opportunities over the long term

- investment returns can be enhanced by investing over the long term in equities, credit and illiquid assets (such as real estate and infrastructure) where appropriate.
- there can be a material benefit to members when the Trustee acts quickly to new investment opportunities.
- good stewardship and engagement can protect or enhance member retirement outcomes in the long term.

The Trustee has adopted a set of investment principles to help guide investment implementation.

Practising Good Governance

- the Trustee will focus its time and effort towards investment decisions that will have the greatest positive effect on member outcomes.
- conflicts of interest between the Trustee and stakeholders (such as advisors, DC fund managers, Pension Scheme Executive, the Principal Employers and members) will be monitored and managed.
- DC communications should be tailored to support members in making well-informed investment decisions;

Building and implementing a robust investment strategy

- both quantitative and qualitative factors should be taken into account when evaluating and managing investment risk.
- the benefits of active management can only be harnessed by skilful DC fund managers in select asset classes, and where appropriately skillful DC fund managers can be identified by the Trustee, its Pension Scheme Executive and its advisors.
- DC fund manager mandates that can replicate active management strategies in a cost effective manner are preferable solutions for some types of asset classes.
- investment management costs and fees, including transaction costs, should be transparent; and
- the Trustee aims to accommodate DC members who wish to invest in active funds.

The Trustee's key investment beliefs and understanding of the Scheme's membership are reflected in the design of the default and other targeted options, and in the range of other funds made available to members.

Section 5: Implementation of the investment arrangements

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

Details of the DC fund managers are set out in the separate IPID.

The Trustee has entered into a contract with a platform provider, who makes available to members a range of twenty-six different white labelled DC funds that can be accessed to different degrees through three distinct structures; targeted strategy, Freechoice (eighteen DC funds available) or Flexicycle on a legacy basis. There is no direct relationship between the Scheme and the underlying DC fund managers.

The DC fund managers' primary role is the day-to-day investment management of the Scheme's DC assets. The DC fund managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee and DC fund managers to whom discretion has been delegated exercise their powers to give effect to the principles in this SIP, so far as is reasonably practicable.

The Trustee selects the DC fund managers with an expectation of a long-term arrangement, which encourages active ownership of the underlying assets, which is discussed further in Section 7. When assessing a DC fund manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a DC fund manager's appointment based purely on short term performance. However, a DC fund manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure, the investment team or agreed contractual terms.

Alignment between a DC fund manager's management of each fund and the Trustee's policies and objectives are a fundamental part of the appointment process of a new DC fund manager. The following steps are taken to encourage alignment between the Scheme and the DC fund managers:

Before investing, the Trustee will seek to understand the DC fund manager's approach to sustainable investment (including engagement).

The Trustee has a separate Stewardship and Voting Policy, which sets out how DC fund managers are held to account for the use of their influence as owners or part-owners of assets. The Trustee considers DC fund managers' voting policies and records and requires DC fund managers to report significant votes as relevant. As active owners, the Trustee holds its DC fund managers to account for their voting activities to seeks to ensure they are exercising voting rights in the members' best interests. The effective delivery of stewardship is one of the key factors the Trustee engage managers on.

To best channel stewardship efforts, three key priorities have been identified, described in more detail in Section 7. These stewardship priorities are reflected in the Stewardship and Voting Policy described above and the Trustee monitors DC fund managers' voting and engagement practices in the context of these priorities.

To maintain alignment, DC fund managers are provided with the most recent version of the Scheme's SIP which includes the Trustee's policy on sustainable investment, on an annual basis and are required to explicitly confirm that the DC assets are managed in line with the Trustee's policies as outlined in those documents.

Should the Trustee's monitoring process reveal that a DC fund manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the DC fund manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the fund and DC fund manager's engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the Asset and Liability Committee ('ALCo') (See Appendix 1, section 1) will consider whether the DC fund manager's mandate will be terminated and replaced.

Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee reviews the costs and value for money incurred in managing the DC assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual DC fund manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Section 6: Realisation of investments

The DC fund managers have discretion over the timing of realisation of DC assets within the funds that they manage, and in considerations relating to the liquidity of investments.

The Trustee's policy is to predominantly invest in DC funds that offer daily dealing to enable members to readily realise and change their investments. The Trustee may invest in underlying DC funds that are not daily dealing, but the top-level "white labelled" funds members invest in will all be daily dealing.

The three main targeted strategies (Flexible Income Strategy, Lump Sum Strategy and Annuity Strategy) that are default arrangements include an allocation to private markets through the Early Growth, Late Growth, Approaching Retirement - Flexible Income and/or Through Retirement - Flexible Income funds, via an allocation to either a Long Term Asset Fund ("LTAF"), and/or the Diversified Assets – active Fund.

The LTAF predominately invests in illiquid assets. As at 30 September 2025 the exposure to illiquid assets included private credit, long term equity, private equity, infrastructure, natural capital and real estate, which together constituted 54.3% of the LTAF's total assets. This allocation is currently being built up, as illiquid allocations take time to establish, but once fully built up the exposure to illiquid assets in the LTAF will be 80% of the LTAF's total assets. Members invested in the main default arrangements up until 10 years from their target retirement age (i.e. aged up to age 55, assuming a target retirement age of 65), have exposure to illiquid assets, via the LTAF, within the Early Growth Fund.

The Diversified Assets - active is a diversified growth fund ('DGF') that may include an allocation to illiquid assets if the DGF manager chooses to do so. As at 30 September 2025 the exposure to illiquid assets included microfinance, insurance-linked securities, direct property, infrastructure and infrastructure debt, which together constituted around 9.2% of the DGF allocation. Members invested in the main default arrangements from 20 years to their target retirement age (i.e. aged between 45 and 70, assuming a target retirement age of 65), have exposure to illiquid assets, via the DGF allocation, within the Late Growth, Approaching Retirement - Flexible Income and/or Through Retirement - Flexible Income funds.

The Trustee policy is to have exposure to an LTAF and a DGF, with discretion to invest in illiquid assets, within the default arrangements because this offers members a potentially higher return, greater level of diversification and better risk management (including sustainability where financially material) in the overall asset allocation. As a result, the Trustee believes long-term net risk-adjusted investment returns of the default arrangements may be improved by investing in illiquid assets.

The Cash Lifecycle and the Cash - active (default) are both considered default arrangements for governance purposes by the Trustee. The Cash Lifecycle also has an allocation to the Diversified Assets – active Fund and therefore members have exposure to illiquid assets from 20 years to their target retirement age (i.e. aged between 45 and 65, assuming a target retirement age of 65). The Cash - active (default) does not have an allocation to illiquid assets.

Section 7: Environmental, social and governance ('ESG') and other financially material considerations

Section 4 outlines the Trustee's investment beliefs, including in relation to ESG factors. In summary, the Trustee recognises that global systems, such as the planet, its climate, its people and societies have a material impact on the whole of the economic system, today and over the longer term. A robust global economy, society and planet are critical elements for stable and resilient retirement outcomes for members. ESG risks and opportunities are important factors to consider in investment decision making. Some ESG risks and opportunities may be specific to certain companies or assets. Some ESG risks can have a material impact on large parts of the global economy and are considered risks to the whole economic system.

In setting the investment strategy for the Scheme's default arrangements, targeted strategies and the alternative lifecycle strategies, the Trustee's primary objective is to generate returns above inflation whilst members are some distance from retirement and to switch gradually to lower risk investment strategies as members approach their target retirement date.

ESG factors can have a material financial impact on the value of the default arrangements, and the alternative lifecycle strategies, over the time horizon applicable to members invested in them. The Trustee therefore believes that by taking such factors into account in its investment process, the Scheme is better positioned to deliver on its objectives.

The Trustee aims to take account of ESG factors when setting the asset allocation for the default arrangements, targeted strategies and the alternative lifecycle strategies, and when selecting (and monitoring the performance of) its appointed DC fund managers. For most of the DC assets, the Trustee expects the DC fund managers to invest with a long-time horizon, and to use their engagement activity to aim to drive improved performance over these periods.

The Trustee aims to adopt the following approach in relation to the selection (and monitoring) of DC fund managers:

- In relation to funds where the DC fund manager is permitted to make active decisions about the selection, retention and realisation of investments the Trustee expects the DC fund managers to take steps to incorporate financially material considerations (including ESG considerations) into the investment decision-making process where permissible, within applicable guidelines and restrictions. The Trustee undertakes regular reviews to ensure the policy is being carried out effectively and in line with evolving good practice.
- Within some asset classes, where it is possible in the context of DC operational constraints, the Trustee considers investment options that give increased weight to ESG considerations where it believes they are financially material. An investment fund that explicitly combines investment return with climate factors in the selection, retention and realisation of DC assets is included in the targeted strategies provided to the DC members of the Scheme (with the exception of Lifecycle 2 and some members within Flexicycle) and is also available as a Freechoice option. The Trustee aims to regularly monitor the performance and ESG risk mitigation offered by this investment option and would consider replacing the fund should either the performance or ESG-related objectives of the fund become materially misaligned with Trustee beliefs or expectations.

The Trustee has chosen to prioritise a number of system-wide ESG risks which it believes are especially financially material to the Scheme, now and/or in the future. These priorities have been identified using evidence-based research and training. These include:

- Climate Change
- Biodiversity and nature related loss, including antimicrobial resistance; and

- Diversity, Equity and Inclusion.

The Trustee anticipates evolving its approach on these system-wide ESG risks over a number of years. To date, the Trustee is most progressed in its integration and oversight of risks and opportunities related to climate change.

The Trustee recognises climate change as a systematic, long-term material financial risk to the value of the Scheme's DC assets. Within the context of its fiduciary responsibility, the Trustee is supportive of the Paris Agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

The Trustee has set a long-term objective across the Scheme's DB and DC assets to emit 'net zero' Greenhouse Gas ('GHG') emissions by 2050 or sooner. The ambition will be to achieve this well in advance of this date.

An interim target date of 2030 has been set to attempt to ensure that sufficient progress is made towards the ultimate target of reaching net zero greenhouse gas emissions. The interim targets include:

- a real economy emissions reduction of 50% by 2030 or sooner for its equity and corporate bond funds and portfolios.
- having the ambition of achieving all of its corporate bond and equity funds and portfolios being fully aligned to the goals of the Paris Agreement by 2030 across the Scheme's DB and DC assets.
- enhancing the Trustee's engagement and stewardship efforts through working collaboratively with the Trustee's asset and fund managers.

The Trustee considers climate-related factors within its separately documented scheme-wide Sustainability Risk Management Framework. In summary, the Trustee:

- has made ALCo responsible for aiming to ensure that the Trustee's climate objectives are implemented into the Scheme's investment policy. This includes selecting the appropriate analysis and metrics to measure climate-related risks and opportunities;
- requires its investment advisors to advise on, and provide objective assessments of, differing approaches to responsible investment to help the Trustee decide appropriate responsible investment objectives for the Scheme. This includes informing the Trustee of new responsible investment opportunities or emerging risks and assisting with the implementation of the climate-related strategy of the Trustee;
- has included specific climate-related objectives in the advisors' annual objectives to attempt to ensure its advisors are taking adequate steps to identify and assess climate-related risks and opportunities. The Trustee annually assesses the delivery of this advice using the Pensions Regulator's Investment Consultant Objectives framework;
- expects its appointed DC fund managers to be cognisant of the potential ESG risks and opportunities embedded in DC assets. DC fund managers are further expected to annually report on how these risks and opportunities have been incorporated into the investment process within applicable guidelines and restrictions;
- has a preference for 'Engagement' rather than 'Exclusion' as a method of incorporating climate change risks into an effective fiduciary framework. However, the Trustee recognises that in some circumstances, exclusion may be necessary. For example, supporting an orderly transition of the energy sector from a high carbon intensive sector to a low carbon intensive sector, in a manner that is in line with the Trustee's long-term investment objectives and fiduciary duties, requires considerable engagement, and may require exclusion of certain securities to avoid stranded asset risk. The Trustee expects each of its DC fund managers to independently consider, and ultimately decide, whether exclusion or engagement is more appropriate given their respective investment processes, based on the data they collect and the analysis they undertake;
- encourages the further development of asset classes that are supportive of the ambition to achieve the well below 2°C target provided they are all based within the primary fiduciary framework;
- supports the Task Force on Climate-related Financial Disclosures ('TCFD') and aims to incorporate its recommendations into the Scheme's reporting, subject to data availability;

- supports the further development of effective climate change risk metrics to enhance the ability of all stakeholders in the investment chain to assess and minimise such risks;
- supports the Transition Pathway Initiative and uses the analysis to review material exposures to the world's largest emitters and to inform impactful engagement strategies through its DC fund managers, in line with the Trustee's investment beliefs;
- recognises that 'Climate Change' will be subject to much further analysis and subsequent policy changes in the coming years. The Trustee is supportive of adopting an evolving policy in order to ensure all relevant developments are captured; and
- is supportive of policy initiatives that, in its opinion, contribute towards the ambition of achieving the well below 2°C target.

The Trustee will support Responsible Investment organisations or initiatives where it believes that doing so will help the Trustee achieve at least one of the following goals:

- aim to help to implement new Responsible Investment solutions in a proportionate and practical way with a clear focus on excellence and continuous improvement;
- aiming to inform government policy, market developments and pension funds with respect to Responsible Investment;
- aim to improve the risk and return characteristics of investments to increase the likelihood of improved financial outcomes for members;
- aim to improve transparency in reporting, being generous with knowledge and helping to shape new ideas within Responsible Investment.

Currently the Trustee is associated with the following organisations:

- a member of the Institutional Investor Group on Climate Change ('IIGCC')
- a member of the Willis Towers Watson Thinking Ahead Institute ('TAI')
- a signatory to the Asset Owner Diversity Charter
- a signatory to the UK Stewardship Code
- a supporter of the Transition Pathway Initiative ('TPI')
- a supporter of Climate Action 100+

The Trustee recognises that it cannot support all organisations or initiatives and so will review its associations periodically.

The Trustee has a policy of avoiding investments in controversial weapons manufacturers on grounds of financial risk, as it believes this is in the best financial interests of the Scheme and its members. Where the financial implications of excluding controversial weapons manufacturers (either due to increased costs to members or reduced investment opportunities) are, in the opinion of the Trustee, greater than the financial risks of including them, some exposure to controversial weapons manufacturers may be maintained. The Trustee has a policy of requesting that each of its appointed DC fund managers' report on an annual basis whether they have any exposure to controversial weapons manufacturers.

The Trustee seeks to avoid investments in companies with ties to the legal production of and/or retail of cannabis products for recreational use. This position has been taken on the grounds of legal risk, as it believes this is in the best financial interests of its members. The Trustee expects its appointed DC fund managers to adhere to this position and monitor for any potential changes and regularly report back to the Trustee, as far as it is practical to do so.

The Trustee seeks to avoid investments that breach any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the United Kingdom, European Union or United States of America. This position has been taken on the grounds of legal risk, as it believes this is in the best financial interests of its members. The Trustee expects its appointed DC fund managers to adhere to this position, as far as it is practical to do so.

Section 8: Members' Views and Non-Financial Factors

The Trustee does not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in setting the investment strategy for the Scheme's default arrangements. However, it recognises the importance of offering a suitable range of investment options for members who wish to express an ethical preference in their pension saving.

The Trustee has made the following Freechoice options available to members who would like to invest in funds with specific non-financial considerations:

- Sustainable & Responsible Equities – Active
- Shariah Law Equities – Passive

The Trustee keeps up to date with other fund options available in the market via updates from its advisors.

Section 9. Stewardship

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. The Trustee recognises its responsibilities as a shareholder, being the owner of capital, and believes that good stewardship practices including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protects and enhances asset owner value in the long term.

The Trustee has delegated to its DC fund managers the exercise of rights attached to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations. The Trustee expects its DC fund managers to exercise ownership rights and undertake monitoring and engagement in line with the DC fund managers' general policies on stewardship, which reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and which are provided to the Trustee from time to time, taking into account the financial interests of the beneficiaries.

The Trustee seeks to appoint DC fund managers that have strong stewardship policies and processes. While the Trustee chooses DC fund managers with an aim to align their beliefs on stewardship, and there is a degree of influence, the Trustee has less direct influence over the DC fund managers' policies on the exercise of investment rights where DC assets are held in pooled funds; this is due to the collective nature of these investments.

The Trustee monitors and regularly reviews the ownership rights that it has delegated to its DC fund managers as well as how the DC fund managers have voted and engaged with the companies in which they invest. This process is to ensure the policy is also being carried out effectively and in line with evolving good practice.

The Asset and Liability Committee endorsed this SIP on 28 November 2025 and the full Board approved the SIP on 17 December 2025. Document effective from 1 January 2026.

Appendix 1: Responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employers;
- developing a mutual understanding of investment and risk issues with the employers;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) DC fund managers, advisors and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the DC fund managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on taking account of non-financial factors when making investment decisions and a policy on voting rights;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible investment and how such responsibilities have been discharged;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employers when reviewing the SIP.

The Trustee has delegated responsibility for a number of investment matters to an Asset and Liability Committee ('ALCo'). The full delegations are set out in the Trustee's Delegations Framework and the ALCo's Terms of Reference.

The Trustee has appointed a Chief Investment Officer ('CIO') to the Pension Scheme Executive. It is the responsibility of the CIO to liaise with the Scheme's advisors to ensure that the procurement of legal and investment advice and their input to the Trustee's investment decision making process are optimised from the Trustee's perspective.

2. Platform provider

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various DC fund managers; and
- providing the Trustee with regular information concerning the management and performance of the DC assets.

3. DC fund managers

In broad terms, the DC fund managers will be responsible for:

- managing the respective funds according to their stated objectives, and within the guidelines and restrictions set out in their respective DC fund manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the respective funds;

- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the investment platform provider with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Pensions Act 1995 insofar as it is necessary to do so.

The custodians of the funds (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the funds.

The Trustee, the CIO and its advisor will have regular meetings with the DC fund managers and platform provider to ensure they continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Scheme.

4. Investment advisor

In broad terms, the advisor is responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on a suitable fund range and default arrangements for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this;
- advising on the selection, and review, of the DC fund managers; and
- participating with the Trustee in reviews of this SIP.

5. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Scheme results in a range of charges to be met. These platform, investment management and advisory charges are met entirely by the Employers and are not deducted from members' DC assets. Depending on the fund invested in, members are liable for paying the additional expenses charged by the DC fund managers. The Trustee monitors the level of additional expenses charged by DC fund managers to ensure that they remain appropriate.

The Trustee has agreed Terms of Business with the Scheme's advisors, under which work undertaken is charged for by an agreed fixed fee or on a 'time-cost' basis.

6. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's DC assets and investment providers through meetings undertaken on its behalf by the PSE at least annually. The Trustee formally reviews its professional advisor relationships on at least a triennial basis. The Trustee will also carry out periodically an assessment of its own effectiveness as a decision-making body and will decide how this may then be reported to members.

Appendix 2: Policy towards risk, risk measurement and risk management

The Trustee considers that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

1. Volatility and the risk of inadequate returns

As members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. It is also important that members are offered a range of funds with varying levels of expected return and consequent volatility to allow members to invest according to their individual risk tolerances and circumstances. Members are offered targeted strategies that reduce expected investment risk by moving to less volatile assets as they approach retirement age.

On this basis, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the default arrangements. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default arrangements in the form of targeted strategies that gradually reduce investment risk as the member approaches their target retirement age.

2. Inflation risk

There is a risk that a member's investments won't grow quickly enough to sufficiently outpace inflation (the cost of living). Even if they do grow in value, if they don't grow quicker than inflation then their real value goes down. This can happen with low capital risk funds, like a cash fund. It is measured by examining periodically the long-term performance of different assets relative to inflation.

It can be managed by investing in growth assets that are expected to produce returns that exceed long term inflation within both the default arrangements and Flexicycle arrangements and the range of funds available to members to choose.

3. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's DC assets. The Trustee considers that the Scheme's default arrangements are adequately diversified between different asset classes and within each asset class, and that the options provide a suitably diversified range for members to choose from. This is a key consideration when determining the Scheme's investment arrangements.

4. DC fund manager risk

This is the risk that a DC fund manager fails to meet its investment objectives. Prior to appointing a DC fund manager, the Trustee receives written advice from a suitably qualified individual, and will typically undertake a DC fund manager selection exercise. The Trustee and its investment advisor monitor the DC fund managers on a regular basis.

5. Liquidity/marketability risk

This is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by generally using funds with daily dealing within the default arrangements and diversifying the strategy across different types of investment. Where a non-daily dealing fund is used within the default, as in the case of the LTAF, it is provided within a diversified blended fund which itself offers daily dealing.

6. Risk from excessive charges

While the Employers cover the cost of management fees, members are still liable for the additional expenses charged by DC fund managers. If the additional expense charges together with other charges, for example transaction costs, are excessive, then the value of a member's DC pension pot will be reduced unnecessarily. The Trustee is comfortable that the additional expenses and other charges payable by members are in line with market practice and assess regularly whether these represent good value for members.

7. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in bonds. The Trustee manages its exposure to credit risk by investing in funds that have a diversified exposure to different credit issuers. The Scheme invests in some funds which invest in bonds that are classified as both 'investment grade' and 'non-investment grade'; the latter carrying greater credit risk but having a higher expected investment return, to compensate investors.

8. Market switching risk

The risk is that, where members choose to switch between DC funds, they are exposed to a cost of switching which is variable according to the conditions prevailing in the relevant markets at a particular point in time. It is measured by looking at the underlying spreads of the fund options. It is managed by the DC fund managers looking for best execution when implementing trades.

9. Currency risk

Whilst the majority of the currency exposure of the Scheme's DC assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by offering targeted strategies that invest in funds with various levels of hedged currency exposure.

10. Annuity conversion risk

When a member retires, they may use their DC pension pot to secure an annuity. The cost of buying an annuity varies from time to time and depends partly on the price of bonds. It is measured by examining periodically the correlation of different assets to annuity prices.

The Trustee manages this risk by offering DC investment options which aim to protect purchasing power of annuities.

11. Securities lending risks

Through the act of securities lending, investors lend securities (such as stocks or bonds) to a third party (the borrower). The borrower gives the lender collateral in the form of cash, stocks, or bonds. In addition to providing the collateral plus a cash margin, the borrower pays the lender to borrow the securities. The process provides investment markets with liquidity, and allows security holders the chance to achieve additional returns on their portfolios, but incurs a number of risks.

- counterparty risk – the risk that lenders or their lending agents may default on their loan and be unable to return the securities borrowed;
- cash reinvestment risk – when the lender receives cash as collateral, this cash is often reinvested. The lender's objective is to generate income; however the lender is also exposed to additional investment risks including the potential loss of principal;
- non-cash collateral risk – the additional risk involved in receiving assets other than cash as collateral; and

- operational risk – the risk of engaging in securities lending. For example, market or exchange problems, miscommunication between parties, incorrect records, etc.

The Trustee manages this risk by ensuring that, where possible, DC fund managers' policies toward securities lending are in line with the Trustee's beliefs.

12. Climate change risk

Climate change risk is considered to be a systemic risk by the Trustee, though it is difficult to measure. See the detailed climate change policy in section 7 – Consideration of financially material and non-financial factors.

13. Other environmental, social and governance (ESG) risks

ESG factors are sources of risk to the Scheme's investments which could be financially material over both the short and longer term. The Trustee seeks to appoint DC fund managers who will manage these risks appropriately on its behalf and regularly reviews how these risks are being managed in practice.