

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 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

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- 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;

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- 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;

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- 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.