



HSBC Bank (UK) Pension Scheme

Annual Report & Financial Statements for
the year ended 31 December 2024

Scheme registration number: 10117950

Chairs' foreword



Russell Picot

Chair of the Trustee Board



Hugh Pugsley

Chair of the Audit & Risk Committee

As Trustee of the HSBC Bank (UK) Pension Scheme ('Scheme'), we are responsible for overseeing the financial transactions and record keeping that are key to ensuring the Scheme receives and pays out the correct amounts. The preparation and audit of the Annual Report & Financial Statements is a key annual governance activity overseen by the Trustee's Audit & Risk Committee ('Committee').

A vital part of managing the Scheme's finances is that the Scheme's advisors and service providers keep accurate records and maintain robust financial processes. This helps us to make sure that we:

- ♦ Know how all the Scheme's assets are invested and their value.
- ♦ Collect all the contributions and income due to the Scheme.
- ♦ Meet all the Scheme's payment obligations, especially benefit payments to members.

These financial and administration records are used to prepare the Annual Report & Financial Statements for the Scheme's defined benefit ('DB') and defined contribution ('DC') assets and financial transactions. They show how the Scheme's finances and membership have changed over the Scheme year.

We recognise that this important document takes time and care to prepare because our Scheme is both large and complex. At the highest level, the Scheme has three sections: HSBC UK Bank plc ('HBUK') Section, HSBC Global Services ('HGSU') Section and HSBC Bank plc ('HBEU') Section. The membership is split between active members, deferred members and pensioner members. Finally, members have DB, DC or Hybrid (both DB and DC) benefits. This means that when you read the Annual Report & Financial Statements it contains a lot of detail. On the next page, we have provided some highlights and explanations for the Scheme year ended 31 December 2024.

What new work was completed by the Committee?

During the year, an important focus of the Committee was the work needed to meet new governance requirements which apply to pension schemes across the country: ensuring an Effective System of Governance ('ESOG') and preparing to carry out an Own Risk Assessment ('ORA') in 2026.

The ESOG is the framework of governance policies, procedures and internal controls utilised by the Trustee to run the Scheme effectively. While this is a new requirement, many of the key components are already in place.

"This is a good moment to reflect on my first full year as Chair of the Audit & Risk Committee. I have been impressed by the commitment and collaboration shown by the Pension Scheme Executive, along with the Trustee's advisers and service providers to ensure the accurate completion and recording of the Scheme's financial transactions - these are the foundation of the Annual Report & Financial Statements. In addition, the work involved in meeting the new governance requirements has reinforced my view that the Scheme is committed to maintaining high standards and staying at the forefront of best practice in governance."

The ORA is the Trustee's assessment of how well the ESOG is working in practice. It helps identify and manage the Scheme's most significant risks. The Committee's work for the ORA will aim to strengthen protection for members and the Scheme through improved oversight and risk management.

Why have an annual audit?

Every year an independent firm audits the Annual Report & Financial Statements. Whilst this is a legal requirement, it is also an important governance tool that helps us to make sure we are controlling the Scheme's finances effectively.

The independence of the Scheme's auditor, PwC, provides assurance to the Scheme's stakeholders, including members, that their audit opinions are based on an unbiased and objective assessment.

PwC provides opinions that the Financial Statements have been prepared in accordance with the relevant standards and regulations and that the contributions have been made in accordance with the Scheme's Schedules of Contributions. For the Scheme year ended 31 December 2024, we are pleased that once again, PwC provided unqualified audit opinions.

We hope that you find the Annual Report & Financial Statements interesting and helpful.

178,975

Scheme members as at 31 December 2024

£27.2 billion

net value of Scheme assets as at 31 December 2024

More about our Scheme

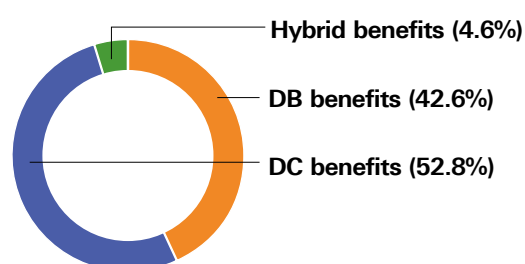
The Scheme had **178,975** members as at 31 December 2024

Membership categories

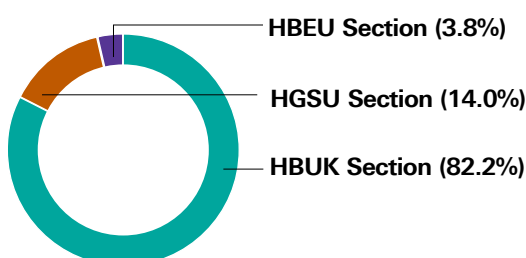
| | |
|------------------|---------------|
| Active | 34,875 |
| Pensioner | 58,986 |
| Deferred | 85,114 |

An **active member** has contributions paid into their DC pension pot. A **deferred member** has stopped building up benefits in the Scheme and has not taken them. A **pensioner member** has a Scheme pension in payment.

Benefit categories (% of membership)



Scheme Section (% of membership)



See Trustee's Report, page 5 (for Scheme Sections) and 10 (for Scheme membership)

Main changes to membership categories over **12 months** to 31 December 2024

| Members joining categories | New active members | New deferred members | New pensioner members | See Trustee's Report, page 10 |
|----------------------------|-------------------------------|----------------------|-----------------------|-------------------------------|
| | +3,938 | +3,441 | +2,945 | |
| Members leaving categories | Left Scheme before retirement | Deaths | | See Trustee's Report, page 10 |
| | -1,536 | -1,168 | | |

Principal payments into the Scheme over **12 months** to 31 December 2024

| Contributions and transfer in payments | Employer contributions for DB benefits | Employer and member contributions for DC benefits | Individual transfer in payments | See Fund Account, page 29 and Notes 4 and 5 |
|--|--|---|---------------------------------|---|
| | +£23.9 million | +£463.0 million | +£20.0 million | |

Principal payments out of the Scheme over **12 months** to 31 December 2024

| Benefits paid (or payable) and transfer out payments | Pensions | Lump sum retirement benefits | Individual transfer out payments | See Fund Account, page 29 and Notes 7 and 8 |
|--|------------------------|------------------------------|----------------------------------|---|
| | -£729.4 million | -£144.8 million | -£285.5 million | |

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 and with the day-to-day oversight of the Scheme. The PSE 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. |
| Independent auditor | The Scheme's independent auditor reviews and reports on the Scheme's Annual Report & Financial Statements. The auditor performs a risk assessment and determines whether there are risks of material misstatement related to balances, transactions and disclosures. |
| Internal auditor | The Scheme's internal auditor provides assurance that appropriate policies, procedures and controls are in place to mitigate key pension scheme risks as part of the Scheme's good governance processes. |
| Investment custodians | The DB investment custodians hold the DB assets on behalf of the Scheme. Their role includes ensuring the assets are protected against theft or loss. |

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 website at: <https://futurefocus.staff.hsbc.co.uk>

▣ Scheme Trustee

Introduces the Trustee Directors, explains their responsibilities and sets out the Trustee Mission Statement in a short three minute video.

▣ Glossary

Explains a number of important terms used across the Scheme's documents and communications.

▣ Member guides

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

▣ Summary Funding Statements

Set out the funding positions (how the value of DB assets compares with DB liabilities) for the different Sections of the Scheme at the last full valuation together with any changes since then.



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Trustee & advisors

Trustee

HSBC Bank Pension Trust (UK) Limited
8 Canada Square
London, E14 5HQ
Company number: 00489775

Secretary to the Trustee

J McKenzie
8 Canada Square
London, E14 5HQ

Principal Employers

HSBC UK Bank plc
1 Centenary Square
Birmingham, B1 1HQ

HSBC Global Services (UK) Limited
8 Canada Square
London, E14 5HQ

HSBC Bank plc
8 Canada Square
London, E14 5HQ

Administrators

Towers Watson Limited
(Trading as WTW Outsourcing GB)
(For Defined Contribution benefits administration)
PO Box 652
Redhill
Surrey, RH1 9AL

Paymaster (1836) Limited
(Trading as Equiniti)
(For Defined Benefit and Hybrid benefits administration)
Sutherland House, Russell Way
Crawley
West Sussex, RH10 1UH

Members who wish to enquire about their benefits can find contact details on page 61.

Actuary

C G Singer, FIA (to 31 May 2024)
Towers Watson Limited (Trading as WTW)
Watson House, London Road
Reigate, Surrey, RH2 9PQ

T Panter, FIA (from 31 May 2024)
Towers Watson Limited (Trading as WTW)
3 Temple Quay, Temple Back East
Bristol, BS1 6DZ

Legal Advisors

Eversheds Sutherland (International) LLP
1 Wood Street
London, EC2V 7WS

Sacker & Partners LLP
20 Gresham Street
London, EC2V 7JE

Bankers (Administrators' client accounts)

HSBC UK Bank plc
1 Centenary Square
Birmingham, B1 1HQ

Lloyds Bank plc
25 Gresham Street
EC2V 7HN

Investment Advisors

Towers Watson Limited (Trading as WTW)
Watson House, London Road
Reigate, Surrey, RH2 9PQ

Redington Limited
Floor 6, One Angel Court
London, EC2R 7HJ

Lane Clark & Peacock LLP
95 Wigmore Street
London, W1U 1DQ

Engagement and Stewardship Specialist

Hermes Equity Ownership Services Limited (from 1 April 2025)
Sixth floor, 150 Cheapside
London EC2V 6ET

Employer Covenant Advisor

Interpath Limited
10 Fleet Place
London, EC4M 7RB

Independent Auditors

PricewaterhouseCoopers LLP
Central Square,
29 Wellington Street,
Leeds, LS1 4DL

Internal Auditor

KPMG LLP
15 Canada Square
London, E14 5GL

Property Legal Advisors

Gowling WLG (UK) LLP
Two Snowhill
Birmingham, B4 6WR

Mills & Reeve LLP
24 King William Street
London, EC4R 9AT

Simmons & Simmons LLP
Citypoint, 1 Ropemaker Street
London, EC2Y 9SS

Stephenson Harwood LLP
1 Finsbury Circus
London, EC2M 7SH

Defined Benefit Investment Managers

abrdn Life and Pensions Limited
1 George Street
Edinburgh, EH2 2LL

Alpha Real Capital LLP
388 Euston Road, Floor 6,
London, NW1 3BG

AXA Investment Managers Paris
(as manager of AXA IM Smart Matching Solutions PLC)
Tour Majunga, La Defense 9
6 Place de la Pyramide, 92800
Puteaux, France

BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue
London, EC2N 2DL

HSBC Global Asset Management (UK) Limited
8 Canada Square
London, E14 5HQ

Insight Investment Management (Global) Limited
160 Queen Victoria Street
London, EC4V 4LA

LaSalle Investment Management
78 St James's St
London SW1A 1JB

Legal and General Assurance (Pensions Management) Limited
One Coleman Street
London, EC2R 5AA

Property Valuer

CBRE Limited
St Martin's Court, 10 Paternoster Row
London, EC4M 7HP

Defined Benefit Investment Custodians

HSBC Bank plc
8 Canada Square
London, E14 5HQ

Northern Trust Global Securities Limited
50 Bank Street
London, E14 5NT

The Bank of New York Mellon (International) Limited
One Canada Square
London, E14 5AL

Loomis Sayles & Company LP
One Financial Center
Boston, MA 02111
United States of America

M & G Investment Management Limited
10 Fenchurch Avenue
London, EC3M 5AG

Pathway Capital Management LLC
2211 Michelson Drive, Ninth Floor
Irvine, CA 92612
United States of America

Schroders Greencoat LLP
1 London Wall Place
London, EC2Y 5AU

Schroder Pension Management Limited
1 London Wall Place
London, EC2Y 5AU

Vantage Infrastructure (UK) Limited
25 Old Broad St
London, EC2N 1HN

Wellington Management International Limited
Cardinal Place
80 Victoria Street
London, SW1E 5JL

**Defined Contribution
Investment Fund Administration**

FIL Life Insurance Limited
Oakhill House, 130 Tonbridge Road
Hildenborough, Kent, TN11 9DZ

Defined Contribution Investment Managers

Artemis Fund Managers Limited
Cassini House
57 St James's Street
London, SW1A 1LD

Fulcrum Asset Management LLP (from 1 July 2024)
Marble Arch House,
66 Seymour Street
London W1H 5BT

HSBC Global Asset Management (UK) Limited
8 Canada Square
London, E14 5HQ

Invesco Asset Management Limited
Portman Square House
First Floor, 43-45 Portman Square
London, W1H 6LY

JP Morgan Asset Management
60 Victoria Embankment
London, EC4Y0JP

Legal and General Assurance (Pensions Management) Limited
One Coleman Street
London, EC2R 5AA

M & G Investment Management Limited
10 Fenchurch Avenue
London, EC3M 5AG

MFS International (UK) Limited
1 Carter Lane
London, EC4V 5ER

Newton Investment Management
BNY Mellon Centre
160 Victoria Street
London EC4V 4LA

Ninety One (from 4 February 2025)
55 Gresham Street
London, EC2V 7EL

River & Mercantile Asset Management LLP (to 19 March 2024)
30 Coleman Street
London EC2R 5AL

Robeco Institutional Asset Management B.V.
30 Fenchurch Street
London, EC3M 3BD

Royal London Asset Management Limited (from 5 March 2024)
80 Fenchurch Street
London, EC3M 4BY

Schroder Investment Management Limited
1 London Wall Place
London, EC2Y 5AU

Threadneedle Pensions Limited
Cannon Place, 78 Cannon Street
London, EC4N 6AG

WHEB Asset Management (to 13 February 2025)
7 Cavendish Square
London, W1G 0PE

Legacy additional voluntary contributions ('AVC') providers
AVCs that are not held in the Scheme's DC platform are
provided by managers detailed in Note 16 to the Financial
Statements. Members with these policies can contact the
Scheme administrators as detailed on page 61 for more
information.

Trustee's Report

HSBC Bank Pension Trust (UK) Limited (the 'Trustee') is pleased to present the Annual Report and Financial Statements of HSBC Bank (UK) Pension Scheme (the 'Scheme') for the year ended 31 December 2024.

Scheme constitution and management

The Scheme is the main pension vehicle for UK employees of the HSBC Group.

The Scheme was established as the Midland Bank Pension Scheme under a Trust Deed dated 28 December 1950 to provide defined benefit ('DB') pensions to the employees of Midland Bank Limited.

Benefits accrued under the Scheme have changed since its establishment, including closure of DB pensions to new employees on 30 June 1996 being replaced by defined contribution ('DC') benefits, closure to future accrual of DB benefits on 30 June 2015 with all employees accruing DC benefits, and sectionalisation of the Scheme with the introduction of the HSBC Global Services Section (or 'HGSU Section') in October 2015.

From 1 July 2018, following restructuring of the HSBC Group, HSBC UK Bank plc replaced HSBC Bank plc as the Principal Employer of the Bank Section which was also renamed as the HBUK Section. A new segregated section, the HSBC Bank plc Section (or 'HBEU Section') of the Scheme was created with HSBC Bank plc as Principal Employer.

The Scheme is managed by a corporate trustee, HSBC Bank Pension Trust (UK) Limited (company registration number 00489775), whose role is to ensure that the Scheme is administered in accordance with the Scheme Rules and pensions legislation. The Trustee is supported by the Pension Scheme Executive (the 'PSE') which manages the Scheme on a day to day basis on behalf of the Trustee.

The Board of the Trustee meets quarterly, with additional meetings when required to consider special business. The Trustee operates committees of the Board. The committees were structured as follows:

◆ **Asset & Liability Committee ('ALCo')**

Monitors and reviews investment performance of DB and DC assets, together with changes in the liability profile of the Scheme's DB pensions. The committee meets at least quarterly.

◆ **Audit & Risk Committee ('ARC')**

Monitors and reviews the risk management activities, including internal audit, and compliance with external financial reporting obligations. The committee meets at least quarterly.

◆ **Appeals, Discretions & Operations Committee ('ADOC')**

Considers member disputes raised under the IDRP (Internal Disputes Resolution Procedure), monitors the execution of certain discretionary powers delegated to the PSE and monitors pension administration operations. The committee meets at least quarterly.

◆ **Governance & Nominations Committee ('GovCo')**

Considers appointments and succession of Trustee Directors, PSE resourcing and developing best practice for Board governance. The committee meets at least twice a year.

Trustee Directors

During the year the Trustee Board was comprised of eleven directors, five are nominated by the Principal Employers, four are nominated by members and two are independent corporate trustees appointed by the Principal Employers.

Regardless of how they are appointed, all Trustee Directors have a legal duty to treat all members fairly and act independently of employers.

The Scheme has a conflicts of interest policy which requires all Trustee Directors, PSE and Advisors to disclose all conflicts and excuse themselves from any meetings or decisions where they are conflicted.

During 2024 and up to the date of signing these financial statements, the composition of the Board of Directors of the Trustee and committee membership was as set out in the table below. Except where indicated, Trustee Directors served throughout the period.

In March 2024, S White's term of office expired as a Member Nominated Director. B Burk was appointed on 1 April 2024 and S Towers took over the role of ALCo Chair. A Bloomfield was appointed as a Bank Nominated Director following A Ling's resignation in December 2023 and H Pugsley took over the role of ARC Chair. H Pugsley's term of office as a Bank Nominated Director expired in February 2024 and he was reappointed for a second five year term. Capital Cranfield Pension Trustees Ltd, represented by M Trouard-Riolle, was reappointed for a second five-year term in September 2024.

| Director | Committee membership | Membership status | Term expiry | Changes |
|--|---|-------------------|----------------|---|
| Employer Nominated Director | | | | |
| R Picot | Chair of the Board, GovCo (Chair) | Pensioner | December 2026 | |
| H Pugsley | ADOC (until 31 March 2024), ARC (Chair from 1 January 2024) | Active | February 2029 | (re-appointed 1 March 2024) |
| A Robinson | Deputy Chair of the Board, GovCo | Active | January 2027 | |
| A Bloomfield | ALCo (from 1 April 2024), ARC (from 1 January 2024) | Deferred | December 2028 | (appointed 1 January 2024) |
| R Dixon | ALCo, ARC | Deferred | March 2026 | |
| Member Nominated Directors | | | | |
| B Horler | ADOC, GovCo | Pensioner | March 2027 | |
| B Burk | ADOC (from 1 April 2024), ALCo (from 1 April 2024) | Active | March 2029 | (appointed 1 April 2024) |
| S White | ALCo (Chair) (until 31 March 2024) | Active | March 2024 | (resigned 31 March 2024) |
| S Towers | ALCo (Chair from 1 April 2024) | Deferred | April 2026 | |
| L Bloomfield | ADOC, ARC | Active | March 2028 | |
| Independent Trustee Directors | | | | |
| Capital Cranfield Pension Trustees Ltd, represented by: | | | | |
| M Trouard-Riolle | ADOC (Chair), ALCo (until 31 March 2024), GovCo | None | September 2029 | (re-appointed 22 September 2024) |
| The Law Debenture Pension Trust Corporation plc, represented by: | | | | |
| A Baker | ALCo, ARC | None | January 2027 | (A Baker ceased to be the representative on 20 June 2025) |

Significant changes and developments in the year

New participating employers

As part of the restructuring of the HSBC Group's asset management business, a new entity, HSBC Asset Management (Fund Services UK) Limited (HAMF), has been created and, in due course, HSBC Alternative Investments Limited (HAIL) will be demised. The Trustee received a request in August 2023 to admit HAMF as a participating employer in the HSBC Bank section of the Scheme. Participation was effective from Q4 2024, and cessation of HAIL's participation is expected in the second half of 2025. In January 2024, the Trustee received a further request to admit a new participating employer, HSBC Innovation Bank Limited (HINV), to the HSBC (UK) section of the Scheme. Having taken advice to confirm that it could agree to these requests, the Trustee Board approved them at its Q1 2024 Board meeting. Participation was effective from Q4 2024.

Investment market commentary

2024 was dominated by elections while global economic growth was generally sluggish, albeit broadly positive. High inflation levels in the year had fallen sufficiently for most major central banks to begin easing policy rates. This broadly positive monetary backdrop for corporates helped risk assets to continue performing well, as many equity indices reached new all-time highs and credit spreads tightened further. An upsurge in geopolitical tension and uncertainty did little to derail markets. However, nervousness around fiscal outlooks in many countries, not least the US, with stubbornly sticky inflation and tight labour markets, had seen sovereign yields in bond markets move higher into the year end. The experience has not been universal, with Japan living with its highest interest rates for many years, while China's economy continues to struggle despite attempts by authorities to stimulate expansion. Official rates from the Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) were reduced by between 0.5% and 1%, whilst longer-dated sovereign yields increased. Ten-year US Treasury yields rose almost 0.7% during the year, to 4.57%. German 10-year government yields rose by 0.34%, reaching 2.36%, while the UK government bond market underperformed as 10-year gilt yields rose by more than 1%, also to 4.57%. Higher risk assets broadly repeated their strong performance in 2023. Total returns for credit investment were generally slightly positive, with spread gains undercut by the weakness in underlying government bond markets. While there was some volatility in credit spreads during the year, they were largely tighter overall. Although, very low at the start of the year, the spread on the Bloomberg US Aggregate Corporate Index tightened by 0.19% over the year, to 0.8% over US Treasuries. The Bloomberg Euro Aggregate Corporate Index and the Bloomberg Sterling Aggregate Corporate Index were 0.36% and 0.43% tighter respectively, with the sterling index spread falling below 1% for the first time. Equity markets made general gains as markets felt recession concerns remained low, interest rates would be further reduced, and corporate profitability would remain intact.

In terms of the impact on the Scheme portfolio, the rise in sovereign yields discussed above meant that the market value of fixed income assets decreased over the year. In terms of the Scheme's DB assets, which are largely comprised of UK Government bonds (gilts) and high quality corporate credit bonds, this yield increase largely explains the decline in the asset value from £20.9bn as at end December 2023 to £18.9bn as at end December 2024.

The Scheme's DC assets generally performed positively over the year except for those tracking UK Government gilts for the reason explained above. Investments in equities generally performed positively, with the MSCI World Index returning c.12% over the year. Equity markets were driven by the US market which returned 25%, as measured by the S&P500 index.

Equity market performance was very narrow in 2024, with US returns, in particular, driven by the performance of seven very large IT companies including Amazon, Microsoft and NVIDIA, which collectively became known as "the Magnificent Seven," given the dominance of the returns of the US equity market.

See page 15 and 16 for Investment performance.

Change to Scheme Actuary

C G Singer of Towers Watson Limited resigned as Scheme Actuary with effect from 31 May 2024. In his statement on leaving office, he noted no circumstances connected with his resignation which, in his opinion, significantly affect the interests of members or prospective members of, or beneficiaries under, the Scheme. T Panter of Towers Watson Limited was appointed as Scheme Actuary in his place.

Change to DC section default strategies

As part of the 2023 triennial strategy review of the DC section, the Trustee agreed to adjust the structure of the existing default 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 de-risking into the 'Late Growth Fund' from 20 years to retirement. Members are further de-risked 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,

Introduction of Long Term Asset Fund to DC default strategies

The Trustee has created a bespoke multi-asset private markets Long Term Asset Fund ('LTAF'), managed by Fulcrum Asset Management LLP.

An allocation to the LTAF has been made within the Early Growth Fund of the default strategies, with the objective being to access a broader range of more sophisticated and diversifying investment opportunities for the Scheme's DC members, including real estate, infrastructure, natural resources, alternative credit and private equity. In doing so, the Trustee is seeking to improve the outlook for members by targeting a higher expected risk adjusted investment return for those with DC benefits within the Scheme. The first investments were made into the LTAF fund on 1 July 2024, with a total of £350m being invested by year end.

Actuarial Valuations as at 31 December 2022

The actuarial valuations of each of the three sections of the Scheme were completed in March 2024. The results of the valuations are set out on pages 12 and 13.

Changes to the rules

The Lifetime Allowance (LTA) was abolished on and from 6 April 2024. This has changed the statutory regime governing the tax treatment of benefits for Scheme members.

The legal advisor to the Trustee (Eversheds Sutherland (International) LLP) completed a review of the Scheme Rules and recommended some changes be made to enable the Scheme to operate effectively in the new tax environment. The Trustee executed a Deed of Amendment effective from 3 April 2024 to make the following changes to the Scheme Rules:

- i. Amending references to LTA where it is used to define maximum benefits in past tax years.
- ii. Introducing a general Trustee power in the DB Section Rules to ask members for information before the benefits are paid.
- iii. Updating statutory references.
- iv. Adding a permissive power for the Trustee and the Bank to pay a Pension Commencement Excess Lump Sum subject to contracting out requirements.
- v. Preserving any LTA caps in earlier versions of Rules and/or historic merger deeds.

Copies of the Scheme's Deeds and Rules are available on request by contacting the Pension Scheme Executive whose details can be found on page 62.

Developments after the year end

Virgin media case

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation notice. This judgement was appealed. On 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court. The Trustee understands that no further appeal will be made to the Supreme Court. Consequently, the Trustee has commenced its assessment with the support of external advisors to determine the potential impact the ruling may have and at this stage it does not believe there to be a material impact on the Scheme's financial statements.

In June 2025 the Government announced plans to legislate to allow pension schemes to retrospectively obtain the necessary actuarial confirmations in relation to historical amendments which may otherwise have been impacted by the Virgin Media ruling.

Policy and industry level engagement

As a large asset owner, the Scheme is exposed to a number of risks that are embedded within global systems, such as the planet, its climate, people and societies. Having robust global systems are critical elements for stable and resilient retirement outcomes for members. Risks to these systems cannot necessarily be mitigated by diversification. The Trustee believes it is important to behave as a responsible owner and, in line with members' long-term retirement outcomes, it will engage to promote healthy, functioning global systems. This work is done, to an extent by the Trustee's investment managers. To supplement this work, the Trustee took the decision to extend this work and appoint a specialist engagement provider, Federated Hermes EOS. This appointment commenced in April 2025.

Financial developments and Financial Statements

The financial statements included in this Annual Report & Financial Statements are the accounts required by the Pensions Act 1995 and can be found on pages 29 to 60. They have been prepared and audited in compliance with regulations made under section 41(1) and (6) of that Act.

Contributions

Contributions paid to the Scheme during 2024 were made in accordance with the Schedules of Contributions that were certified by the Scheme Actuary on 22 December 2020 and 25 March 2024. Contributions were also received in addition to those required by the Schedules of Contributions. A summary of contributions required by the Schedules of Contributions and contributions received can be found in the Summary of Contributions on page 24.

The Scheme's auditors provide a separate statement which is found on page 25 as to whether the contributions received are, in all material respects, in accordance with the relevant Schedules of Contributions.

The Schedules of Contributions certified by the Scheme Actuary on 22 December 2020 were put in place following the completion of the 2019 actuarial valuations.

Updated Schedules of Contributions were certified by the Scheme Actuary on 25 March 2024, following the completion of the 2022 actuarial valuations. For the HBUK section, administration costs and DC investment fees will continue to be met from surplus assets, along with the costs of funding spouses' death in service pensions and the costs of actuarially unreduced early retirements. Meeting these costs from surplus assets is in line with the Principal Employer's powers under the Scheme rules and is subject to a governance framework agreed between the Trustee and the Principal Employer which aims to ensure that the funding of members' benefits remains secure. This framework is set out in the 2022 valuation documents.

The updated schedules for the HGSU and HBEU sections are largely consistent with those put in place following the 2019 valuations.

The changes made to the Schedules of Contributions were considered as part of funding as a whole for each Section during the 2022 valuations processes and as such will be reconsidered at the next actuarial valuations as at 31 December 2025.

Copies of the Schedules of Contributions are available from the Scheme website as detailed on page 61.

Membership and benefits

A summary of the membership of the Scheme by section, benefit type and member type as at 31 December 2024 is set out in the table below:

| | Active members | Deferred members | Pensioner members | Total |
|---|----------------|------------------|-------------------|---------|
| HBUK Section | | | | |
| DB only benefits | - | 22,428 | 53,863 | 76,291 |
| DC only benefits | 17,649 | 45,704 | - | 63,353 |
| Hybrid benefits | 1,509 | 940 | 5,078 | 7,527 |
| | 19,158 | 69,072 | 58,941 | 147,171 |
| HGSU Section | | | | |
| DB only benefits | - | - | 6 | 6 |
| DC only benefits | 11,801 | 12,634 | - | 24,435 |
| Hybrid benefits | 556 | 4 | 36 | 596 |
| | 12,357 | 12,638 | 42 | 25,037 |
| HBEU Section | | | | |
| DB only benefits | - | 1 | 2 | 3 |
| DC only benefits | 3,270 | 3,402 | - | 6,672 |
| Hybrid benefits | 90 | 1 | 1 | 92 |
| | 3,360 | 3,404 | 3 | 6,767 |
| Total members as at 31 December 2024 | 34,875 | 85,114 | 58,986 | 178,975 |
| Total members as at 31 December 2023 | 35,131 | 86,214 | 57,312 | 178,657 |

Pensioner members include 6,776 spouses and dependants of deceased members (2023: 6,618) and 59 members whose benefits are provided by annuities (2023: 49). Employees who have opted-out of the Scheme are shown as new members when auto-enrolled and as members leaving active service when opted-out.

Pensioner members also include 1,254 (2023: 1,230) members who at retirement had DC only benefits and opted to use these to purchase an in scheme annuity, and 421 (2023: 370) members who are spouses of members who died in service with DC only benefits and are entitled to a pension from DB assets.

A summary of the movements of members in the Scheme is set out in the table below:

| | Active members | Deferred members | Pensioner members | Total |
|--|----------------|------------------|-------------------|---------|
| Reported as at 31 December 2023 | 35,131 | 86,214 | 57,312 | 178,657 |
| Adjustments | (217) | (168) | 337 | (48) |
| Members at beginning of the year | 34,914 | 86,046 | 57,649 | 178,609 |
| New members | 3,938 | 187 | 2,945 | 7,070 |
| Members leaving active service | (3,554) | 3,254 | - | (300) |
| Retirements | (371) | (2,723) | - | (3,094) |
| Deaths | (32) | (134) | (1,002) | (1,168) |
| Ceased widow/dependant benefits | - | - | (606) | (606) |
| Members leaving the Scheme before retirement | (20) | (1,516) | - | (1,536) |
| Total members as at 31 December 2024 | 34,875 | 85,114 | 58,986 | 178,975 |

Opening membership numbers have been adjusted for late notifications of membership movements in the previous year.

Pension increases (DB)

Pensions in payment

Pensions in payment are increased annually by the lower of 5% (3% for pensions accrued from 1 July 2009) or the increase in the Retail Price Index ('RPI'), except for members of schemes which merged into the HSBC Bank (UK) Pension Scheme which may have different caps. Guaranteed Minimum Pensions (GMP) is increased in accordance with statutory requirements. Annual increases are effective from 1 January each year based on the preceding September RPI.

The Trust Deed also gives power to the Trustee, with the approval of the Principal Employer, to make discretionary increases above the guaranteed level. The Principal Employer decided not to award a discretionary increase in 2024 (2023: none). The Trustee made a proposal to the Principal Employer that a discretionary pension increase be awarded to pensioner members with effect from January 2025. The Principal Employer informed the Trustee that after review and consideration of the proposal, it made the decision not to award a 2025 discretionary increase.

The increase in RPI for the twelve months ended in September 2024 was 2.7%. Pension increases were:

- 1 January 2025 A general increase of 2.7% (2.7% for pensions accrued from 1 July 2009)
- 1 January 2024 A general increase of 5% (3% for pensions accrued from 1 July 2009)
- 1 January 2023 A general increase of 5% (3% for pensions accrued from 1 July 2009)

Deferred pensioners

For those entitled to a deferred DB pension, awards have been made as follows:

- For members who have left or are being treated as having left service under the Security of Employment Policy/Agreement, increases awarded are the same as those for pensions in payment (as above).
- For members of the Samuel Montagu section of the Scheme who have left service, an increase in line with the practice which existed prior to the merger of the Samuel Montagu Scheme with the HSBC Scheme.
- For all other deferred members, no increases were awarded with the exception of statutory increases applicable to the members in question.

Transfer values

In accordance with the Pension Schemes Act 1993, all transfers paid to other pension schemes during the year were calculated and verified by the Scheme's Actuary or calculated in accordance with instructions prepared by the Actuary. It is the Trustee's general policy to make no allowance for discretionary benefits (including discretionary increases to pensions whilst in payment) when calculating transfer values. However, the Trustee does make allowance for some discretionary practices in certain cases in the light of legal and actuarial advice. No transfers were reduced to less than their cash equivalent value.

From 1 February 2010 a decision was made by the Trustee not to allow members to transfer benefits into the Scheme from any other pension arrangement on a DB basis.

Actuarial liabilities

In accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions, which represents the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years by the Actuary in an Actuarial Valuation using assumptions agreed between the Trustee and the Principal Employers for each section and set out in the Statement of Funding Principles, a copy of which is available on the Scheme website as detailed on page 61.

The results of the latest Actuarial Valuations are as follows:

| | 31 December 2022 | 31 December 2019 |
|---|---------------------|---------------------|
| HBUK Section | | |
| Value of DB Technical Provisions | £17.2bn | £26.3bn |
| Value of assets available to cover DB Technical Provisions | £20.9bn | £28.6bn |
| Value of assets as a percentage of DB Technical Provisions | 121% | 109% |
| HGSU Section | | |
| Value of DB Technical Provisions | £73m | £221m |
| Value of assets available to cover DB Technical Provisions | £98m | £231m |
| Value of assets as a percentage of DB Technical Provisions | 134% | 105% |
| HBEU Section | | |
| Value of DB Technical Provisions | £14m | £55m |
| Value of assets available to cover DB Technical Provisions | £27m | £70m |
| Value of assets as a percentage of DB Technical Provisions | 193% | 127% |

The value of Technical Provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the relevant Section of the Scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live.

In the figures shown above, the Actuary has taken into account contributions and member transfers between sections that occurred after the valuation date in relation to membership changes which took place prior to this date.

Interest rates increased over the course of 2024, which is expected to have resulted in a fall in the DB Technical Provisions liabilities. The hedging programme put in place by the Trustee is expected to have broadly preserved the level of the surplus, and the Technical Provisions funding level is therefore expected to have improved at the end of 2024 compared to the start of the year.

As part of the 2022 Actuarial Valuation the Trustee agreed with the Principal Employer an additional, more prudent, funding measure for the HBUK section, known as the Low Risk Funding Measure (LRFM). The LRFM is designed to show the level of assets which the HBUK section would need to pay all future benefits due to members if actual experience was worse than expected, with a low dependence on HSBC for future support. The HBUK section had a funding level of 114% on the LRFM measure as at 31 December 2022. The LRFM is actively used by the Trustee in its ongoing risk management of the HBUK section.

Members with DB benefits receive a Summary Funding Statement to update them on the Scheme's funding level within three months of each actuarial valuation or actuarial report being received from the Actuary.

Recovery plan

A recovery plan was not required for any of the three sections of the Scheme.

Method

The actuarial method used in the calculation of the Technical Provisions is the Projected Unit Credit Method.

Significant DB actuarial assumptions

A summary of the main assumptions, which are the same across all three sections, is below:

| Assumption | HBUK, HGSU and HBEU Sections 31 December 2022 Actuarial Valuation |
|---|--|
| Discount interest rate | 0.7% pa above the yield on a matching portfolio of gilts of approximate nature and duration of DB liabilities as at 31 December 2022, net of investment expenses. |
| Future RPI inflation | In line with gilt market terms. |
| Future Consumer Price Index ('CPI') inflation | A term dependent gap of 1.5% pa below RPI to end 2025, 1.0% pa below RPI between end 2025 and 2030, and in line with RPI thereafter. |
| Pension increases | In line with gilt market pricing of full RPI or CPI inflation, taking into account the relevant floor and cap and reflecting volatility of inflation. |
| Pay increases | 0.75% pa above CPI from 2024 (allowance for salary growth up to and including March 2023 having been included in the data provided). |
| Mortality | Post retirement mortality based on standard mortality tables (self-administered pension schemes – series 3) adjusted for the unweighted average mortality experience of the Scheme over the three years to 31 December 2019 (the three years to 31 December 2022 having been excluded due to Covid-19) |

Full details of all assumptions can be found in the Actuarial Valuations and Statement of Funding Principles for each section, these can be obtained from the Scheme at the address and website detailed on page 61.

Next actuarial valuation

The Trustee is required to produce actuarial valuations at least every three years and therefore the next actuarial valuations are due as of 31 December 2025 for all three sections.

Investment Management

Investment strategy and principles

The Trustee is responsible for determining the Scheme's investment strategy.

The Trustee is required under section 35 of the Pensions Act 1995 to have a Statement of Investment Principles ('SIP'). During the year the Scheme had two SIPs, one for DB investments and one for DC investments.

At the beginning of 2024 the SIPs that were in force were those that were dated September 2023 and effective from 1 October 2023. The DB SIP was further updated in May 2024 and both SIPs were updated further in December 2024, effective from 1 January 2025.

The Scheme is also required to produce Implementation Statements to confirm how it has implemented the SIPs.

Copies of the SIPs currently in force and the Implementation Statements are appended to the Annual Report & Financial Statements and are available from the Scheme's website as detailed on page 61. The Implementation Statements form part of the Trustee's Report.

As set out in the SIPs the Trustee's investment strategy considers the Scheme's investments in the following groupings:

- ◆ HBUK Section DB
- ◆ HGSU Section DB
- ◆ HBEU Section DB
- ◆ DC assets for all sections

HBUK Section DB strategy

The investment objective of the HBUK Section's DB investments is to maintain a portfolio (together with any contributions agreed with the Principal Employer) that meets the cost of current and future benefits on a Technical Provisions basis within specified investment risk constraints.

In order to meet this goal, the SIP defines a Cashflow Driven Investment ('CDI') approach. It should be noted that under the CDI approach asset allocations are no longer the primary driver of investment management, replaced by monitoring of cash flow matching versus the expected liabilities.

HGSU and HBEU sections' DB strategies

The investment objective of the HGSU and HBEU Sections' DB investments is to maintain a portfolio (together with any contributions agreed with the Principal Employer) that meets the cost of current and future benefits on a Technical Provisions basis. The SIP does not specify the asset allocation for the investments of the two Sections but requires the Trustee to review and set an asset allocation at least once every three years.

The following tables show the asset allocation at the year end for each Section against the allocation set by the Trustee agreed process delegated to the Pension Scheme Executive to implement in August 2024 having obtained advice from its DB investment advisors:

| HGSU Section | Value at 2024 £m | Allocation 2024 | Allocation Benchmark |
|---------------------------------|------------------------|--------------------|-------------------------|
| Sterling Corporate Bonds | 10.0 | 21.6% | 20.0% |
| Liability Driven Investment | 19.2 | 41.6% | 46.8% |
| Cash | 17.0 | 36.8% | 33.2% |
| Total Liability Matching | 46.2 | 100.0% | 100.0% |
| Sterling Corporate Bonds | 6.5 | 19.8% | 20.0% |
| Cash | 26.3 | 80.2% | 80.0% |
| Total Surplus | 32.8 | 100.0% | 100.0% |
| Total HGSU Section | 79.0 | | |

| HBEU Section | Value at 2024 £m | Allocation 2024 | Allocation Benchmark |
|---------------------------------|------------------------|--------------------|-------------------------|
| Sterling Corporate Bonds | 1.2 | 22.7% | 20.0% |
| Liability Driven Investment | 2.1 | 39.6% | 45.4% |
| Cash | 2.0 | 37.7% | 34.6% |
| Total Liability Matching | 5.3 | 100.0% | 100.0% |
| Sterling Corporate Bonds | 3.4 | 19.9% | 20.0% |
| Cash | 13.7 | 80.1% | 80.0% |
| Total Surplus | 17.1 | 100.0% | 100.0% |
| Total HBEU Section | 22.4 | | |

During 2024, the ALCo monitored asset allocations in the context of the Technical Provisions funding levels of the Sections with advice from its DB investment advisors. The ALCo also considered the views of the Principal Employers. The ALCo did not make any recommendation to the Board to change the asset allocation, although the ALCo did implement changes to the investment allocations in line with the overall risk and return profile agreed by the Board, and the updating of the assets' sensitivity to long-term interest rates and inflation to remain in line with that of the expected liabilities as far as possible, as agreed between the ALCo and Principal Employer.

Investment performance

The Trustee assesses the performance of the Scheme's investments in the following groupings:

- ◆ HBUK DB investments: the DB SIP does not assign a target performance against a specified benchmark for each underlying portfolio, except for three legacy return seeking portfolios. As stated above the investment strategy for the Section is a CDI approach where cashflow matching is the primary consideration for investment management.
- ◆ HGSU and HBEU DB investments: the DB SIP currently specifies that targets and benchmarks are not applicable for all portfolios. The Trustee currently monitors performance against the investment objective of being fully funded on a technical provisions basis.
- ◆ Money purchase funds are assessed against benchmarks related to the asset class that the fund is invested in. The Trustee receives information about performance against benchmarks on a quarterly basis for each fund. Performance information is provided to members as part of the annual package of information. Members with DC benefits have access to quarterly fund factsheets on each of the available DC funds via the Scheme website (see page 61 for access details).

DB investment performance

Annualised performance of the Scheme's DB investments over short and longer periods is summarised as:

| | One year % pa | Three year % pa | Five year % pa |
|--|------------------|--------------------|-------------------|
| HBUK Section DB investment performance | -4.4 | -14.0 | -5.4 |
| HGSU Section DB investment performance | -7.6 | -23.4 | -12.1 |
| HBEU Section DB investment performance | -5.1 | -23.5 | -12.7 |

Where applicable DB investments are benchmarked on an individual portfolio basis and as such there is no overall Scheme or Section benchmark return. Details of benchmarks and target returns, if applicable, can be found in the SIP.

DB asset performance can vary significantly from DC asset performance. DB assets are primarily invested in fixed income securities while the DC assets are primarily invested in equities. When the equity and bond market returns diverge significantly, there are likely to be large differences in performance between the DB and DC assets.

DC investment strategy and performance

There is no overall Scheme asset allocation for DC funds as each member may choose from a variety of investment strategies and may be at different stages of life-styling.

Details on the various strategies available to members are available in the DC Governance Statement and in the DC SIP which are appended to this Annual Report & Financial Statements. Both documents are also available on the Scheme's website as detailed on page 61.

DC funds are assessed against benchmarks related to the asset class that the fund is invested in. The Trustee receives information about performance against benchmarks on a quarterly basis for each fund. Performance information is provided to members as part of the annual package of information. Members with DC benefits have access to quarterly fund factsheets on each of the available DC funds via the Scheme website.

HSBC Bank (UK) Pension Scheme
Annual Report & Financial Statements for the year ended 31 December 2024
Trustee's Report

Annualised returns for the DC funds were:

| | One year | | | Three year | | | Five year | | |
|----------------------------------|-------------|------------------|----------|-------------|------------------|----------|-------------|------------------|----------|
| | Fund return | Benchmark return | Variance | Fund return | Benchmark return | Variance | Fund return | Benchmark return | Variance |
| | %pa | %pa | %pa | %pa | %pa | %pa | %pa | %pa | %pa |
| Active funds | | | | | | | | | |
| Global Equity | 11.3 | 18.9 | -7.6 | 4.4 | 7.8 | -3.4 | 7.7 | 10.9 | -3.2 |
| UK Equity | 11.4 | 9.7 | +1.7 | 4.5 | 5.8 | -1.3 | 4.2 | 7.0 | -2.8 |
| Emerging Markets Equity | 6.6 | 9.4 | -2.8 | 0.5 | 0.9 | -0.4 | 2.7 | 3.1 | -0.4 |
| Global Bonds | 8.4 | 7.1 | +1.3 | 4.0 | 5.7 | -1.7 | 3.7 | 4.2 | -0.5 |
| Sterling Corporate Bonds | 2.0 | 1.7 | +0.3 | -2.2 | -3.1 | +0.9 | -0.1 | -1.0 | +0.9 |
| Property | 2.5 | 5.4 | -2.9 | -2.8 | -2.0 | -0.8 | 1.7 | 2.1 | -0.4 |
| Diversified Assets | 7.9 | 8.1 | -0.2 | 1.5 | 6.7 | -5.2 | 2.7 | 5.4 | -2.7 |
| Sustainable & Responsible equity | -1.6 | 20.1 | -21.7 | -4.8 | 9.3 | -14.1 | 4.1 | 12.4 | -8.3 |
| Cash | 5.3 | 5.1 | +0.2 | 3.8 | 3.7 | +0.1 | 2.3 | 2.2 | +0.1 |
| Passive funds | | | | | | | | | |
| Global Equity | 14.3 | 14.5 | -0.2 | 5.3 | 5.5 | -0.2 | 9.2 | 9.3 | -0.1 |
| UK Equity | 9.4 | 9.4 | 0.0 | 6.0 | 5.9 | +0.1 | 4.9 | 4.8 | +0.1 |
| North American Equity | 26.9 | 26.9 | 0.0 | 11.3 | 11.2 | +0.1 | 15.7 | 15.6 | +0.1 |
| Japanese Equity | 10.6 | 10.7 | -0.1 | 5.7 | 5.7 | 0.0 | 6.1 | 6.1 | 0.0 |
| European (ex UK) Equity | -0.4 | 1.2 | -1.6 | 2.0 | 2.7 | -0.7 | 6.2 | 6.6 | -0.4 |
| Asia Pacific (ex Japan) Equity | -3.4 | -3.3 | -0.1 | -0.4 | -0.3 | -0.1 | 3.1 | 3.1 | 0.0 |
| Fixed Annuity Tracker | -3.4 | -2.5 | -0.9 | -9.7 | -10.6 | +0.9 | -4.9 | -5.5 | +0.6 |
| Inflation Linked Annuity Tracker | -5.7 | ^ | ^ | -13.5 | ^ | ^ | -6.3 | ^ | ^ |
| Shariah Law equity | 29.7 | 29.4 | +0.3 | 11.8 | 11.6 | +0.2 | 17.1 | 17.1 | 0.0 |

^ The Inflation Linked Annuity Tracker Fund now invests in government and corporate bonds directly (rather than investing in underlying passive funds) which means that the previous benchmark is no longer suitable and there is currently no suitable performance comparator available for the Fund. The Trustee is reviewing the options available for future returns.

During the year, as part of the project to introduce the Long-Term Asset Fund, new Lifecycle funds were created. See detail on page 7. Performance for these funds is provided since 30 June 2024.

| | Since 30 June 2024 | | |
|--|--------------------|------------------|----------|
| | Fund return | Benchmark return | Variance |
| | %pa | %pa | %pa |
| Lifecycle funds | | | |
| Early Growth Fund | 4.6 | 5.6 | -1.0 |
| Late Growth Fund | 3.9 | 4.7 | -0.8 |
| Approaching Retirement - Flexible Income Fund | 3.6 | 3.8 | -0.2 |
| Approaching Retirement - Annuity Purchase Fund | -1.3 | 0.9 | -2.2 |
| Approaching Retirement - Lump Sum Fund | 4.8 | 3.5 | +1.3 |
| Through Retirement - Flexible Income Fund | 3.4 | 3.1 | +0.3 |
| Through Retirement - Annuity Purchase Fund | -0.3 | 0.5 | -0.8 |
| Through Retirement - Lump Sum Fund | 3.7 | 3.0 | +0.7 |

Further details on the performance of DC funds can be obtained from fund factsheets which are published quarterly and are available from the Scheme's website. Members can obtain details of current market values and past transactions relating to their own individual DC pension pots by accessing the My Pension website operated by the Scheme's DC Administrators. Please see page 61 for details on how to access the Scheme website and the My Pension website.

Management and custody of investments

The Scheme's investments are managed by investment managers appointed by the Trustee which are listed on pages 3 to 4.

The Trustee delegates the day-to-day investment management decisions to professional external investment managers. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's investment advisors. The Trustee has put in place investment mandates with its investment managers who implement this strategy.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each investment asset class. More details about investments are given in the notes to the financial statements.

Investment managers are remunerated by fees based on a percentage of funds under management or an agreed fixed fee. In the case of pooled investment vehicles, where fees are deducted from underlying assets and where the Scheme has negotiated fee rates at less than that which is deducted, the Scheme receives a rebate.

The Trustee delegates its voting rights to the investment managers to exercise at their discretion, with the Trustee undertaking oversight of how the managers have voted to ensure they remain in line with the Trustee's overall priorities and expectations. Asset managers are expected to exercise their voting rights relating to assets held in respective portfolios, including on Environmental, Social & Governance ('ESG') issues.

The Trustee has communicated its ESG policies to the asset managers it employs and expects those asset managers' voting activities to be aligned with the Trustee's policies. The Trustee does not have a policy stating that asset managers should consider "ethical issues" when exercising voting rights and considers ESG issues to be financial risk factors that can have material implications for the value of assets held in the portfolio and therefore should be managed by respective asset managers.

The Trustee has less direct influence over how voting rights associated with holdings in pooled funds are exercised but monitors how votes have been exercised and will challenge asset managers where it disagrees with any actions taken that appear to be misaligned with the Trustee's ESG policies.

All investment management agreements provide for the Trustee to receive regular reports on portfolio holdings and performance, but the day-to-day management including asset selection has been delegated to the investment managers by the Trustee. Reports are also received and reviewed from investment managers in respect of their engagement with the senior management of investee companies and their voting activity on the resolutions of these companies.

Custody services are provided by HSBC Bank plc, Northern Trust Global Securities Limited and The Bank of New York Mellon (International) Limited. The custodians do not keep custody of the following assets:

- ◆ Pooled investment vehicles, where each fund manager makes its own arrangements for custody of underlying investments.
- ◆ Private equity funds and loan arrangements where the Trustee holds partnership and loan agreements.
- ◆ Direct property, where title deeds are held by the Scheme's legal advisors.
- ◆ DC and other investments which are in the form of insurance policies, where the master policy documents are held by the Trustee.

The Trustee continues to prohibit investment managers from acquiring investments that result in the Scheme having direct ownership in securities of HSBC Group companies.

The SIP highlights various types of investment risks and how these are monitored by the Trustee.

Environmental, Social & Governance ('ESG') risks

The SIP details the Scheme's policies and principles on ESG matters. The Trustee believes that ESG risks have potentially significant impacts on the Scheme's investment performance and as such expects investment managers to take steps to ensure that ESG risk factors are considered in all investment decision-making processes.

The Trustee considers that it should in all circumstances act in the best interests of the beneficiaries in accordance with the Rules of the Scheme. The Trustee's policy is to ask the investment managers that each should take into account what they believe to be relevant ESG issues in assessing future investment returns. The Trustee's policy in relation to ESG issues are set out in the DB and DC SIPs of the Scheme.

The Trustee continues to research ESG risk factors and monitor developments in ESG regulation. The Trustee continues to receive professional advice from its investment advisors on what changes to strategies and risk management could be made. The Trustee also engages with various industry bodies and international organisations.

The Scheme's Trustee Board has been actively working for several years to take account of the risks and potential opportunities that climate change presents. In particular, the Trustee:

- was one of the earliest adopters of the Task Force on Climate-related Financial Disclosures ('TCFD') reporting and its 2024 statement is its eighth annual TCFD statement
- is a member of the Institutional Investors Group on Climate Change ('IIGCC')
- is a supporter of Climate Action 100+
- collaborates with its principal equities fund manager, Legal and General Investment Management, and its other asset managers given that it believes strongly in engagement rather than exclusion as a principle, to achieve real economy emissions reductions
- considers ESG risks and opportunities in the selection, monitoring and review of its asset managers, building these elements into fund design as appropriate

Net zero greenhouse gasses by 2050 or sooner

In October 2021 the Trustee announced its ambition to achieve net zero greenhouse gasses by 2050 or sooner. This ambition is being made in the context of the Trustee's wider efforts to manage the impact of climate change on the Scheme's investments and the consequent impact on the financial interests of its members. This includes:

- targeting a real economy greenhouse gas emissions reduction interim target of 50% by 2030 or sooner for its equity and corporate bond mandates, in line with the findings of the most recent Intergovernmental Panel on Climate Change (IPCC) report
- having the ambition of achieving all of its corporate bond and equity investments being fully aligned to the goals of the Paris Agreement by 2030 across its DB and DC assets
- enhancing its engagement and stewardship efforts through the Scheme's investment managers

TCFD Statement

The Trustee has produced a Task Force for Climate-Related Financial Disclosures ('TCFD') statement annually since 2018. The TCFD's aim is to improve both the quality of governance and the level of action by trustees in identifying, assessing and managing climate risk.

As required by the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the statement for the year ended 31 December 2024 can be found in the **"Information Centre"** section of the Scheme website. A summary of the TCFD statement can also be found there.

The link below takes the reader to the Active DC members' Information Centre where the statement can be downloaded but is also available in the Information Centre for all other membership types by accessing the Scheme website as described on page 61.

<https://futurefocus.staff.hsbc.co.uk/active-dc/information-centre/>

Financial Reporting Council ('FRC') UK Stewardship Code

The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Code comprises a set of 12 'apply and explain' Principles for asset owners.

In 2024, the Trustee retained its status as a signatory to the Financial Reporting Council ('FRC')'s UK Stewardship Code. In the first half of 2025, the Trustee has once again submitted its most recent assessment of how it is implementing the Stewardship Code's 12 Principles and expects the FRC to make its decision in late 2025.

Employer-related investments

The Scheme does not directly invest in HSBC Group companies or joint ventures. However, cash balances held with HSBC Group companies fall within the regulatory definition of employer related investments. These are disclosed in Note 29 of the Financial Statements and represent 0.8% (2023: 0.7%) of net assets.

Further information

Information about the Scheme can be obtained from its website as detailed on page 61.

Appended to this Annual Report & Financial Statements (also available on the Scheme's website) are:

- Defined Contributions Governance Statement
- Defined Contributions Statement of Investment Principles
- Defined Contributions Implementation Statement
- Defined Benefits Statement of Investment Principles
- Defined Benefits Implementation Statement

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the Benefit Administrators listed on page 61.

Statement of Trustee's responsibilities

The Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- ◆ show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- ◆ contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the Trustee website (<https://futurefocus.staff.hsbc.co.uk>). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Trustee's Report on pages 5 to 20 was approved for and on behalf of the Trustee Directors.

R Picot

H Pugsley

R Picot, Trustee Director

H Pugsley, Trustee Director

Date: 25 June 2025

Date: 25 June 2025

Actuarial Certificate of Schedule of Contributions – HBUK Section

HSBC Bank (UK) Pension Scheme
HBUK Section

8

Appendix A: Statutory certificate (Schedule of contributions)

Actuarial certification for the purposes of regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme and name of section: **HBUK Section of the HSBC Bank (UK) Pension Scheme**

Adequacy of rates of contributions

- 1 I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2022 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

- 2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 25 March 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

DocuSigned by:

953A733F0C8A447

C G Singer
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited,
a WTW company

25 March 2024

Watson House
London Road
Reigate
Surrey
RH2 9PQ

March 2024

Actuarial Certificate of Schedule of Contributions – HSBC Global Services Section

HSBC Bank (UK) Pension Scheme
HSBC Global Services Section

8

Appendix A: Statutory certificate (Schedule of contributions)

*Actuarial certification for the purposes of regulation 10(6) of the Occupational Pension
Schemes (Scheme Funding) Regulations 2005*

Name of scheme and name of section: **HSBC Global Services Section of the HSBC Bank (UK)
Pension Scheme**

Adequacy of rates of contributions

- 1 I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2022 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

- 2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 25 March 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

DocuSigned by:

953A733F0C8A447


C G Singer
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW company

25 March 2024

Watson House
London Road
Reigate
Surrey
RH2 9PQ

March 2024

Actuarial Certificate of Schedule of Contributions – HSBC Bank plc Section

| | |
|---|--|
| HSBC Bank (UK) Pension Scheme HSBC Bank plc Section | 8 |
| <h2>Appendix A: Statutory certificate (Schedule of contributions)</h2> | |
| <i>Actuarial certification for the purposes of regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005</i> | |
| Name of scheme and name of section: HSBC Bank plc Section of the HSBC Bank (UK) Pension Scheme | |
| Adequacy of rates of contributions | |
| 1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2022 to continue to be met for the period for which the schedule is to be in force. | |
| Adherence to statement of funding principles | |
| 2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 25 March 2024. | |
| The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up. | |
| <div>DocuSigned by:  953A733F0CBA447</div> | |
| C G Singer Fellow of the Institute and Faculty of Actuaries Towers Watson Limited, a WTW company | Watson House London Road Reigate Surrey RH2 9PQ |
| 25 March 2024 | |
| March 2024 | |

Summary of Contributions

Trustee's summary of contributions payable under the schedules of contributions in respect of the Scheme year ended 31 December 2024

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out:

- ◆ employer and employee contributions payable to the Scheme under the schedules of contributions certified by the actuary on 22 December 2020 and 25 March 2024. The Scheme's Independent Auditors report reports on contributions payable under the Schedules in the Auditors' statement about contributions.
- ◆ any other employer and employee contributions payable as agreed between the Trustee and the Principal Employer.

During the year, contributions payable to the Scheme by the Principal Employer as required by the above were as follows:

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Required by the schedules of contributions | | | | | | | |
| <i>Employer</i> | | | | | | | |
| Normal | - | 107.2 | - | 161.2 | - | 40.5 | 308.9 |
| Risk benefit and expense | - | - | 15.3 | - | 4.0 | - | 19.3 |
| Augmentations | - | 1.8 | 4.5 | 6.8 | 0.1 | 0.5 | 13.7 |
| Total required by the schedules of contributions | - | 109.0 | 19.8 | 168.0 | 4.1 | 41.0 | 341.9 |
| In addition to the schedules of contributions | | | | | | | |
| <i>Employee</i> | | | | | | | |
| Normal | - | - | - | - | - | 2.0 | 2.0 |
| AVC | - | 43.1 | - | 85.6 | - | 14.3 | 143.0 |
| Total contributions received | - | 152.1 | 19.8 | 253.6 | 4.1 | 57.3 | 486.9 |

For and on behalf of the Trustee Directors.

R Picot

H Pugsley

R Picot, Trustee Director

H Pugsley, Trustee Director

Date: 25 June 2025

Date: 25 June 2025

Independent auditors' statement about contributions to the Trustee of HSBC Bank (UK) Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the schedules of contributions for the Scheme year ended 31 December 2024 as reported in HSBC Bank (UK) Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Scheme actuary on 22 December 2020 and 25 March 2024.

We have examined HSBC Bank (UK) Pension Scheme's summary of contributions for the Scheme year ended 31 December 2024 which is set out on the previous page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedules of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

25 June 2025

Independent auditors' report to the Trustee of HSBC Bank (UK) Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Bank (UK) Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included within the Annual Report & Financial Statements, which comprise: the Statement of Net Assets available for benefits as at 31 December 2024; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to, or in respect of, the Scheme.

We have provided no non-audit services to the Scheme in the period under audit.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Scheme's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report & Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

25 June 2025

Fund Account

for the year ended 31 December 2024

| | | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m | Total 2023 £m |
|--|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|---------------------|
| | Note | | | | | | | | |
| CONTRIBUTIONS & BENEFITS | | | | | | | | | |
| Employer contributions | 4 | - | 109.0 | 19.8 | 168.0 | 4.1 | 41.0 | 341.9 | 343.8 |
| Employee contributions | 4 | - | 43.1 | - | 85.6 | - | 16.3 | 145.0 | 125.2 |
| Transfers in | 5 | - | 7.3 | - | 10.0 | - | 2.7 | 20.0 | 13.8 |
| Other income | 6 | - | 0.2 | 4.7 | 0.1 | 3.2 | - | 8.2 | 14.7 |
| | | - | 159.6 | 24.5 | 263.7 | 7.3 | 60.0 | 515.1 | 497.5 |
| Benefits paid or payable | 7 | (822.3) | (38.4) | (1.3) | (26.5) | (0.3) | (1.9) | (890.7) | (842.5) |
| Transfers out | 8 | (32.4) | (125.5) | - | (105.7) | - | (21.9) | (285.5) | (276.3) |
| Administrative expenses | 9 | (21.0) | - | (8.3) | - | (2.7) | - | (32.0) | (28.3) |
| | | (875.7) | (163.9) | (9.6) | (132.2) | (3.0) | (23.8) | (1,208.2) | (1,147.1) |
| NET (WITHDRAWALS)/ ADDITIONS FROM DEALINGS WITH MEMBERS | | (875.7) | (4.3) | 14.9 | 131.5 | 4.3 | 36.2 | (693.1) | (649.6) |
| RETURNS ON INVESTMENTS | | | | | | | | | |
| Investment income | 10 | 595.6 | 0.5 | 0.2 | 0.7 | 0.2 | 0.2 | 597.4 | 517.3 |
| Change in market value of investments | 11 | (1,709.5) | 418.9 | (6.9) | 401.4 | (1.4) | 81.2 | (816.3) | 1,128.2 |
| Investment management expenses | 21 | (23.9) | - | (6.4) | - | (1.4) | - | (31.7) | (30.0) |
| NET (LOSSES)/RETURNS ON INVESTMENTS | | (1,137.8) | 419.4 | (13.1) | 402.1 | (2.6) | 81.4 | (250.6) | 1,615.5 |
| NET (DECREASE)/ INCREASE IN THE FUND DURING THE YEAR | | (2,013.5) | 415.1 | 1.8 | 533.6 | 1.7 | 117.6 | (943.7) | 965.9 |
| Transfers between sections | 24 | 17.7 | (2.7) | (6.2) | (8.2) | (3.5) | 2.9 | - | - |
| OPENING NET ASSETS OF THE SCHEME | | 20,811.7 | 3,432.2 | 95.9 | 3,093.9 | 28.0 | 688.3 | 28,150.0 | 27,184.1 |
| CLOSING NET ASSETS OF THE SCHEME | | 18,815.9 | 3,844.6 | 91.5 | 3,619.3 | 26.2 | 808.8 | 27,206.3 | 28,150.0 |

The Notes to the Financial Statements on pages 31 to 60 form part of these Financial Statements.

Statement of Net Assets

available for benefits as at 31 December

| | | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m | Total 2023 £m |
|--|-------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|---------------------|
| | Note | | | | | | | | |
| Investment assets | 11 | | | | | | | | |
| Private equity funds | | 314.6 | - | - | - | - | - | 314.6 | 340.0 |
| Fixed interest bonds | | 4,795.1 | - | - | - | - | - | 4,795.1 | 4,973.3 |
| Index-linked bonds | | 6,559.6 | - | - | - | - | - | 6,559.6 | 8,041.0 |
| Pooled investment vehicles | 12,13 | 6,166.1 | 3,819.6 | 79.0 | 3,588.5 | 22.4 | 800.2 | 14,475.8 | 14,123.4 |
| Derivatives | 14 | 907.4 | - | - | - | - | - | 907.4 | 1,355.1 |
| Property | | 664.3 | - | - | - | - | - | 664.3 | 650.9 |
| AVC investments | 16 | 2.4 | - | - | - | - | - | 2.4 | 3.1 |
| Cash & cash equivalents | 17 | 548.6 | - | - | - | - | - | 548.6 | 593.7 |
| Amounts receivable under reverse repurchase agreements | 17 | 69.1 | - | - | - | - | - | 69.1 | - |
| Other investment balances | 17 | 121.4 | - | - | - | - | - | 121.4 | 112.3 |
| | | 20,148.6 | 3,819.6 | 79.0 | 3,588.5 | 22.4 | 800.2 | 28,458.3 | 30,192.8 |
| Investment liabilities | | | | | | | | | |
| Derivatives | 14 | (283.5) | - | - | - | - | - | (283.5) | (325.6) |
| Longevity Insurance | 15 | (388.5) | - | - | - | - | - | (388.5) | (196.9) |
| Collateral obligations & borrowings | 17 | (446.6) | - | - | - | - | - | (446.6) | (760.7) |
| Amounts due under repurchase agreements | 17 | (203.0) | - | - | - | - | - | (203.0) | (838.4) |
| Other investment balances | 17 | (22.0) | - | - | - | - | - | (22.0) | (18.4) |
| | | (1,343.6) | - | - | - | - | - | (1,343.6) | (2,140.0) |
| TOTAL NET INVESTMENTS | | 18,805.0 | 3,819.6 | 79.0 | 3,588.5 | 22.4 | 800.2 | 27,114.7 | 28,052.8 |
| Current assets | 22 | 33.2 | 25.7 | 15.9 | 31.6 | 4.3 | 9.0 | 119.7 | 131.9 |
| Current liabilities | 23 | (22.3) | (0.7) | (3.4) | (0.8) | (0.5) | (0.4) | (28.1) | (34.7) |
| TOTAL NET ASSETS | | 18,815.9 | 3,844.6 | 91.5 | 3,619.3 | 26.2 | 808.8 | 27,206.3 | 28,150.0 |

The Notes to the Financial Statements on pages 31 to 60 form part of these Financial Statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit sections, is dealt with in the Actuarial liabilities section of the Trustee's Report on pages 12 to 13 of the Annual Report and these financial statements should be read in conjunction with this report.

The Financial Statements on pages 29 to 60 were approved by the Trustee Directors on 25 June 2025 and signed on their behalf by:

R Picot

H Pugsley

R Picot, Trustee Director

H Pugsley, Trustee Director

Notes to the Financial Statements

1. Identification of the financial statements

HSBC Bank (UK) Pension Scheme (the 'Scheme') is an occupational pension scheme established under trust in the United Kingdom and in accordance with English trust law.

The Scheme was established to provide retirement benefits to certain groups of UK employees of the HSBC Group.

The address of the Scheme's principal office is 8 Canada Square, London, E14 5HQ.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment.

The Scheme has three Sections reflecting the ring-fenced nature of the sponsoring employers in accordance with the HSBC Group's corporate structure. These financial statements separate each Section between DB and DC benefit types.

Throughout the Financial Statements:

- ◆ the HSBC UK Bank plc Section is referred to as the 'HBUK' Section
- ◆ the HSBC Global Services Section is referred to as the 'HGSU' Section
- ◆ the HSBC Bank plc Section is referred to as the 'HBEU' Section

2. Basis of preparation

The individual financial statements of HSBC Bank (UK) Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ('FRS 102') and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ('the SORP').

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The principal accounting policies of the Scheme are as follows:

a) Investments

Investment assets and liabilities are included at fair value.

- i) Unquoted securities are included at fair value estimated by the Trustee based on advice from the investment manager.
- ii) Bonds are stated at their evaluated clean prices provided by the custodian. Accrued income is accounted for within investment income and other investment balances.
- iii) Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager.
- iv) Derivatives are stated at fair value.
 - Exchange traded derivatives are stated at fair value determined using market quoted prices.
 - Over the counter ('OTC') derivatives are stated at fair value using pricing models and relevant market data as at the year end date.
 - Swaps are valued taking the current net present value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.

- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- To Be Announced (“TBA”) contracts are stated at fair value taking the net present value of expected cash flows under the contract assuming pair-off at the reporting date.
- All gains and losses arising on derivative contracts are reported within ‘Change in Market Value’.

Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments, apart from receipts or payment under swap contracts as noted below under b iii) Investment income.

- v) Properties are included at open market value as at 31 December determined in accordance with the Royal Institution of Chartered Surveyors’ Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by CBRE Limited, Chartered Surveyors, who have recent experience in the locations and class of the investment properties held by the Scheme. The principal assumptions on which the valuations were based were rental income from current tenants, the remaining term of current leases and market rents by area for the locations in which the properties were based.
- vi) Longevity insurance contracts are included at net present fair value of future cash flows arising from the contracts, updated to reflect prevailing market-based estimates of mortality, and valued using market interest and inflation rates and taking into account the risk premium inherent in the contract. Changes in the net present value and cash flow payments have been allocated between change in market value and investment income. The longevity insurance contract valuations were performed by specialists at WTW.
- vii) AVC investments held as with profits insurance policies are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus. AVCs held as unitised insurance policies are valued on the same basis as pooled investment vehicles with similar characteristics.
- viii) Under repurchase (‘repo’) arrangements, the Scheme continues to recognise the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability. Under reverse repurchase arrangements, the Scheme does not recognise the securities received as collateral in the Financial Statements. The cash delivered to the counterparty is recognised as a receivable.
- ix) Other investments balances include fair value of accrued income (as set out in the Investment Income section below) and any other amounts due to and from brokers and counterparties (such as outstanding trade settlements and obligations to return collateral).
- x) Annuity policies held by the Trustee to fund benefits payable to certain Scheme members are not material to the Scheme and have been assigned a nil value.

b) Investment income

- i) Rents are recognised on an accruals basis in accordance with the terms of the leases.
- ii) Interest on bonds, repurchase agreements, cash and cash equivalents is accrued on a daily basis.
- iii) Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income.
- iv) Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- v) Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within ‘Change in Market Value’. Where a pooled investment vehicle periodically passes on this income, the distribution will be accounted for when due as defined in the rules of the pooled vehicle.
- vi) Net monthly longevity insurance cash flows (being net payments of fixed premiums, floating claims and reinsurance fees) are included in investment income and accrued in the month to which they relate.
- vii) Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis.

c) Foreign currencies

The functional and presentational currency of the Scheme is Pound Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year end date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

d) Contributions

- i) Employee normal contributions are accounted for when deducted from pay, with the exception of contributions deducted from auto-enrolled members during the opt out period which are accounted for on the earlier of receipt or the expiry of the opt out period.
- ii) Employee additional voluntary contributions are accounted for in the month deducted from pay.
- iii) Employer normal contributions which are expressed as a rate of salary are accounted for in the payroll period to which they relate.
- iv) Risk benefit and expense contributions are accounted for in the period they are due under the Schedule of Contributions.
- v) Employer augmentation contributions are accounted for in accordance with the Schedule of Contributions.

e) Benefits, transfers and payments to and on account of leavers

- i) Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.
- ii) Opt-outs are accounted for when the Scheme is notified of the opt-out.
- iii) Individual transfers in or out are accounted for when member liability is accepted/discharged which is normally when paid or received.
- iv) Group transfers are accounted for in accordance with the terms of the transfer agreement.
- v) Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits.

f) Expenses

Expenses are accounted for on an accruals basis. The Scheme bears all the costs of administration but does receive a funding allowance from some of the employers by way of contributions to cover administrative costs. Direct costs are charged to the Section to which they relate. Indirect costs are allocated between sections based on an allocation methodology agreed by the Trustee.

g) Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Included within Private equity funds is the Scheme's holdings in Pathway Private Equity Fund XIX, LP and Greencoat Buckingham LP. The Scheme is the majority limited partner in these limited partnerships, however, as they are held exclusively with a view to subsequent resale as part of the Scheme's investment portfolio they are recognised as a financial asset reported at fair value and not consolidated.

The Trustee makes estimates and assumptions concerning the future as set out in the above accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within (a) above and within Note 19.

4. Contributions

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|----------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Employer | | | | | | | |
| Normal | - | 107.2 | - | 161.2 | - | 40.5 | 308.9 |
| Risk benefits and expenses | - | - | 15.3 | - | 4.0 | - | 19.3 |
| Augmentations | - | 1.8 | 4.5 | 6.8 | 0.1 | 0.5 | 13.7 |
| | - | 109.0 | 19.8 | 168.0 | 4.1 | 41.0 | 341.9 |
| Employee | | | | | | | |
| Normal | - | - | - | - | - | 2.0 | 2.0 |
| AVC | - | 43.1 | - | 85.6 | - | 14.3 | 143.0 |
| | - | 43.1 | - | 85.6 | - | 16.3 | 145.0 |
| Total | - | 152.1 | 19.8 | 253.6 | 4.1 | 57.3 | 486.9 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|----------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Employer | | | | | | | |
| Normal | - | 102.1 | - | 150.6 | - | 35.1 | 287.8 |
| Risk benefits and expenses | 10.7 | - | 11.1 | - | 2.8 | - | 24.6 |
| Augmentations | 4.7 | 3.6 | 11.0 | 10.4 | 1.0 | 0.7 | 31.4 |
| | 15.4 | 105.7 | 22.1 | 161.0 | 3.8 | 35.8 | 343.8 |
| Employee | | | | | | | |
| Normal | - | - | - | - | - | 1.9 | 1.9 |
| AVC | - | 38.6 | - | 73.3 | - | 11.4 | 123.3 |
| | - | 38.6 | - | 73.3 | - | 13.3 | 125.2 |
| Total | 15.4 | 144.3 | 22.1 | 234.3 | 3.8 | 49.1 | 469.0 |

Augmentation contributions relate to the cost of providing an actuarially unreduced early retirement pension paid from the Scheme in relation to certain employees who are made redundant from their jobs. These contributions are paid by the relevant Principal Employer after the member has taken early retirement, in line with the current Schedules of Contributions.

Risk benefits and expenses contributions relate to DB risk benefits for active DC members and for Scheme expenses as set out in the Schedules of Contributions which were in force during the year.

Contributions in respect of risk benefits, expenses and pensions paid on early retirement were met from the general assets of the HBUK section, in line with section 2.1 of the HBUK Schedule of Contributions, dated 25 March 2024.

All DC contributions including Employee AVCs are invested in the Scheme's main DC arrangement. In accordance with the Scheme's Deed and Rules, members' individual records are separated between units purchased by Employer and Employee contributions.

Employee AVC contributions are made under salary sacrifice arrangements offered by the Principal Employers.

5. Transfers in

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Individual transfers in | - | 7.3 | - | 10.0 | - | 2.7 | 20.0 |
| Total | - | 7.3 | - | 10.0 | - | 2.7 | 20.0 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Individual transfers in | - | 3.2 | - | 9.8 | - | 0.8 | 13.8 |
| Total | - | 3.2 | - | 9.8 | - | 0.8 | 13.8 |

6. Other income

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Death in service insurance claims | - | - | 4.7 | - | 3.2 | - | 7.9 |
| Other income | - | 0.2 | - | 0.1 | - | - | 0.3 |
| Total | - | 0.2 | 4.7 | 0.1 | 3.2 | - | 8.2 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Death in service insurance claims | - | - | 10.9 | - | 3.6 | - | 14.5 |
| Other income | 0.1 | - | - | 0.1 | - | - | 0.2 |
| Total | 0.1 | - | 10.9 | 0.1 | 3.6 | - | 14.7 |

Death in service claims relate to insurance policies for spouses' death in service pensions payable in the HGSU and HBEU Sections.

7. Benefits paid or payable

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Pensions | 728.7 | - | 0.5 | - | 0.2 | - | 729.4 |
| Purchase of annuities | - | 5.0 | - | 2.6 | - | - | 7.6 |
| Lump sum retirement benefits | 89.5 | 31.5 | 0.7 | 21.5 | - | 1.6 | 144.8 |
| Lump sum death benefits | 3.4 | 1.9 | - | 2.2 | - | 0.2 | 7.7 |
| Taxation where lifetime or annual allowance exceeded | 0.7 | - | 0.1 | 0.2 | 0.1 | 0.1 | 1.2 |
| Total | 822.3 | 38.4 | 1.3 | 26.5 | 0.3 | 1.9 | 890.7 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| <i>Pensions</i> | <i>687.7</i> | <i>-</i> | <i>3.9</i> | <i>-</i> | <i>0.6</i> | <i>-</i> | <i>692.2</i> |
| <i>Purchase of annuities</i> | <i>-</i> | <i>3.1</i> | <i>-</i> | <i>0.1</i> | <i>-</i> | <i>-</i> | <i>3.2</i> |
| <i>Lump sum retirement benefits</i> | <i>80.6</i> | <i>29.5</i> | <i>2.1</i> | <i>26.0</i> | <i>-</i> | <i>3.3</i> | <i>141.5</i> |
| <i>Lump sum death benefits</i> | <i>0.8</i> | <i>0.3</i> | <i>-</i> | <i>1.9</i> | <i>-</i> | <i>0.1</i> | <i>3.1</i> |
| <i>Taxation where lifetime or annual allowance exceeded</i> | <i>2.0</i> | <i>0.1</i> | <i>-</i> | <i>0.3</i> | <i>0.1</i> | <i>-</i> | <i>2.5</i> |
| Total | 771.1 | 33.0 | 6.0 | 28.3 | 0.7 | 3.4 | 842.5 |

The Scheme currently does not provide a post-retirement drawdown facility. Members wishing to take this option must transfer their benefits to another scheme or pension provider prior to retirement.

8. Transfers out

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|--------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Individual transfers out | 32.4 | 125.5 | - | 105.7 | - | 21.9 | 285.5 |
| Total | 32.4 | 125.5 | - | 105.7 | - | 21.9 | 285.5 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|---------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| <i>Individual transfers out</i> | <i>94.0</i> | <i>83.7</i> | <i>0.7</i> | <i>81.1</i> | <i>0.6</i> | <i>16.2</i> | <i>276.3</i> |
| Total | 94.0 | 83.7 | 0.7 | 81.1 | 0.6 | 16.2 | 276.3 |

9. Administrative expenses

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Benefits administration | 7.2 | - | 1.0 | - | 0.3 | - | 8.5 |
| Audit | 0.2 | - | - | - | - | - | 0.2 |
| Actuarial & investment consulting | 5.7 | - | 0.6 | - | 0.2 | - | 6.5 |
| Legal | 1.9 | - | 0.1 | - | - | - | 2.0 |
| Other administration & professional | 2.1 | - | 0.4 | - | 0.1 | - | 2.6 |
| Scheme management | 2.7 | - | 0.4 | - | 0.1 | - | 3.2 |
| Insurance premiums | - | - | 5.7 | - | 2.0 | - | 7.7 |
| Statutory fees & levies | 0.8 | - | 0.1 | - | - | - | 0.9 |
| Irrecoverable VAT | 0.4 | - | - | - | - | - | 0.4 |
| Total | 21.0 | - | 8.3 | - | 2.7 | - | 32.0 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| <i>Benefits administration</i> | <i>4.2</i> | <i>-</i> | <i>1.1</i> | <i>-</i> | <i>0.3</i> | <i>-</i> | <i>5.6</i> |
| <i>Audit</i> | <i>0.2</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>0.2</i> |
| <i>Actuarial & investment consulting</i> | <i>6.0</i> | <i>-</i> | <i>0.7</i> | <i>-</i> | <i>0.2</i> | <i>-</i> | <i>6.9</i> |
| <i>Legal</i> | <i>1.6</i> | <i>-</i> | <i>0.1</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>1.7</i> |
| <i>Other administration & professional</i> | <i>2.2</i> | <i>-</i> | <i>0.3</i> | <i>-</i> | <i>0.1</i> | <i>-</i> | <i>2.6</i> |
| <i>Scheme management</i> | <i>2.7</i> | <i>-</i> | <i>0.4</i> | <i>-</i> | <i>0.1</i> | <i>-</i> | <i>3.2</i> |
| <i>Insurance premiums</i> | <i>-</i> | <i>-</i> | <i>5.3</i> | <i>-</i> | <i>1.5</i> | <i>-</i> | <i>6.8</i> |
| <i>Statutory fees & levies</i> | <i>0.9</i> | <i>-</i> | <i>0.1</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>1.0</i> |
| <i>Irrecoverable VAT</i> | <i>0.3</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>0.3</i> |
| Total | 18.1 | - | 8.0 | - | 2.2 | - | 28.3 |

Expenses are stated net of VAT. Irrecoverable VAT represents VAT paid on invoices less amounts recovered from HMRC.

All administration fees are paid from the DB assets of each Section except for bank charges which are deducted directly from the bank accounts in each Section.

Scheme management costs represents the staff, facilities and equipment costs of the Pension Scheme Executive. These costs are paid by HSBC Global Services (UK) Limited and charged to the Scheme.

Other administration include Trustee Directors' expenses of £4,895 (2023: £5,399) in total across the three Sections. Trustee Directors are also paid fees by the Principal Employers which are described in Note 25.

Other administration costs in 2023 includes non-audit fees of £0.1m in respect of PricewaterhouseCoopers LLP's review of the 2022 TCFD statement. There were no non-audit fees incurred in 2024.

10. Investment income

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Fixed interest income | 247.9 | - | - | - | - | - | 247.9 |
| Index-linked income | 66.4 | - | - | - | - | - | 66.4 |
| Private equity funds income | 20.7 | - | - | - | - | - | 20.7 |
| Pooled investment income | 127.9 | - | - | - | - | - | 127.9 |
| Net rents on properties | 31.5 | - | - | - | - | - | 31.5 |
| Net income paid on swaps | 150.5 | - | - | - | - | - | 150.5 |
| Net payments on longevity insurance | (21.4) | - | - | - | - | - | (21.4) |
| Net payments on repurchase agreements | (17.7) | - | - | - | - | - | (17.7) |
| Interest received on cash & cash equivalents | 17.5 | 0.5 | 0.2 | 0.7 | 0.2 | 0.2 | 19.3 |
| Net payments on collateral obligations & borrowings | (30.6) | - | - | - | - | - | (30.6) |
| Annuity income | 2.9 | - | - | - | - | - | 2.9 |
| Total | 595.6 | 0.5 | 0.2 | 0.7 | 0.2 | 0.2 | 597.4 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Fixed interest income | 251.5 | - | - | - | - | - | 251.5 |
| Index-linked income | 65.6 | - | - | - | - | - | 65.6 |
| Private equity funds income | 34.8 | - | - | - | - | - | 34.8 |
| Pooled investment income | 146.0 | - | - | - | - | - | 146.0 |
| Net rents on properties | 27.8 | - | - | - | - | - | 27.8 |
| Net income paid on swaps | 75.6 | - | - | - | - | - | 75.6 |
| Net payments on longevity insurance | (19.7) | - | - | - | - | - | (19.7) |
| Net payments on repurchase agreements | (32.7) | - | - | - | - | - | (32.7) |
| Interest received on cash & cash equivalents | 19.3 | 0.3 | 0.1 | 0.6 | 0.1 | 0.2 | 20.6 |
| Net payments on collateral obligation & borrowings | (55.1) | - | - | - | - | - | (55.1) |
| Annuity income | 2.9 | - | - | - | - | - | 2.9 |
| Total | 516.0 | 0.3 | 0.1 | 0.6 | 0.1 | 0.2 | 517.3 |

Investment income is receivable only in respect of DB investments in the HBUK Section, with the exception of interest received on cash and cash equivalents. All other assets are invested in pooled funds that do not distribute income but instead accumulate income from underlying assets within the funds which are available for reinvestment. Income from all other assets is therefore reflected in the unit price of the funds and reported within change in market value.

Income from pooled investment vehicles relates to amounts distributed to the Scheme that are not related to changes to the Scheme's holdings in the investment (i.e. income distributions).

Net rents on properties are stated after deducting £3.5m (2023: £3.7m) of property related costs.

Net swaps income includes net interest paid at the close of a swaps contract and excludes mark to market payments and receipts, which are shown as changes in market value.

Net payments on longevity insurance includes all cash flows due to and from the insurers in the period as set out in policy agreements, including net experience payments and reinsurance fees. See Note 15 for further details.

Net payments on repurchase agreements are stated after deducting £1.4m (2023: £0.9m) of reverse repurchase agreement receipts.

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from UK income tax and UK capital gains tax. The Scheme may also be exempt from overseas taxes where tax treaties exist between foreign countries and the UK.

11. Investments

| | Value as at 1 January 2024 | Purchases & derivative payments | Sales & derivative receipts | Change in market value | Value as at 31 December 2024 |
|--|----------------------------------|---------------------------------------|-----------------------------------|------------------------------|------------------------------------|
| | £m | £m | £m | £m | £m |
| HBUK Section | | | | | |
| DB | | | | | |
| Private equity funds | 340.0 | 0.5 | (10.4) | (15.5) | 314.6 |
| Fixed interest bonds | 4,973.3 | 1,053.1 | (1,074.8) | (156.5) | 4,795.1 |
| Index-linked bonds | 8,041.0 | 21.5 | (722.7) | (780.2) | 6,559.6 |
| Pooled investment vehicles | 6,850.5 | 2,685.1 | (3,051.9) | (317.6) | 6,166.1 |
| Derivatives | 1,029.5 | 586.2 | (730.3) | (261.5) | 623.9 |
| Longevity Insurance | (196.9) | - | - | (191.6) | (388.5) |
| Property | 650.9 | 17.9 | - | (4.5) | 664.3 |
| AVCs | 3.1 | - | (0.9) | 0.2 | 2.4 |
| | 21,691.4 | 4,364.3 | (5,591.0) | (1,727.2) | 18,737.5 |
| Cash & cash equivalents | 593.7 | | | 18.0 | 548.6 |
| Collateral obligations & borrowings | (760.7) | | | (0.3) | (446.6) |
| Repurchase and reverse repurchase agreements | (838.4) | | | 0.1 | (133.9) |
| Other investment balances | 93.9 | | | (0.1) | 99.4 |
| Total DB | 20,779.9 | | | (1,709.5) | 18,805.0 |
| DC | | | | | |
| Pooled investment vehicles | 3,412.2 | 3,348.3 | (3,359.8) | 418.9 | 3,819.6 |
| Total HBUK Section investments | 24,192.1 | | | (1,290.6) | 22,624.6 |
| HGSU Section | | | | | |
| DB | | | | | |
| Pooled investment vehicles | 92.3 | 51.6 | (58.0) | (6.9) | 79.0 |
| DC | | | | | |
| Pooled investment vehicles | 3,065.0 | 3,280.8 | (3,158.7) | 401.4 | 3,588.5 |
| Total HGSU Section investments | 3,157.3 | | | 394.5 | 3,667.5 |
| HBEU Section | | | | | |
| DB | | | | | |
| Pooled investment vehicles | 23.7 | 22.2 | (22.1) | (1.4) | 22.4 |
| DC | | | | | |
| Pooled investment vehicles | 679.7 | 688.4 | (649.1) | 81.2 | 800.2 |
| Total HBEU Section investments | 703.4 | | | 79.8 | 822.6 |
| Total Scheme investments | 28,052.8 | | | (816.3) | 27,114.7 |

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation above. There were no direct transaction costs on the Scheme's DB investments except in the case of direct UK property and sole investor funds amounting to £0.2m (2023: £0.6m) of which £0.0m related to commission and £0.2m to fees (2023: £0.5m related to commission and £0.1m to fees). There were no direct transaction costs on the Scheme's DC investments. Indirect costs are incurred through the bid-offer spread on certain securities and pooled investment vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs.

12. Analysis of DB pooled investments

| | HBUK DB 2024 £m | HGSU DB 2024 £m | HBEU DB 2024 £m | Total 2024 £m | HBUK DB 2023 £m | HGSU DB 2023 £m | HBEU DB 2023 £m | Total 2023 £m |
|---------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Global equity funds | 0.1 | - | - | 0.1 | 0.4 | - | - | 0.4 |
| Property funds | 225.0 | - | - | 225.0 | 227.0 | - | - | 227.0 |
| Bond funds | 5,136.8 | 35.7 | 6.7 | 5,179.2 | 5,590.9 | 48.6 | 13.5 | 5,653.0 |
| Liquidity funds | 804.2 | 43.3 | 15.7 | 863.2 | 1,032.2 | 19.9 | 4.0 | 1,056.1 |
| Multi-asset funds | - | - | - | - | - | 23.8 | 6.2 | 30.0 |
| Total | 6,166.1 | 79.0 | 22.4 | 6,267.5 | 6,850.5 | 92.3 | 23.7 | 6,966.5 |

The above analysis shows the main asset class that the pooled investment vehicles invest in.

Due to the nature of some pooled investment vehicles and private equities, in particular those where the Scheme is sole investor, there may be some restriction on redemption of these holdings.

Sole investor funds

Included within pooled investment vehicles in the HBUK Section are funds which are bespoke to the Scheme and in which the Scheme is the sole investor. At the year end these are comprised of:

| | HBUK DB 2024 £m | HBUK DB 2023 £m |
|--|------------------------------------|------------------------------------|
| AXA Smart Matching Solutions Fund: | | |
| Fixed interest bonds | 2,153.4 | 2,306.3 |
| Derivatives | (99.8) | (78.9) |
| Cash and cash equivalents | 56.5 | 68.7 |
| | 2,110.1 | 2,296.1 |
| L&G Buy and Maintain Credit Fund: | | |
| Fixed interest bonds | 1,838.5 | 1,916.3 |
| Derivatives | (288.3) | (257.6) |
| Cash and cash equivalents | 391.6 | 407.0 |
| | 1,941.8 | 2,065.7 |
| Schroder Buy and Maintain Credit Fund: | | |
| Fixed interest bonds | 1,082.5 | 1,195.2 |
| Derivatives | (12.0) | 20.9 |
| Cash and cash equivalents | 14.4 | 13.0 |
| | 1,084.9 | 1,229.1 |

13. Analysis of DC pooled investments

| | HBUK DC 2024 £m | HGSU DC 2024 £m | HBEU DC 2024 £m | Total 2024 £m | HBUK DC 2023 £m | HGSU DC 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|---------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| | | | | | <i>Reclassified*</i> | | | |
| Equity funds | 2,820.9 | 2,642.9 | 617.6 | 6,081.4 | 2,709.9 | 2,415.5 | 557.5 | 5,682.9 |
| Bond funds | 163.5 | 137.2 | 31.6 | 332.3 | 146.9 | 120.4 | 27.3 | 294.6 |
| Multi-asset funds | 567.8 | 564.4 | 90.2 | 1,222.4 | 468.4 | 450.1 | 71.1 | 989.6 |
| Private-asset funds | 168.0 | 150.0 | 34.0 | 352.0 | - | - | - | - |
| Property funds | 18.5 | 17.5 | 4.7 | 40.7 | 22.5 | 19.4 | 4.7 | 46.6 |
| Liquidity funds | 80.9 | 76.5 | 22.1 | 179.5 | 64.5 | 59.6 | 19.1 | 143.2 |
| Total | 3,819.6 | 3,588.5 | 800.2 | 8,208.3 | 3,412.2 | 3,065.0 | 679.7 | 7,156.9 |

The above analysis shows the main asset class that the pooled investment vehicles invest in.

Included within DC pooled investments above are £2.4m (2023: £2.1m) of assets that are not allocated to members.

Investment balances are held and transactions are executed in aggregate by FIL Life Insurance Limited. Individual members' DC pension pots are managed and separately identifiable by the Scheme's DC Administrator. All funds are administered by FIL Life Insurance Limited. All funds are unitised life funds registered in the UK. All funds form part of a single policy with the Trustee but are segregated into sub-policies for each Section of the Scheme.

*The 2023 Analysis of DC pooled investments has been reclassified to show DC assets by the main asset class that the pooled investment vehicles invest in. Previously the analysis was provided by the individual funds available to members.

Private-asset funds relate to the Long Term Asset Fund introduced in June 2024 (see page 7).

14. Derivatives

The following disclosures relate only to the HBUK Section's DB investments. The HBUK Section's DC and all other Sections' investments are entirely invested in pooled investment vehicles and as such all derivatives are recognised as part of the net asset value of the vehicle and are incorporated into the price/value provided by the fund manager.

a) Objectives and policies

The Trustee has authorised the use of derivatives by certain investment managers as part of their investment strategy. Certain investment managers have been specifically mandated to invest in derivatives to efficiently gain exposure to an asset class or for hedging purposes.

The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

- ◆ Futures contracts – the Trustee permits a number of investment managers to use exchange traded futures where appropriate, within the remit of the discretionary mandate awarded to that manager.
- ◆ OTC Swaps – the Trustee's aim is to match as far as possible the Scheme's long term liabilities with the Scheme's fixed income portfolio, in particular to sensitivities to inflation, interest rate and currency movements. Due to the limited availability of long dated sterling bonds the Trustee entered into interest rate swaps that extended the duration of the fixed income portfolio to better match the long term liabilities of the Scheme. Non-sterling bonds are used to extend the available markets to invest in but not for the purpose of gaining exposure to foreign currencies or foreign interest rates and as such swaps are used to hedge these exposures.
- ◆ OTC forward foreign exchange – a proportion of the investment portfolio is invested overseas in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.
- ◆ OTC To Be Announced ('TBA') contracts - the Trustee permits a number of investment managers to use TBAs (forward contracts on Mortgage Backed Securities) where appropriate, within the remit of the discretionary mandate awarded to that manager.

b) Summary analysis of fair value assets and liabilities

Only the HBUK Section's DB investments include direct holdings in derivatives contracts.

| | Assets 2024 £m | Liabilities 2024 £m | Total 2024 £m | Assets 2023 £m | Liabilities 2023 £m | Total 2023 £m |
|--------------|-------------------------------|------------------------------------|------------------------------|-------------------------------|------------------------------------|------------------------------|
| Futures | 2.0 | (1.2) | 0.8 | 2.1 | (7.8) | (5.7) |
| OTC Forwards | 3.9 | (29.2) | (25.3) | 27.7 | (2.1) | 25.6 |
| OTC Swaps | 888.1 | (239.5) | 648.6 | 1,302.0 | (292.8) | 1,009.2 |
| OTC TBA | 13.4 | (13.6) | (0.2) | 23.3 | (22.9) | 0.4 |
| Total | 907.4 | (283.5) | 623.9 | 1,355.1 | (325.6) | 1,029.5 |

c) Futures

The Scheme had financial futures contracts open at the year end relating to its fixed interest investment portfolios as follows:

| | Maturity dates | Economic exposure £m | Assets 2024 £m | Liabilities 2024 £m |
|-----------------------|-----------------------|-------------------------------------|-------------------------------|------------------------------------|
| Overseas Fixed Income | March 2025 | (269.9) | 2.0 | (1.2) |
| | | | 2.0 | (1.2) |

Initial and variation margins are included in 'Other investment balances' analysis in Note 11 and Note 17.

d) Forward foreign currency

The Scheme had open forward currency contracts at the year end as follows:

| | Contracts | Currency bought (millions) | Currency sold (millions) | Assets 2024 £m | Liabilities 2024 £m |
|---------------------------------------|------------------|---|---|-------------------------------|------------------------------------|
| Settlement in less than one month | | | | | |
| Buy AUD Sell GBP | 1 | 7.5 | (3.7) | - | 0.0 |
| Buy CAD Sell GBP | 1 | 30.3 | (16.7) | 0.1 | - |
| Buy EUR Sell GBP | 3 | 209.6 | (173.7) | - | (0.3) |
| Buy GBP Sell AUD | 1 | 3.8 | (7.5) | 0.2 | - |
| Buy GBP Sell CAD | 1 | 17.0 | (30.3) | 0.2 | - |
| Buy GBP Sell EUR | 4 | 174.6 | (209.6) | 1.3 | - |
| Buy GBP Sell USD | 9 | 844.9 | (1,083.1) | - | (20.0) |
| Buy USD Sell GBP | 13 | 724.6 | (577.0) | 1.6 | 0.0 |
| Settlement between one and six months | | | | | |
| Buy GBP Sell AUD | 1 | 3.7 | (7.5) | 0.0 | - |
| Buy GBP Sell CAD | 1 | 16.8 | (30.3) | - | (0.1) |
| Buy GBP Sell EUR | 2 | 173.1 | (208.5) | 0.4 | - |
| Buy GBP Sell USD | 12 | 1,133.2 | (1,429.8) | - | (8.8) |
| Buy USD Sell GBP | 2 | 9.3 | (7.3) | 0.1 | - |
| | | | | 3.9 | (29.2) |

e) Swaps

The Scheme had open swap contracts at the end of the year as follows:

| | | Notional coverage £m | Assets 2024 £m | Liabilities 2024 £m |
|----------------------|----------------|----------------------------|----------------------|---------------------------|
| | Maturity dates | | | |
| Interest Rate Swaps | 2025 to 2069 | 7,531.5 | 401.9 | (148.5) |
| Credit Default Swaps | 2029 | 53.6 | - | (4.4) |
| Inflation Swaps | 2025 to 2069 | 4,918.7 | 486.2 | (38.0) |
| Currency Swaps | 2028 to 2048 | 912.1 | - | (48.6) |
| | | | 888.1 | (239.5) |

The Liability-Driven Swaps programme is the name given to one of the Scheme's risk management programmes. The programme involves the use of long-dated interest rate and inflation swaps to assist with managing the Scheme's funding risks. Other interest rate swaps are those derivatives whose purpose is to hedge the Scheme's assets or to economically construct interest rate exposures in accordance with manager's mandates.

The Liability-Driven Swaps programme adjusts swaps positions with changes to the Scheme's funding liabilities. Where a reduction in hedging is required this may be executed by closing out existing contracts or entering into new swaps on a leveraged basis.

Insight Investment Management (Global) Limited is the independent programme manager for ensuring that the Liability-Driven Swaps programme was executed at prevailing market rates and within standard market bid/offer spreads. The Scheme held cash collateral at the year end in relation to the Liability-Driven Swaps programme's long term derivative contracts with a value of £439.2m (2023: £763.4m). These amounts are invested in liquidity funds and included in note 12, and the obligation to pay back the collateral is included in collateral obligations & borrowings in note 17.

The Scheme also received collateral of £220.6m (2023: £353.2m) and posted collateral of £30.5m (2023: £34.2m) in the form of UK Government fixed interest and index-linked bonds with a net received value of £190.1m (2023: £319.0m) of which none (2023: nil) was received from HSBC Bank plc. Bonds received as collateral are not recognised in these Financial Statements as all economic benefits and obligations remain with the counterparty that posted the collateral. Bonds posted by the Scheme continue to be recognised as held by the Scheme as economic benefits and obligations remain with the Scheme, however, are not freely available to the Scheme while pledged as collateral.

f) To be announced ("TBA") – forward mortgage-backed securities

The Scheme had To Be Announced ("TBA") contracts at the year end as follows:

| | | Assets 2024 £m | Liabilities 2024 £m |
|-------------------|----------------|----------------------|---------------------------|
| | Maturity dates | | |
| Contracts to buy | January 2055 | 13.4 | - |
| Contracts to sell | January 2055 | - | (13.6) |
| | | 13.4 | (13.6) |

TBA contracts are forward trades on mortgage-backed securities that are to be created and settled at a future date. TBA contracts can be bought and sold. Positions can be closed out prior to settlement by placing an opposing trade. The TBA market provides greater liquidity in the wider mortgage-backed securities market. The Scheme's investment managers use TBAs to more effectively and efficiently trade investments and therefore better match its mandate.

15. Longevity insurance

| | HBUK DB 2024 £m | HBUK DB 2023 £m |
|----------------------------------|--------------------------------|--------------------------------|
| HSBC / PICA | (258.0) | (108.4) |
| HSBC / Swiss Re | (130.5) | (88.5) |
| Total longevity insurance | (388.5) | (196.9) |

In 2019 the Scheme entered into two longevity insurance contracts with effect from 1 January 2019 (the date of inception) covering a proportion of pensions in payment (approximately 75% of pensions in payment at inception). HSBC Insurance (Bermuda) acts as insurer for both contracts with the Prudential Insurance Company of America ('PICA') and Swiss Re Europe SA ('Swiss Re') acting as reinsurers. The PICA contract represented approximately 50% of pensions (as at 31 December 2017, the first data cut date) and was executed on 27 June 2019. The Swiss Re contract represented approximately 25% of pensions (as at 31 December 2017, the first data cut date) and was executed on 11 December 2019.

During the year the valuation technique used for valuing the longevity swaps was changed from a collateral based approach to a replacement cost method. This was considered to be a better representation of fair value, due to the age of the contracts. If the collateral based approach was used as at 31 December 2024, the valuation of the longevity swaps would have been £(232.2)m.

Both policies feature three separately identifiable cash flow legs:

- Fixed Premium Amount – monthly amount paid by the Scheme as set out in an agreed fixed series of cash flows which approximates to expected monthly pensions in payment for the selected covered individuals taking into account expected mortality rates at inception of the policy.
- Floating Claims Amount – monthly amounts received by the Scheme which approximates (on the same basis as the Fixed Premium amount) to the monthly pensions of the selected covered individuals who are still in receipt of a pension from the Scheme.
- Reinsurance Fee – monthly amount paid by the Scheme being a percentage of the Fixed Premium.

While there are three separate cash flows, a single monthly settlement is made for the net amount. Monthly net cash settlements are recognised as investment income in Note 10. The net of the Fixed Premium and Floating Claims amounts are also known as "net experience".

The longevity insurance contract valuations were performed by specialists at WTW. Both policies are being recognised as having a fair value based on the net present values of the Floating Claims Amounts and the Fixed Premium Amounts which represents the difference in value of pensions paid for changes in longevity and therefore will offset to nil on inception of each policy. Over time, the contract value will change because the Fixed Premium and Floating Claims will diverge as the longevity experience in respect of the hedged population unfolds. The valuation of each longevity swap is the present value of the difference between the future cashflows, as described above (updated to reflect prevailing market-based estimates of mortality), discounted using market interest and inflation rates and allowing for updated views on market risk fees.

Both policies have provisions for the mitigation of credit risk by requiring collateral to be provided equal to the net present fair values of the three legs (unless otherwise stated below). Models to value the net present fair values of future cash flows have been agreed between all parties for each policy for the purpose of calculating collateral requirements.

For the PICA policy in 2024; collateral was required to 100% of the net present fair value of reinsurance fees (2023: 100%). As at 31 December 2024 the Scheme provided gilts with a collateral value of £341.1m (2023: £330.3m) covering all three legs.

For the Swiss Re policy in 2024; collateral was required to 100% of the net present fair value of reinsurance fees (2023: 90%). As at 31 December 2024 the Scheme provided gilts with a collateral value of £161.4m (2023: £159.4m) covering all three legs.

16. AVC investments

Since July 2009 all AVCs received are invested in the Scheme's main DC arrangements.

Prior to July 2009 AVCs received from members with DB benefits were invested in money purchase policies with external AVC providers and were disclosed alongside but separately identifiable from members' DB benefits. From September 2009 most of these AVC assets were transferred out of policies with external AVC providers to the Scheme's main DC arrangements.

The investments listed below represent legacy policies in the HBUK Section which have not been disinvested or transferred to the Scheme's DC arrangements due to high exit costs or loss of preferential terms. These arrangements are held separately from the main DB investments and are held to secure additional benefits on a money purchase basis for those members who paid into these arrangements. The aggregate amounts of these AVCs are as follows:

| | HBUK DB 2024 £m | HBUK DB 2023 £m |
|-------------------------------------|--------------------------------|--------------------------------|
| Aegon (Scottish Equitable) | 0.0 | 0.6 |
| Friends Life (formerly AXA) | 0.5 | 0.5 |
| Phoenix Life (formerly London Life) | 0.1 | 0.1 |
| Prudential Assurance Company Ltd | 0.7 | 0.7 |
| Schroder Investment Management Ltd | 0.3 | 0.3 |
| Standard Life Assurance Company | 0.8 | 0.9 |
| Scottish Widows | 0.0 | 0.0 |
| Total HBUK Section | 2.4 | 3.1 |

Members participating in these arrangements each receive statements annually confirming the amounts held on their accounts.

17. Net cash & other investment balances

| | HBUK DB 2024 £m | HBUK DB 2023 £m |
|--|--------------------------------|--------------------------------|
| Cash & cash equivalents | | |
| Cash & deposits - Sterling | 518.9 | 572.4 |
| Cash & deposits - foreign currency | 29.7 | 21.3 |
| Total cash & cash equivalents | 548.6 | 593.7 |
| Collateral obligations & borrowings | | |
| Collateral obligations | (445.1) | (754.0) |
| Overdrafts - Sterling | (1.5) | (6.7) |
| Overdrafts - foreign currency | - | - |
| Total collateral obligations & borrowings | (446.6) | (760.7) |
| Amounts due/receivable under repurchase and reverse repurchase agreements | | |
| Reverse repurchase agreements | 69.1 | - |
| Repurchase agreements | (203.0) | (838.4) |
| Total repurchase agreements | (133.9) | (838.4) |
| Other investment balances | | |
| Accrued investment income receivable | 85.1 | 81.2 |
| Accrued investment income payable | (6.5) | (3.1) |
| Margin on futures contracts | 2.5 | 9.2 |
| Outstanding sales settlements | 23.4 | 21.9 |
| Outstanding purchase settlements | (4.4) | (13.9) |
| Property other assets | 10.4 | - |
| Property other liabilities | (11.1) | (1.4) |
| Total other investment balances | 99.4 | 93.9 |

Bonds with a market value of £202.5m (2023: £925.4m) have been sold subject to repurchase contracts and therefore continue to be recognised in the financial statements. The Scheme does not recognise collateral received of £69.4m (2023: nil) in respect of reverse repurchase agreements in the financial statements as the Scheme does not have the economic benefits. At the year end, contracts had lengths varying between 83 days to 186 days, with maturity dates between January and April 2025.

Collateral Obligations recognise the Scheme's obligations to return cash collateral received on swaps contracts.

The DC sections and the HGSU and HBEU DB sections are invested entirely in pooled investment vehicles and as such all investment cash and other balances are recognised as part of the net asset value of the vehicle and are incorporated into the price/value provided by the fund manager.

18. Investment risk

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- ◆ 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.
- ◆ Market risk: this comprises currency risk, interest rate risk and other price risk.
 - Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
 - Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
 - Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

The Trustee sets the investment strategies for DB investments taking into account considerations including the strength of the employer covenant, the long term liabilities of the DB pensions and the funding agreed with the Principal Employer. The investment strategy is set out in its DB Statement of Investment Principles ('DB SIP') which is appended to these financial statements.

The SIP also sets out the Scheme's policies on managing investment risk. Key policies include diversification, use of derivatives and management of environmental, social and governance risks.

Management of investment risk

In order to receive investment returns, the Scheme is required to take investment risks. The level of investment risk taken is a function of required rates of capital and income returns as agreed between the Trustee and Principal Employer and set out in the Scheme's Statement of Funding Principles and Actuarial Valuations. The Trustee therefore manages investment risk to a specified level by setting an investment strategy that is diverse and in aggregate provides an overall level of required investment returns. The Scheme's DB SIP sets out the asset mix and therefore target levels of risk and return for each subsection and portfolio of the strategy.

Each investment portfolio is entered into with reference to a specific level of risk and return and set out in investment management agreements with selected investment managers. The Trustee monitors investment managers to ensure that each operates within the investment risk parameters they are given.

As part of its analysis of investment risk the Trustee, with advice from its investment advisors, seeks to identify risks and mitigate those that do not contribute to intended returns set out in the SIPs. For example, a bond portfolio may be set up overseas to increase the available assets but the Trustee does not intend to receive returns resulting from currency risk and as such the portfolio is hedged against currency movements.

a) HBUK Section - DB

Investment strategy

The DB investment objectives for the HBUK Section, as defined by the May 2024 DB SIP, are:

- a) Maintain a portfolio which, together with an agreed schedule of contributions from the Principal Employer, will enable the Trustee to meet the cost of current and future benefits that the Defined Benefit HBUK Section of the Scheme provides.
- b) Limit the VaR95 measures of the portfolio to the levels specified in Appendix 7 of the SIP.
- c) Within the constraints of (b) above, and with the prudent investment of any contributions from the Principal Employer, attain a funding level not less than the Scheme's Technical Provisions in accordance with the Scheme's Statement of Funding Principles.

The VaR95 limits above set a maximum aggregate value of investment risk that the Trustee is willing to be exposed to.

In order to achieve the above objectives, the Trustee has a Cash Driven Investment ('CDI') approach in which the asset mix is selected based primarily on matching future cashflow requirements of the Section through the planning of the timing of income receipts and capital redemptions. In June 2020 the Scheme's DB SIP was updated to reflect this portfolio now known as the CDI strategy. The final transitions were completed in 2020 except for some legacy illiquid return seeking assets which have been placed in run-off and therefore will reduce over time. As a result, the Trustee also added strategic risk objectives for cashflow matching alongside existing risk objectives for funding and liquidity.

The DB SIP also sets out how the CDI approach mitigates some key investment risks by including:

- ◆ Interest rate hedging
- ◆ Inflation hedging
- ◆ Currency hedging (and overseas interest rate exposure)
- ◆ Longevity hedging

The DB SIP is appended to the Annual Report & Financial Statements and are available from the Scheme's website as detailed on page 61.

FRS102 investment risks

The following tables summarise the exposure of the Section's investments to the FRS102 investment risk categories.

The risk exposures are categorised as follows:

- significant exposure in the asset class
- ◐ partial exposure in the asset class or
- hardly/ not at all exposed to the risk

Information on the Trustee's overall approach to risk management, credit and market risk is set out below. This does not include AVCs and Other investment balances as these are not considered to be material in relation to the overall investments of the Scheme.

Private equity funds

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBUK DB 2024 £m | HBUK DB 2023 £m |
|---|-------------|---------------|--------------------|------------------|-----------------|-----------------|
| Private equity funds investments | | | | | | |
| Pathway | ◐ | ● | ○ | ● | 52.0 | 65.2 |
| Schroders Greencoat | ◐ | ○ | ◐ | ● | 262.6 | 274.8 |
| | | | | | 314.6 | 340.0 |

The Pathway partnership represents part of the Scheme's legacy return seeking assets and is in the process of being exited.

The Schroders Greencoat partnerships invest in solar and wind farms as part of the Illiquid section of the CDI portfolio. The Scheme is the sole limited partner in Greencoat Buckingham LP which invests in wind farms and was valued at £173.8m (2023: £183.5m) at year end.

Credit risk is limited to the risk that the partnerships do not pay to the Scheme any distributions that are due. Currency risk arises from the Pathway investments as underlying investee businesses are domiciled overseas and operate in foreign currencies. Interest rates do not have a significant direct impact on the Pathway portfolio other than in the context of the general economic environment (e.g. falling interest rates may result in markets upgrading profit expectations as financing becomes cheaper). Assets within the Schroders Greencoat portfolio contain some reasonably predictable streams of future cashflows and thus their value will be affected by interest rates. Other Price risk relates primarily to the impact on the value of these investments arising from changes to the expected profitability of the underlying investee companies; these are not hedged as the risks generate the returns that the Scheme is seeking except in the case of Pathway which is in the process of being exited.

Bonds

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBUK DB 2024 £m | HBUK DB 2023 £m |
|------------------------|-------------|---------------|--------------------|------------------|-----------------|-----------------|
| Fixed interest | | | | | | |
| UK public sector | ● | ○ | ● | ○ | 208.8 | 111.9 |
| Overseas public sector | ● | ● | ● | ○ | 120.1 | 128.1 |
| UK corporate | ● | ○ | ● | ● | 840.1 | 951.6 |
| Overseas corporate | ● | ● | ● | ● | 3,265.4 | 3,404.2 |
| UK loans | ● | ○ | ● | ● | 360.7 | 377.5 |
| | | | | | 4,795.1 | 4,973.3 |
| Index-linked | | | | | | |
| UK public sector | ● | ○ | ● | ○ | 5,489.8 | 6,897.9 |
| Overseas public sector | ● | ● | ● | ○ | 749.4 | 787.5 |
| UK corporate | ● | ○ | ● | ● | 309.0 | 343.4 |
| Overseas corporate | ● | ● | ● | ● | 11.4 | 12.2 |
| | | | | | 6,559.6 | 8,041.0 |

Credit risk exposure is managed by investment managers in line with mandates given to them by the Trustee which are in line with the SIP. The majority of the Scheme's bonds are of investment grade. As at 31 December 2024 bonds with a credit rating of: BBB and above represented 91.7% (2023: 93.1%), BB and below represented 1.1% (2023: 0.8%) and no rating representing 7.2% (2023: 6.1%) of the above assets. Where no rating is provided by credit agencies a proxy will be assigned or other method used to monitor credit risk.

Some of the Scheme's investments in bonds are denominated in foreign currencies and therefore are exposed to currency risk. Currency risk is hedged through a programme managed by Insight Investment Management (Global) Limited except where individual portfolio managers have been given permission to hedge currency risk in their investment mandates.

Bonds are also held to obtain exposure to interest rate risk in order to hedge the effect of interest rates on the Scheme's pension liabilities. As a result, the interest rate risk on the value of bonds held in the CDI portfolio partially offsets the interest rate risk on the value of the Scheme's actuarial liabilities.

In order to achieve a desired level of hedging of interest rate risk on liabilities the Scheme has entered into repo agreements to gain additional exposure to bonds. The Scheme achieves this exposure by using the proceeds of repo agreements to purchase additional bonds. As at 31 December 2024 the Scheme held bonds associated with the repos with a total market value of £202.5m (2023: £925.4m) which are included in the above values (and in Note 11) and has recognised the obligation to buy back these bonds (Note 11 and 17) to the total negative value of £203.0m (2023: £838.4m).

Other price risks include the effects of illiquid markets where individual bonds are infrequently traded. Due to the low volume of transactions, there may be greater volatility in prices in illiquid markets.

Property

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBUK DB 2024 £m | HBUK DB 2023 £m |
|----------------------------|-------------|---------------|--------------------|------------------|-----------------|-----------------|
| UK directly owned property | ● | ○ | ○ | ● | 664.3 | 650.9 |
| | | | | | 664.3 | 650.9 |

The Scheme invests in properties to obtain a capital return and/or income from exposure to other pricing risks specific to properties. The Scheme's property portfolio consists of legacy return seeking properties which are held to provide capital gains and matching properties which are held to provide long term inflation protected income. The Scheme's property manager for the legacy return seeking properties is undertaking a programme of either disposal or conversion to matching properties.

Properties are subject to credit risk in relation to income from tenants and leaseholders.

Properties are all in the UK and therefore not subject to currency risk. Properties are not directly affected by interest rate risk other than in the context of the general economic environment (e.g. changes in interest rates may result in changes in financing costs and may affect demand for corporate property).

Other pricing risks includes impacts on valuations from restrictions on the realisation of income or sale proceeds and any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Trustee manages these risks by investing in a diverse range of types and locations of properties. The Trustee also selects a diverse range of tenants who are screened to manage credit risks.

Pooled investment vehicles

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBUK DB 2024 £m | HBUK DB 2023 £m |
|---|-------------|---------------|--------------------|------------------|-----------------|-----------------|
| Direct risk by fund type | | | | | | |
| Unit-linked insurance policies | ● | ○ | ○ | ○ | 3,026.7 | 3,294.9 |
| Open Ended Investment Company ('UCITS') | ● | ○ | ○ | ○ | 477.2 | 714.2 |
| Qualifying Investor Alternative Investment Fund ('QIAIF') | ● | ○ | ○ | ○ | 2,437.2 | 2,614.4 |
| Property Authorised Investment Fund | ● | ○ | ○ | ○ | 225.0 | 227.0 |
| | | | | | 6,166.1 | 6,850.5 |
| Indirect risk by investment type | | | | | | |
| Global equity funds | ○ | ● | ○ | ● | 0.1 | 0.4 |
| Property funds | ◐ | ○ | ● | ○ | 225.0 | 227.0 |
| Bond funds (Sole investor funds) | | | | | | |
| Fixed interest bonds | ● | ◐ | ● | ○ | 5,074.4 | 5,417.8 |
| Derivatives | ● | ◐ | ● | ● | (400.1) | (315.6) |
| Cash and cash equivalents | ● | ◐ | ○ | ○ | 462.5 | 488.7 |
| Liquidity funds | ● | ○ | ◐ | ○ | 804.2 | 1,032.2 |
| | | | | | 6,166.1 | 6,850.5 |

Pooled investments are exposed to credit risk as individual funds may default in redeeming funds to unit holders. The Trustee mitigates these risks by selecting a diverse range of funds and fund managers. The Trustee also performs due diligence procedures to ensure that the funds are appropriately managed, ringfenced and administered.

Some (but not all) overseas registered funds are denominated (direct risk) or include underlying investments (indirect risk) in foreign currencies and are therefore exposed to currency risk. Where funds have not been selected specifically for exposure to certain foreign currencies, the Trustee mitigates this risk as part of its currency hedging programme managed by Insight Investment Management (Global) Limited.

Individual pooled funds are selected based on the asset classes in which they invest in order to obtain returns from exposure to investment risks associated with those investment classes. Pooled investments are sometimes selected to extend the Scheme's diversification of investments in those asset classes. This can further mitigate investment risks by utilising additional investment styles, as well as pooling investor purchasing power. These disclosures also relate to Pooled Investment Vehicles in the other sections of the Scheme.

The sole investor bond funds invest in UK and overseas fixed interest bonds, and are therefore exposed to credit risk, interest rate risk and, for overseas bonds, currency risk. Credit risk is mitigated by the requirement that all bonds are rated A- or higher on purchase and must be sold if they fall below BB-. Derivatives are used to hedge out currency risk and exposure to non-Sterling interest rates so our exposure to these risks are mitigated. Cash is used to collateralise derivatives and is primarily in Sterling but has some currency risk owing to overseas currencies.

The mitigation of risks described under Pooled Investment Vehicles above also apply to Pooled Investment Vehicles under Notes 18b), c) and d).

Longevity insurance

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBUK DB 2024 £m | HBUK DB 2023 £m |
|-----------------|-------------|---------------|--------------------|------------------|-----------------|-----------------|
| HSBC / PICA | ● | ○ | ● | ● | (258.0) | (108.4) |
| HSBC / Swiss Re | ● | ○ | ● | ● | (130.5) | (88.5) |
| | | | | | (388.5) | (196.9) |

Longevity insurance policies are exposed to credit risk as any net cash flow to the Scheme may be defaulted by the insurer or reinsurer. To mitigate credit risk both policies are collateralised. Please see Note 15 for further details.

Both policies are denominated in GBP and as such there is no currency exposure.

The value of the policies are calculated as the net present value of future cash flows arising from the contracts, updated to reflect prevailing market-based estimates of mortality, valued using market interest and inflation rates and allowing for updated views on market risk fees. The other key input is the actual value of pensions paid (i.e. the Floating Claim) and the resulting difference to the Fixed Premiums which represents the difference between initially assumed longevity and what has been experienced. However, it should be noted that the longevity insurance contracts are specifically exposed to inflation and interest rate risks on its value in order to construct a hedge to changes in the value of pension liabilities which are not recognised in these financial statements.

Derivatives

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBUK DB 2024 £m | HBUK DB 2023 £m |
|--------------------------|-------------|---------------|--------------------|------------------|-----------------|-----------------|
| Futures | ● | ● | ● | ● | 0.8 | (5.7) |
| Forward foreign exchange | ● | ● | ○ | ● | (25.3) | 25.6 |
| Swaps | ● | ● | ● | ● | 648.6 | 1,009.2 |
| TBA | ● | ● | ● | ● | (0.2) | 0.4 |
| | | | | | 623.9 | 1,029.5 |

Derivative investments are used specifically to obtain exposure to the associated asset class that the derivative contract is linked to. As such, derivatives are exposed to other pricing risks (i.e. the price of the linked asset) and exposed to a greater extent due to the leveraging effects of derivatives. Derivatives are also used either as a hedging tool (i.e. an exposure that is opposite to the hedged investment or liability) or as an efficient way to gain temporary exposure to an illiquid market. As such, the Trustee does not mitigate these other pricing risks as it would defeat the purpose of their use.

Derivatives are exposed to credit risk as returns are reliant on the counterparties of derivative contracts paying returns to the Scheme. The Trustee mitigates credit risks by using margin accounts for exchange traded contracts and holding collateral for over the counter contracts. Please see Note 14 for further information on collateral.

Some contracts are denominated in foreign currencies and are therefore exposed to currency risk. Except for the contracts that are used to hedge currency risk, the Trustee mitigates this risk as part of its currency hedging programme managed by Insight Investment Management (Global) Limited.

Net cash & other investment balances

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBUK DB 2024 £m | HBUK DB 2023 £m |
|--|-------------|---------------|--------------------|------------------|-----------------|------------------|
| Cash & cash equivalents | ● | ● | ● | ○ | 548.6 | 593.7 |
| Collateral obligations | ● | ○ | ○ | ○ | (445.1) | (754.0) |
| Overdrafts | ○ | ○ | ○ | ○ | (1.5) | (6.7) |
| Repurchase and reverse repurchase agreements | ● | ○ | ● | ● | (133.9) | (838.4) |
| | | | | | (31.9) | (1,005.4) |

Cash is primarily in Sterling cash equivalents so is exposed to credit risk. Cash is held within financial institutions which are at least investment grade credit rated. A small amount of cash is held in overseas currencies, primarily USD and EUR, hence there is a modest exposure to currency risk.

Collateral is posted in cash, which is invested in such a way that it carries credit risk, or gilts. The interest rate risk associated with the gilts posted as collateral remains with the poster.

Overdrafts are not exposed to any of the four risks shown.

Repo transactions are used to obtain unfunded exposure to gilts and index linked gilts. They are collateralised but their value is affected by changes in interest rates. See note 17 for more information on collateral arrangements for repos.

b) HGSU Section - DB

Investment strategy

The DB investment objective for the HGSU Section, as defined by the May 2024 DB SIP, is to maintain a portfolio which, together with an agreed schedule of contributions from the Principal Employer, will enable the Trustee to meet the cost of current and future benefits that this Section of the Scheme provides.

FRS102 investment risks

The following table summarises the exposure of the Section's investments to the FRS102 investment risk categories.

The risk exposures are categorised as follows:

- significant exposure in the asset class
- partial exposure in the asset class or
- hardly/ not at all exposed to the risk

Pooled investment vehicles

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HGSU DB 2024 £m | HGSU DB 2023 £m |
|---|-------------|---------------|--------------------|------------------|-----------------|-----------------|
| Direct risk by fund type | | | | | | |
| Unit-linked insurance policies | ● | ○ | ○ | ○ | 79.0 | 92.3 |
| | | | | | 79.0 | 92.3 |
| Indirect risk by investment type | | | | | | |
| Index-linked Gilts fund | ● | ○ | ● | ○ | 19.2 | 48.6 |
| Diversified growth fund | ● | ● | ● | ● | - | 23.8 |
| Corporate bond fund | ● | ○ | ● | ● | 16.5 | - |
| Liquidity funds | ● | ○ | ● | ○ | 43.3 | 19.9 |
| | | | | | 79.0 | 92.3 |

c) HBEU Section - DB

Investment strategy

The DB investment objective for the HBEU Section, as defined by the May 2024 DB SIP, is to maintain a portfolio which, together with an agreed schedule of contributions from the Principal Employer, will enable the Trustee to meet the cost of current and future benefits that this Section of the Scheme provides.

FRS102 investment risks

The following table summarises the exposure of the section's investments to the FRS102 investment risk categories.

The risk exposures are categorised as follows:

- significant exposure in the asset class
- ◐ partial exposure in the asset class or
- hardly/ not at all exposed to the risk

Pooled investment vehicles

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBEU DB 2024 £m | HBEU DB 2023 £m |
|---|-------------|---------------|--------------------|------------------|-----------------|-----------------|
| Direct risk by fund type | | | | | | |
| Unit-linked insurance policies | ● | ○ | ○ | ○ | 22.4 | 23.7 |
| | | | | | 22.4 | 23.7 |
| Indirect risk by investment type | | | | | | |
| Index-linked Gilts fund | ● | ○ | ● | ○ | 2.2 | 13.5 |
| Diversified growth fund | ● | ◐ | ◐ | ◐ | - | 6.2 |
| Corporate bond fund | ● | ○ | ● | ◐ | 4.5 | - |
| Liquidity funds | ● | ○ | ◐ | ○ | 15.7 | 4.0 |
| | | | | | 22.4 | 23.7 |

d) All sections - DC

Investment strategy

The objectives for the DC arrangements for all Sections, as defined by the September 2023 DC SIP, are to provide members with access to:

- ◆ The acquisition of secure assets of appropriate liquidity that will generate income and capital growth which, together with new contributions, will provide a fund at retirement with which the members can fund retirement benefits.
- ◆ To provide members with a selection of pre-set investment strategies that invest in assets that target above inflation returns during members' younger years and then switch into assets that target their preferred method of withdrawing benefits in later years.
- ◆ To make available appropriate default investment arrangements aimed at members who consider themselves unable to make investment decisions.
- ◆ To provide members with a range of investment options to meet their reasonable requirements for risk-efficient growth, inflation protection, annuity conversion protection and capital preservation.
- ◆ To take reasonable steps to ensure that the funds are invested and managed with the aim of maximising the return commensurate with an acceptable level of risk.

FRS102 investment risks

The following tables summarise the exposure of the Section's investments to the FRS102 investment risk categories.

The risk exposures are categorised as following:

- significant exposure in the asset class
- ◐ partial exposure in the asset class or
- hardly/ not at all exposed to the risk

| | Credit risk | Currency risk | Interest rate risk | Other price risk | HBUK DC 2024 £m | HGSU DC 2024 £m | HBEU DC 2024 £m | HBUK DC 2023 £m | HGSU DC 2023 £m | HBEU DC 2023 £m |
|---|-------------|---------------|--------------------|------------------|-----------------|-----------------|-----------------|----------------------|-----------------|-----------------|
| Direct risk by fund type | | | | | | | | | | |
| Unit-linked insurance policies | ● | ○ | ○ | ○ | 3,819.6 | 3,588.5 | 800.2 | 3,412.2 | 3,065.0 | 679.7 |
| | | | | | 3,819.6 | 3,588.5 | 800.2 | 3,412.2 | 3,065.0 | 679.7 |
| Indirect risk by investment type | | | | | | | | | | |
| | | | | | | | | Reclassified* | | |
| Equity funds | ○ | ● | ○ | ● | 2,820.9 | 2642.9 | 617.6 | 2,709.9 | 2,415.5 | 557.5 |
| Bond funds | ● | ● | ◐ | ○ | 163.5 | 137.2 | 31.6 | 146.9 | 120.4 | 27.3 |
| Multi-asset funds | ◐ | ◐ | ◐ | ◐ | 567.8 | 564.4 | 90.2 | 468.4 | 450.1 | 71.1 |
| Private-asset funds | ● | ● | ◐ | ● | 168.0 | 150.0 | 34.0 | - | - | - |
| Property funds | ● | ○ | ◐ | ● | 18.5 | 17.5 | 4.7 | 22.5 | 19.4 | 4.7 |
| Liquidity funds | ● | ○ | ◐ | ○ | 80.9 | 76.5 | 22.1 | 64.5 | 59.6 | 19.1 |
| | | | | | 3,819.6 | 3,588.5 | 800.2 | 3,412.2 | 3,065.0 | 679.7 |

*The 2023 DC investment risk disclosure (Indirect risk by investment type) has been reclassified to show DC assets by the main asset class that the pooled investment vehicles invest in. Previously the analysis was provided by the individual funds available to members.

19. Investment fair value hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

- ◆ Level 1: the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access on the measurement date.
- ◆ Level 2: inputs other than quoted prices included within Level 1 that are observable.
- ◆ Level 3: inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The fair value of the Scheme's investment assets and liabilities using the above hierarchy are categorised as follows:

| | Level 1 2024 £m | Level 2 2024 £m | Level 3 2024 £m | Total 2024 £m | Level 1 2023 £m | Level 2 2023 £m | Level 3 2023 £m | Total 2023 £m |
|--|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------|
| HBUK Section | | | | | | | | |
| DB | | | | | | | | |
| Private equity funds | - | - | 314.6 | 314.6 | - | - | 340.0 | 340.0 |
| Fixed interest bonds | - | 4,396.2 | 398.9 | 4,795.1 | - | 4,554.2 | 419.1 | 4,973.3 |
| Index-linked bonds | - | 6,559.6 | - | 6,559.6 | - | 8,041.0 | - | 8,041.0 |
| Pooled investment vehicles | - | 5,941.1 | 225.0 | 6,166.1 | - | 6,623.5 | 227.0 | 6,850.5 |
| Derivatives | 0.8 | 623.1 | - | 623.9 | (5.7) | 1,035.2 | - | 1,029.5 |
| Longevity Insurance | - | - | (388.5) | (388.5) | - | - | (196.9) | (196.9) |
| Property | - | - | 664.3 | 664.3 | - | - | 650.9 | 650.9 |
| AVCs | - | - | 2.4 | 2.4 | - | - | 3.1 | 3.1 |
| Cash & cash equivalents | 150.0 | 398.6 | - | 548.6 | 149.8 | 443.9 | - | 593.7 |
| Collateral obligations & borrowings | (446.6) | - | - | (446.6) | (760.7) | - | - | (760.7) |
| Repurchase and reverse repurchase agreements | - | (133.9) | - | (133.9) | - | (838.4) | - | (838.4) |
| Other investment balances | (1.0) | 98.2 | 2.2 | 99.4 | 6.2 | 85.5 | 2.2 | 93.9 |
| DC | | | | | | | | |
| Pooled investment vehicles | - | 3,819.6 | - | 3,819.6 | - | 3,412.2 | - | 3,412.2 |
| Total HBUK Section | (296.8) | 21,702.5 | 1,218.9 | 22,624.6 | (610.4) | 23,357.1 | 1,445.4 | 24,192.1 |
| HGSU Section | | | | | | | | |
| DB | | | | | | | | |
| Pooled investment vehicles | - | 79.0 | - | 79.0 | - | 92.3 | - | 92.3 |
| DC | | | | | | | | |
| Pooled investment vehicles | - | 3,588.5 | - | 3,588.5 | - | 3,065.0 | - | 3,065.0 |
| Total HGSU Section | - | 3,667.5 | - | 3,667.5 | - | 3,157.3 | - | 3,157.3 |
| HBEU Section | | | | | | | | |
| DB | | | | | | | | |
| Pooled investment vehicles | - | 22.4 | - | 22.4 | - | 23.7 | - | 23.7 |
| DC | | | | | | | | |
| Pooled investment vehicles | - | 800.2 | - | 800.2 | - | 679.7 | - | 679.7 |
| Total HBEU Section | - | 822.6 | - | 822.6 | - | 703.4 | - | 703.4 |

Direct property above is included at a fair value determined by a valuation technique (Level 3) in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. Fair value is considered to be the open market value as at the year end. The properties have been valued by CBRE Limited, Chartered Surveyors, who have recent experience in the locations and class of investment properties held by the Scheme.

Longevity insurance policies are included at a fair value determined as the net present value of future cash flows arising from the contracts, updated to reflect prevailing market-based estimates of mortality, valued using market interest and inflation rates and allowing for updated views on market risk fees. While financial assumptions are based on published indices the models include longevity assumptions which are not publicly available and are therefore shown as Level 3. Please see Note 15 for further details of the valuation technique.

Other investments reported under Level 3 are included at fair value based on values estimated by the investment managers using accepted valuation methodologies and use of market information in the absence of observable market data.

The Scheme's investments include those that are not traded on active markets and may not be readily realisable at the above fair values.

20. Concentration of investments

The following investments amount to more than 5% of the total net assets of the Scheme:

| | 2024 £m | 2024 % | 2023 £m | 2023 % |
|---|------------|-----------|------------|-----------|
| Early Growth Fund - Lifecycle Fund (DC) | 3,894.9 | 14.3 | - | - |
| AXA Smart Matching Solutions Fund (DB) | 2,110.1 | 7.8 | 2,296.1 | 8.2 |
| L&G Buy and Maintain Credit Fund (DB) | 1,941.8 | 7.1 | 2,065.7 | 7.3 |
| Late Growth Fund – Lifecycle Fund (DC) | 1,875.5 | 6.9 | - | - |
| Global Equities – Passive Fund (DC) | 485.6 | 1.8 | 4,688.9 | 16.7 |

21. Investment management expenses

| | HBUK DB 2024 £m | HGSU DB 2024 £m | HBEU DB 2024 £m | Total 2024 £m | HBUK DB 2023 £m | HGSU DB 2023 £m | HBEU DB 2023 £m | Total 2023 £m |
|-------------------------------|--------------------------|--------------------------|--------------------------|---------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Investment management fees | 15.9 | 0.1 | - | 16.0 | 15.9 | 0.1 | - | 16.0 |
| DC investment management fees | 6.8 | 6.3 | 1.4 | 14.5 | 6.1 | 5.3 | 1.3 | 12.7 |
| Custody fees | 0.9 | - | - | 0.9 | 1.0 | - | - | 1.0 |
| Irrecoverable VAT | 0.3 | - | - | 0.3 | 0.3 | - | - | 0.3 |
| Total | 23.9 | 6.4 | 1.4 | 31.7 | 23.3 | 5.4 | 1.3 | 30.0 |

Investment management fees are incurred on DC investments but are not deducted from members' designated assets and are instead paid for from DB assets.

Costs are stated net of VAT. Net irrecoverable VAT represents VAT paid on invoices plus self-charged VAT and less amounts recovered from HMRC as calculated in the Scheme's quarterly VAT return or from retrospective claims.

22. Current assets

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Cash in transit | - | 2.1 | - | 0.6 | - | 0.7 | 3.4 |
| Cash balances | 30.9 | 23.6 | 13.3 | 30.7 | 3.6 | 8.3 | 110.4 |
| Debtors & prepayments | 2.3 | - | 1.7 | 0.3 | 0.7 | - | 5.0 |
| Employer contributions due | - | - | 0.9 | - | - | - | 0.9 |
| Total | 33.2 | 25.7 | 15.9 | 31.6 | 4.3 | 9.0 | 119.7 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Cash in transit | 0.2 | 0.6 | - | 1.0 | 0.1 | 0.5 | 2.4 |
| Cash balances | 44.8 | 18.7 | 5.6 | 27.3 | 3.6 | 8.4 | 108.4 |
| Debtors & prepayments | 5.6 | 1.3 | 3.5 | 2.7 | 1.0 | 0.5 | 14.6 |
| Employer contributions due | 1.3 | - | 4.7 | - | 0.5 | - | 6.5 |
| Total | 51.9 | 20.6 | 13.8 | 31.0 | 5.2 | 9.4 | 131.9 |

23. Current liabilities

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Unpaid benefits | 14.2 | 0.7 | 0.1 | 0.1 | - | - | 15.1 |
| Accrued administration expenses | 1.9 | - | 0.4 | - | 0.1 | - | 2.4 |
| Accrued investment expenses | 6.2 | - | 1.9 | - | 0.4 | - | 8.5 |
| Other creditors | - | - | 1.0 | 0.7 | - | 0.4 | 2.1 |
| Total | 22.3 | 0.7 | 3.4 | 0.8 | 0.5 | 0.4 | 28.1 |

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Unpaid benefits | 11.0 | 0.6 | 0.2 | 0.2 | 0.1 | - | 12.1 |
| Accrued administration expenses | 3.2 | - | 0.5 | - | 0.2 | - | 3.9 |
| Accrued investment expenses | 5.7 | - | 1.4 | - | 0.3 | - | 7.4 |
| Other creditors | 0.2 | - | 8.1 | 1.9 | 0.3 | 0.8 | 11.3 |
| Total | 20.1 | 0.6 | 10.2 | 2.1 | 0.9 | 0.8 | 34.7 |

Unpaid benefits represent payments due to members at year end but paid in 2025, including pensions PAYE tax which forms part of members' gross benefits but paid to HMRC on their behalf.

24. Transfers between sections

| | HBUK DB 2024 £m | HBUK DC 2024 £m | HGSU DB 2024 £m | HGSU DC 2024 £m | HBEU DB 2024 £m | HBEU DC 2024 £m | Total 2024 £m |
|--------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Net individual transfers | 2.1 | (6.6) | 5.3 | (0.9) | 0.6 | (0.5) | - |
| Net group transfers | 15.6 | 3.9 | (11.5) | (7.3) | (4.1) | 3.4 | - |
| Total | 17.7 | (2.7) | (6.2) | (8.2) | (3.5) | 2.9 | - |

| <i>Reclassified*</i> | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|--------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Net individual transfers | (2.4) | (1.9) | (3.4) | 6.4 | 0.5 | 0.8 | - |
| Net group transfers | 29.0 | (7.0) | (25.2) | (1.5) | (3.8) | 8.5 | - |
| Total | 26.6 | (8.9) | (28.6) | 4.9 | (3.3) | 9.3 | - |

Group transfers between sections includes transfers of pensioner members from the HGSU and HBEU sections to the HBUK Section in order to unify members' DB pensions benefits. The basis of the transfers for each group was agreed between the Principal Employers and approved by the Trustee. The Principal Employers and the Trustee intend to agree further transfers approximately every six months. Group transfers within the DC sections relate to active members that have been moved between the Principal Employers during the year. Individual transfers between sections relate to the movement of benefits between sections, normally at the point of retirement or transfer out of the Scheme by the member.

*The 2023 Transfer between section note has been reclassified to move certain group transfers that were incorrectly classified to individual transfers.

25. Related party transactions

All related party transactions and balances are in accordance with the Scheme's Trust Deed and Rules.

Trustee related parties

The Scheme has received Employer contributions in respect of seven (2023: five) Directors of the Trustee who were also active members of the Scheme during the year. The Scheme has paid benefits to two (2023: two) Trustee Directors in their capacity as pensioner beneficiaries of the Scheme. Trustee Directors also receive reimbursement of expenses, which are disclosed in Note 9. Trustee Directors also receive a fee from the Principal Employers which is not recharged to the Scheme. Total fees of £0.40m (2023: £0.43m) were paid to Trustee Directors. Included within those totals are fees and expenses of £0.34m (2023: £0.37m) that were paid to certain Trustee Directors who were not in current employment of the Principal Employers.

During the year the Independent Trustee Director, Capital Cranfield Pension Trustees Ltd held one appointment with HSBC group companies (2023: two). The Law Debenture Pension Trust Corporation plc held no such engagements during the year (2023: none).

Employer and other related parties

All subsidiaries of the HSBC Holdings plc, the ultimate parent company in the HSBC Group, are considered to be related parties.

HSBC Global Services (UK) Limited employs Pension Scheme Executive staff and provides them with facilities and equipment to support the Trustee. These costs of this are charged to the Scheme and are included as Scheme management costs in Note 9.

HSBC Group companies may be counterparty to the Scheme's investments (e.g. HSBC Bank plc as counterparty to some swaps and HSBC Insurance (Bermuda) as the insurer of the Longevity Insurance contracts) and are disclosed in Notes 10, 15 and 18 to the Financial Statements.

HSBC Group members may provide services on an arm's length basis set out in service contracts. Services include investment custody, performance measurement, accounting services, advice in respect of the property portfolio, investment management services in respect of a liquidity portfolio and longevity insurance administration. These costs totalled £2.0m (2023: £2.0m) and are included in the costs disclosed in Note 21.

As at 31 December 2024 the following balances were due to and from related parties:

| | 2024 £m | 2023 £m |
|--|------------|------------|
| HBUK Section | | |
| Outstanding fees | | |
| Balances with HSBC Bank plc (including HSBC Securities Services) | 0.2 | 0.2 |
| Balances with HSBC Global Services (UK) Limited | 0.8 | 2.7 |
| Bank balances | | |
| Balances with HSBC Bank plc (HSBC Securities Services) and HSBC UK Bank plc (Trustee corporate bank accounts including those operated by the Scheme's property managers) | 103.6 | 103.9 |
| HGSU Section | | |
| Bank balances | | |
| Balances with HSBC Bank plc (HSBC Securities Services) and HSBC UK Bank plc (Trustee corporate bank accounts) | 31.9 | 28.5 |
| HBEU Section | | |
| Bank balances | | |
| Balances with HSBC Bank plc (HSBC Securities Services) and HSBC UK Bank plc (Trustee corporate bank accounts) | 8.8 | 8.8 |

26. Capital commitments

The below commitments represent the Scheme's investment commitments to the named portfolios:

| | HBUK DB 2024 £m | HBUK DB 2023 £m |
|------------------------------------|-----------------------|-----------------------|
| Pathway private equity | 799.5 | 799.4 |
| Vantage infrastructure debt | 500.0 | 500.0 |
| Alpha Real ground rents | 350.0 | 350.0 |
| Schroders Greencoat infrastructure | 285.0 | 285.0 |
| Total HBUK Section | 1,934.5 | 1,934.4 |

Changes to the Pathway private equity commitment represent changes to the GBP:USD exchange rate on an initial GBP commitment of £750m.

The value of the above commitments that have not yet been called are as follows:

| | HBUK DB 2024 £m | HBUK DB 2023 £m |
|---------------------------|-----------------------|-----------------------|
| Pathway private equity | 61.6 | 61.4 |
| Total HBUK Section | 61.6 | 61.4 |

27. Contingent assets and liabilities

In October 2018, the High Court ruled that pension schemes must adjust benefits to remove the gender inequalities caused by Guaranteed Minimum Pensions ('GMPs'). A further High Court ruling in November 2020 extended these provisions to past transfers out of the Scheme. No provision has been made in the Financial Statements for the value of rectification payments as the required increase to benefits is expected to be immaterial. The DWP and HMRC have published guidance to pension schemes on how they can equalise benefits for the effect of inequalities caused by GMPs and the practical issues involved in the equalisation process. The Trustee has taken this guidance into account in the calculation of the required equalisation adjustments.

Other than the commitments disclosed in note 26 and liabilities to pay benefits and pensions falling due in the future (which are not recognised in these financial statements), the Scheme had no further contingent liabilities and no contractual commitments (2023: nil) that require disclosure in the financial statements.

28. Subsequent events

There were no events after the year end which required amendments to the financial transactions during the year or financial balances at the year end.

29. Employer related investments

The Scheme does not directly invest in HSBC Group companies or joint ventures. However, cash balances held with HSBC Group companies fall within the regulatory definition of employer related investments. These are disclosed in Note 25 of the Financial Statements and represent 0.8% (2023: 0.7%) of DB net assets as at 31 December 2024.

Indirect employer related investment is permitted by managed funds if in accordance with the investment strategy of that fund. As at 31 December 2024 the Trustee had no indirect employer related DB investments in the HBUK section (2023: nil). The DB investments in the HGSU and HBEU sections have exposure to HSBC Group companies gained indirectly via index tracking underlying building blocks. DC investment funds either track or are benchmarked against published indices to which HSBC Group may be a constituent, and as such underlying investment funds may include investments in HSBC Group companies. All such investments are in accordance with the funds' stated objectives which the Trustee has no influence over. All DC investment funds are owned by FIL Life Insurance Limited which provides the Scheme's DC investment funds through a unit linked insurance policy.

30. Comparative information

FRS 102 requires presentation of comparative information in respect of the preceding period for all amounts presented in the current period's Financial Statements. In order to comply with this requirement, the comparatives which were aggregated on the Fund Account and which are not shown elsewhere in the notes to the Financial Statements are presented below:

| | HBUK DB 2023 £m | HBUK DC 2023 £m | HGSU DB 2023 £m | HGSU DC 2023 £m | HBEU DB 2023 £m | HBEU DC 2023 £m | Total 2023 £m |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------|
| Change in market value of investments | 289.4 | 403.6 | 0.1 | 355.3 | 0.2 | 79.6 | 1,128.2 |
| Net (withdrawals)/additions from dealings with members | (867.7) | 30.8 | 18.3 | 134.8 | 3.9 | 30.3 | (649.6) |
| Net returns on investment | 782.1 | 403.9 | (5.2) | 355.9 | (1.0) | 79.8 | 1,615.5 |
| Net (decrease)/increase in the fund for the year | (85.6) | 434.7 | 13.1 | 490.7 | 2.9 | 110.1 | 965.9 |
| Opening net assets of the Scheme | 20,870.7 | 3,006.4 | 111.4 | 2,598.3 | 28.4 | 568.9 | 27,184.1 |
| Closing net assets of the Scheme | 20,811.7 | 3,432.2 | 95.9 | 3,093.9 | 28.0 | 688.3 | 28,150.0 |

Further information

Benefit Administrator's contact details

Enquiries about the Scheme generally, or members' individual entitlement to benefits, should be sent to:

Members with Defined Benefit ('DB') and Hybrid benefits

HSBC Bank (UK) Pension Scheme
Equiniti
PO Box 5227
Lancing
BN99 9FN

DB benefits

Telephone: **0371 384 2620**

Email: HSBCDBPensions@equiniti.com

Hybrid benefits

Telephone: **0371 384 2631**

Email: HSBCHybridPensions@equiniti.com

Members with Defined Contribution ('DC') benefits

The HSBC Administration Team
WTW
Sunderland
SR43 4JU

Telephone: **01737 227575**

Email: HSBCpension@wtwco.com

Scheme website

Scheme documentation and links for members' personalised information can be found at:

<https://futurefocus.staff.hsbc.co.uk/>

The landing page of the website (as shown on the right for an active DC member) includes several questions regarding employment with HSBC to identify category of membership and direct users to the tailored homepage of that category of membership. If cookies are accepted members will be directed to the relevant homepage in future visits. Other sections can be accessed by selecting "switch member type" in each homepage.

Members' personalised information

The website includes links to the relevant administrator's members' portal to access their own personal information, members should contact the relevant benefit administrator above for login details to their information.

Current employees of HSBC who are logged in to the HSBC network and have internet access on their profile can benefit from "single sign-on" and therefore are not required to enter login details (but may do so if they wish).

Scheme documentation

The website includes information about the Scheme (including video guides), the benefits available and choices available to members. Documents are available in the "**Information Centre**" of the Scheme website. Key documents include:

- ◆ Scheme Trust Deed & Rules
- ◆ Member's guides
- ◆ Scheme Annual Report & Financial Statements
- ◆ DB Actuarial Valuations
- ◆ DC Fund Factsheets
- ◆ Schedules of Contributions

The screenshot shows the HSBC Bank (UK) Pension Scheme ("the Scheme") landing page. It features a dark background with white text. At the top, it says "All about the HSBC Bank (UK) Pension Scheme ('the Scheme')". Below this, a small note states: "To ensure we give you the right information, tell us a bit about you. If you have any issues using this wizard and need assistance please contact the HSBC administration team on 01737 227575:". The main part of the form consists of three dropdown menus. The first is labeled "I am" and has "a current employee" selected. The second is labeled "I started" and has "on or after 1 July 1996" selected. The third is labeled "I joined" and has "HSBC directly" selected. Below these, a message states: "You're an active Defined Contribution (DC) member of the Scheme, because you're a current employee, and you joined on or after 01 July 1996". There is a checkbox labeled "I have opted out of the Scheme" which is currently unchecked. At the bottom, there is a red button labeled "Enter as an active DC member".

Pension Scheme Executive

The Executive function of the Trustee can be contacted at the following address:

HSBC Bank Pension Trust (UK) Limited
Pension Scheme Executive
Level 35
8 Canada Square
London
E14 5HQ
Email: pensionschemeexecutive@hsbc.com

The Money and Pensions Service - MoneyHelper

The Money and Pensions Service (MAPS) is an arm's-length body sponsored by the Department for Work and Pensions. It was created by bringing together The Money Advice Service, the Pensions Advisory Service and Pension Wise to provide free and impartial help relating to pensions and money choices.

Services are now provided under a single brand: MoneyHelper. Their website provides comprehensive information about pensions and how to access free advice (including webchat).

Telephone: **0800 011 3797**
Website: <https://www.moneyhelper.org.uk/>

Pensions Ombudsman Service

For problems that MAPS cannot settle, a Government appointed official, the Pensions Ombudsman, is the final stage of appeal. The Ombudsman, whose decisions are legally binding on all parties, deals with disputes of fact or law concerning occupational pension schemes.

The Ombudsman can be contacted at the following address:

10 South Colonnade
London
E14 4PU
Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: <https://www.pensions-ombudsman.org.uk/>

The Pension Service (a part of the Department for Work and Pensions)

All the relevant details of the Scheme and the Trustee have been passed to the Pension Service. Amongst other things, the Pension Service may be able to help anyone trying to trace pension rights under a previous pension scheme. (This function was formerly performed by the Pension Scheme Registry).

Enquiries can be addressed to:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
Telephone: **0800 731 0469**
Website: <https://www.gov.uk/contact-pension-service/>

Pensions Regulator

The Pensions Regulator has been set up by the Government and is able to intervene in the running of pension schemes where trustees, employers or professional advisors have failed in their duties.

The Pensions Regulator may be contacted at the following address:

The Pension Regulator
Telecom House
125 – 135 Preston Road
Brighton
BN1 6AF
Telephone: **0345 600 0707**
Website: **<http://www.thepensionsregulator.gov.uk/>**

Appendices



HSBC Bank (UK) Pension Scheme

DC governance statement for the year
ended 31 December 2024

1. Chair's foreword



Russell Picot

Chair of the Trustee Board

"We dedicate significant time and attention to governance matters because they help our members to achieve better retirement outcomes from their Defined Contribution benefits."

As Trustee of the HSBC Bank (UK) Pension Scheme ('Scheme'), we play a key role in ensuring that the Scheme is well managed. I am pleased to introduce this update that explains more about our work over the year.

We are committed to maintaining effective governance processes that support good decision making, manage risks and safeguard our members' benefits. Very importantly, good governance helps our members to achieve a better retirement outcome from their Defined Contribution ('DC') benefits.

We regularly review our governance processes and once a year we produce a statement to describe how we have managed the Scheme. This annual statement is required by pensions law for schemes that provide DC benefits. It is signed by me, on behalf of the Trustee Board, and is called the DC Governance Statement ('Statement').

The aim of this Statement is to provide more information for our members with DC benefits about the governance processes that we have in place and how these have met the legal requirements.

Why is good governance important?

We invest considerable time and effort on the design and ongoing oversight of the Scheme's DC investment options, charges, and member services. These elements are key to delivering good retirement outcomes for our members - whether they have a DC pension pot only, Hybrid benefits that include a DC pension pot or Additional Voluntary Contributions ('AVCs'). This Statement applies to the DC benefits for all of these members.

A short summary (see right) sets out why good governance is important with references to the relevant section so that you can find out more about each topic later in this Statement.

We hope that you find this Statement interesting and helpful.

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 2024 (see page ii). 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

£8.2 billion

combined value of DC pension pots at 31 December 2024

Updates made to the Targeted Investment Strategies in 2024

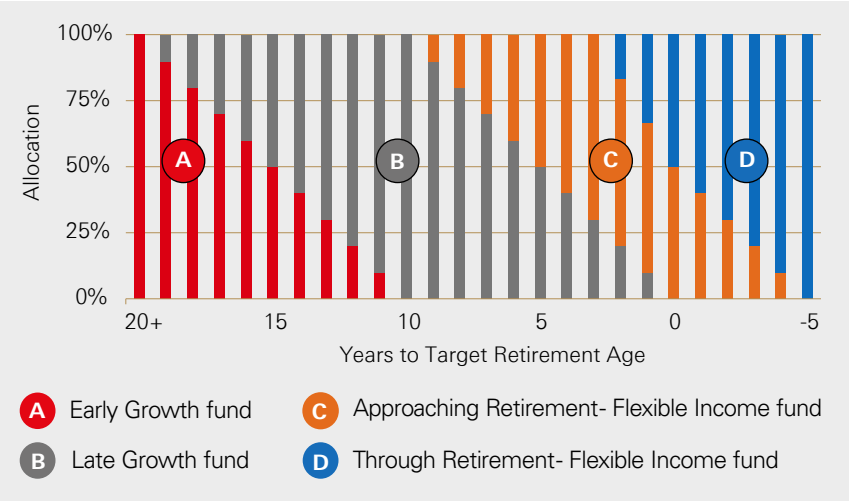
More about the Flexible Income Strategy

This is the Scheme’s biggest investment option, as at 31 December 2024:

Over 82,000 members using this strategy £5.9 billion invested in this strategy

The Flexible Income Strategy is designed for members who plan to take 25% of their DC pension pot (or AVCs) as a tax-free cash sum at Target Retirement Age (or beyond) and to use the balance to provide a flexible income (e.g. drawdown income), spreading the amount and timing of withdrawals. Members can do this by transferring their DC pension pot (or AVCs) out of the Scheme to a pension arrangement of their choice which offers flexible income options¹.

The chart below illustrates how members’ DC pension pot (or AVCs) invested in the Flexible Income Strategy are automatically switched over time between the new funds introduced in July 2024:



Introduction of a new type of investment

The Early Growth fund used in each Targeted Investment Strategy includes a new type of investment called private markets. This is designed to provide greater diversification for members who have a longer time period for their investments to grow. It includes, but isn’t limited to, investments such as:

- **infrastructure projects** (for example renewable energy sources, building schools, hospitals, roads, bridges and power plants),
- **natural resources** (for example investment in timberland and agriculture),
- **private credit** (this is when private lenders rather than traditional banks or public debt markets provide loans to businesses),
- **private equity** (these are shares of private companies that are not traded on the public stock market), and
- **real estate** (for example investment in office buildings and warehouses).

Notes

¹Whilst flexible income isn’t available directly from the Scheme, the Trustee has agreed competitive charges with LifeSight Spending, a drawdown income provider, which makes this option available. You can find out more from [LifeSight Spending](#) (this is an external provider’s website).

²Default investment arrangement for members who joined the Scheme on or after 1 March 2018 and didn’t make their own investment choice.

³Default investment arrangement for Hybrid members who didn’t make their own investment choice.

What are Targeted Investment Strategies?

The Scheme offers ‘hands-off’ investment options, called Targeted Investment Strategies. Members select their strategy based on the type of retirement income they want to take, whether that’s a flexible income, a cash lump sum, or an annuity. These strategies invest members’ DC pension pot or AVCs in pre-selected investments.

In July 2024, the Scheme made updates to the pre-selected investments across all three Targeted Investment Strategies and communicated this to members:

Flexible Income Strategy²

Lump Sum Strategy³

Annuity Purchase Strategy

The updated Targeted Investment Strategies use new funds; the Early Growth fund, the Late Growth fund, the Approaching Retirement fund and the Through Retirement fund. These funds use blends of different investments. Over time, members’ DC pension pot (or AVCs) will automatically switch between these four funds.

The same Early Growth fund and Late Growth fund is used by all three strategies but the Approaching Retirement fund and the Through Retirement fund are tailored for the Flexible Income Strategy (see chart on left), Annuity Purchase Strategy or Lump Sum Strategy.

Changes to the Targeted Investment Strategies



Find out more

You can read more about the range of investment options available for your DC pension pot (or AVCs) and the updates made to the Targeted Investment Strategies in the following Scheme documents available from the information centre on the Scheme’s website, [futurefocus](#).

Go to <https://futurefocus.staff.hsbc.co.uk>:

► **Changes to the Targeted Investment Strategies guide**

► **DC investment guide**

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 and with the day-to-day oversight of the Scheme. The PSE 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. Go to <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.
- ▣ **Member guide**

Explains how the Scheme works including your benefits and options (please refer to the relevant guide for your benefits).
- ▣ **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.
- ▣ **Closed investment options guide**

Provides an overview of the closed investment options. This was updated in 2024.
- ▣ **Trustee's Annual Report and Financial Statements**

Shows the money coming into and paid out of the Scheme 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 2024 to 31 December 2024 (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. As part of the triennial strategy review on 3 March 2023, the Trustee agreed to adjust the structure of the two main default arrangements the Flexible Income and Lump Sum strategies as well as the Annuity Purchase strategy. These changes are outlined in section 2.6.

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’ and when members are in their final working years and reach retirement, their DC pension pots are switched into the ‘Through Retirement – Flexible Income Fund’. 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’ and when they are in their final working years and reach retirement, their DC pension pots are switched into the ‘Through Retirement – Lump Sum Fund’. 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 which concluded that 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’ and when they are in their final working years and reach retirement, their DC pension pots are switched into the ‘Through Retirement – Annuity Purchase Fund’. 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 % ³ | Allocation 45 y/o % | Allocation 55 y/o % | Allocation at retirement % |
|-----------------------------------|----------------------------------|---------------------|---------------------|----------------------------|
| Cash | 0.0 | 0.0 | 0.8 | 26.3 |
| Corporate bonds (UK and overseas) | 0.0 | 0.0 | 10.4 | 23.1 |
| UK government bonds | 0.0 | 0.0 | 1.0 | 1.9 |
| Overseas government bonds | 0.0 | 0.0 | 7.4 | 16.1 |
| Listed equities | 92.0 | 92.0 | 71.8 | 17.4 |
| Private equity | 1.7 | 1.7 | 0.0 | 0.0 |
| Infrastructure ¹ | 1.2 | 1.2 | 1.3 | 1.0 |
| Property ¹ | 1.2 | 1.2 | 0.6 | 0.5 |
| Private debt | 2.5 | 2.5 | 1.4 | 1.1 |
| Other ² | 1.8 | 1.8 | 5.5 | 12.7 |
| Total⁴ | 100.0 | 100.0 | 100.0 | 100.0 |

¹ Includes listed and unlisted allocations. ² Other includes listed/unlisted natural resources, gold, emerging market climate bonds, convertible bonds, insurance linked securities and derivatives. ³ As noted in section 2.6 the Trustee agreed to allocate 15% of the Early Growth Fund to private markets, which is currently being built up and as at 31 December 2024 was at c.9%. ⁴ Figures may not sum due to rounding.

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

| Asset class | Allocation 25 y/o % ³ | Allocation 45 y/o % | Allocation 55 y/o % | Allocation at retirement % |
|-----------------------------------|----------------------------------|---------------------|---------------------|----------------------------|
| Cash | 0.0 | 0.0 | 0.8 | 26.4 |
| Corporate bonds (UK and overseas) | 0.0 | 0.0 | 10.4 | 31.7 |
| UK government bonds | 0.0 | 0.0 | 1.0 | 2.3 |
| Overseas government bonds | 0.0 | 0.0 | 7.4 | 21.7 |
| Listed equities | 92.0 | 92.0 | 71.8 | 0.0 |
| Private equity | 1.7 | 1.7 | 0.0 | 0.0 |

| | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|
| Infrastructure ¹ | 1.2 | 1.2 | 1.3 | 0.0 |
| Property ¹ | 1.2 | 1.2 | 0.6 | 0.0 |
| Private debt | 2.5 | 2.5 | 1.4 | 0.0 |
| Other ² | 1.8 | 1.8 | 5.5 | 17.8 |
| Total⁴ | 100.0 | 100.0 | 100.0 | 100.0 |

¹ Includes listed and unlisted allocations. ² Other includes listed/unlisted natural resources, gold, emerging market climate bonds, convertible bonds, insurance linked securities and derivatives. ³ As noted in section 2.6 the Trustee agreed to allocate 15% of the Early Growth Fund to private markets, which is currently being built up and as at 31 December 2024 was at c.9%. ⁴ Figures may not sum due to rounding.

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

| Asset class | Allocation 25 y/o % ³ | Allocation 45 y/o % | Allocation 55 y/o % | Allocation at retirement % |
|-----------------------------------|----------------------------------|---------------------|---------------------|----------------------------|
| Cash | 0.0 | 0.0 | 0.8 | 25.0 |
| Corporate bonds (UK and overseas) | 0.0 | 0.0 | 10.4 | 45.9 |
| UK government bonds | 0.0 | 0.0 | 1.0 | 29.1 |
| Overseas government bonds | 0.0 | 0.0 | 7.4 | 0.0 |
| Listed equities | 92.0 | 92.0 | 71.8 | 0.0 |
| Private equity | 1.7 | 1.7 | 0.0 | 0.0 |
| Infrastructure ¹ | 1.2 | 1.2 | 1.3 | 0.0 |
| Property ¹ | 1.2 | 1.2 | 0.6 | 0.0 |
| Private debt | 2.5 | 2.5 | 1.4 | 0.0 |
| Other ² | 1.8 | 1.8 | 5.5 | 0.0 |
| Total⁴ | 100.0 | 100.0 | 100.0 | 100.0 |

¹ Includes listed and unlisted allocations. ² Other includes listed/unlisted natural resources, gold, emerging market climate bonds, convertible bonds, insurance linked securities and derivatives. ³ As noted in section 2.6 the Trustee agreed to allocate 15% of the Early Growth Fund to private markets, which is currently being built up and as at 31 December 2024 was at c.9%. ⁴ 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 | 0.8 | 100.0 |

| | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Corporate bonds (UK and overseas) | 0.0 | 0.0 | 10.4 | 0.0 |
| UK government bonds | 0.0 | 0.0 | 1.0 | 0.0 |
| Overseas government bonds | 0.0 | 0.0 | 7.4 | 0.0 |
| Listed equities | 100.0 | 100.0 | 71.8 | 0.0 |
| Private equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Infrastructure ¹ | 0.0 | 0.0 | 1.3 | 0.0 |
| Property ¹ | 0.0 | 0.0 | 0.6 | 0.0 |
| Private debt | 0.0 | 0.0 | 1.4 | 0.0 |
| Other ² | 0.0 | 0.0 | 5.5 | 0.0 |
| Total³ | 100.0 | 100.0 | 100.0 | 100.0 |

¹ Includes listed and unlisted allocations. ² Other includes listed/unlisted natural resources, gold, emerging market climate bonds, convertible bonds, insurance linked securities 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 |
| Total³ | 100.0 | 100.0 | 100.0 | 100.0 |

¹ Includes listed and unlisted allocations. ² Other includes listed/unlisted natural resources, gold, emerging market climate bonds, convertible bonds, insurance linked securities 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 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 took place on 3 March 2023.

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. 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 has been gradually built up over 2024 to reach the target allocation of 15% in 2025.

The Trustee concluded that taking a flexible income (e.g. income drawdown) remains an appropriate retirement income target for the main default arrangement. The growth phase of the default arrangement outperformed inflation over the last 5 years to 31 December 2024. 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.

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 member 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, this 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 annual assurance report (AAF 01/06) during 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. No significant issues were raised in the report.

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 assurance report (AAF 01/06) in May 2025 covering the Scheme year 2024 to demonstrate the adequacy of its internal controls and the application of those controls when processing core financial transactions. No significant issues were raised in the report.

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 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 October 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.

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 | 99% | 97% | 99% | 98% |
| Hybrid benefits | 97% | 86% | 86% | 94% |

For members with Hybrid benefits, overall, the Scheme administrators performed behind agreed service levels, with an average of 91% in 2024 which is below the agreed target of 95%. There was a significant drop-in administrator performance levels in respect of members with Hybrid benefits over quarter 2 and quarter 3. This was caused by some resourcing challenges during quarter 2, with Equiniti training additional staff, which led to a small backlog in member casework. The drop in performance continued into quarter 3 as the backlog was being cleared. The backlog of member casework was cleared by quarter 4 2024 with SLAs returning to near target levels.

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 issues resulting in delays 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.

The volume of avoidable complaints remained low over 2024, albeit higher than the target of less than 0.2% of all completed casework. These were primarily centered around individual delays, procedural and communication issues. A large proportion continued to be due in part to the transfer out process following the introduction of the Occupational and Personal Pension Schemes (Conditions for Transfer) Regulations 2021 which came into force on 30 November 2021. These require the administrators to perform an increased number of checks when completing a transfer out and in most situations, extending the time taken to complete a transfer.

During quarter 4 there was an issue relating to the new joiner communication process where the new joiner communications were not issued to members within the required disclosure timeframe; this impacted 493 new members joining the Scheme. A comprehensive 'Root Cause Assessment' was initiated to identify areas for improvement and implement actions plans to address any findings. A full project plan has been shared with the PSE, with regular check-ins and reporting to the PSE in place to monitor progress.

The Bank is responsible for calculating contributions and paying them to the Scheme within the timeframes set out in each sections' 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.

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* - 159 members
- ◆ Scottish Widows - 1 member
- ◆ Prudential – 38 members
- ◆ Phoenix Life* - 2 members
- ◆ Aviva (Ex Friends Life policy) – 3 members
- ◆ Aegon – 1 member

*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 for core financial transactions and has an internal controls statement which outlines information about the processing of these core financial transactions and achieving the stated SLA targets and also 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 the reporting of missed contributions to the Pensions Regulator; 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.

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 91.3% 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 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 policies 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 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 between 5 and 8 days. Aegon can produce an SLA report specific for the Scheme on request. Tasks completed during the Scheme year included providing Scheme valuations, reconciling accounts and issuing statements. All tasks (5 over the course of the year) were not completed within the SLA and the Trustee has requested the reasoning behind this. Aegon can supply quarterly reports on a request basis to the Trustee. There were no financial transactions over the Scheme year.

Aegon has confirmed there have been no complaints, no material administration issues, errors or unreasonable delays 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 2025.

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 2024, the highest additional expenses of all DC funds that were available to members was for the Property - Active Fund, at 0.26% per annum (p.a.). This is the only fund with an additional fund expenses higher than the 0.20% per annum target.

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 | 0.02% | 0.09% |
| 15 years to retirement | 0.02% | 0.17% |
| 10 years to retirement | 0.01% | 0.24% |
| 5 years to retirement | 0.02% | 0.28% |
| At retirement | 0.02% | 0.24% |

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 | 0.02% | 0.09% |
| 15 years to retirement | 0.02% | 0.17% |
| 10 years to retirement | 0.01% | 0.24% |
| 5 years to retirement | 0.03% | 0.24% |
| At retirement | 0.03% | 0.20% |

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 and 5 years to 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 | 0.02% | 0.09% |
| 15 years to retirement | 0.02% | 0.17% |
| 10 years to retirement | 0.01% | 0.24% |
| Years to retirement | Additional fund expenses (p.a.) | Transaction costs |
| 5 years to retirement | 0.01% | 0.12% |
| At retirement | 0.00% | 0.02% |

Cash Lifecycle (legacy default arrangement)

| Years to retirement | Additional fund expenses (p.a.) | Transaction costs |
|---------------------|---------------------------------|-------------------|
| At retirement | 0.00% | 0.07% |

Cash active (default) fund (additional default arrangement)

| Years to retirement | Additional fund expenses (p.a.) | Transaction costs |
|-------------------------|---------------------------------|-------------------|
| Cash - active (default) | 0.00% | 0.07% |

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% | 0.13% |
| Diversified Assets - active | 0.01% | 0.35% |
| Shariah Law Equities - passive | 0.00% | -0.01% |
| Sustainable and Responsible Equities – active ² | 0.00% | 0.03% |
| Global Bonds - active | 0.03% | 0.24% |
| UK Equities - passive | 0.00% | 0.02% |
| Global Equities - passive | 0.00% | 0.22% |
| Property - active | 0.26% | 0.10% |
| Fixed Annuity Tracker - passive | 0.00% | 0.00% |
| Inflation Linked Annuity Tracker - passive | 0.00% | -0.02% |
| Cash - active | 0.00% | 0.07% |
| European (ex UK) Equities - passive | 0.00% | 0.14% |
| North American Equities - passive | 0.00% | 0.00% |
| Japanese Equities - passive | 0.00% | 0.01% |
| Asia Pacific (ex-Japan) Equities - passive | 0.00% | 0.00% |
| Global Equities - active ¹ | 0.09% | 0.11% |
| Sterling Corporate Bonds - active | 0.02% | 0.18% |

| | | |
|------------------------------------|-------|-------|
| Emerging Markets Equities - active | 0.11% | 0.13% |
|------------------------------------|-------|-------|

¹In March 2024, the Trustee removed the allocation to the River Global (previously "River and Mercantile") Global High Alpha Fund, reduced the allocation to the MFS Global Equity Fund and introduced an allocation to both the Royal London Global Equity Diversified Fund and Schroder Global Sustainable Value Equity Fund.² 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.

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% | 0.16% |
| At retirement | 0.00% | 0.02% |

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 Lifecycle review over the previous 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 2024 is currently outstanding from Phoenix Life, Prudential, Aviva, Standard Life and Aegon. 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 and transaction cost (0.01%); and
- ◆ Phoenix Life With-Profits Fund Net returns (confirmed do not provide detailed information of this fund's performance as closed to new business), Total Expense Ratio (0.62%) and transaction costs (0.01%).

The Trustee, with its investment advisors, continued to follow up with Aviva and were unable to obtain the Net returns. 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 | TER¹ | Transaction costs |
|--|------------------------|--------------------------|
| GM UK Equity Fund | 0.38% | 0.00% ⁶ |
| GM Overseas Equity Fund | 0.45% | 0.07% ⁶ |
| GM Property Fund | 0.60% | 0.14% ⁶ |
| With-profits Fund | 1.02% ⁶ | 0.01% ⁶ |
| Standard Life AVC funds² | TER¹ | Transaction costs |
| Pension Millennium With Profits Fund | 1.00% ³ | 0.03% ⁴ |
| Pension Millennium With Profits 2006 Fund | 1.05% ³ | 0.03% ⁴ |
| Pension With Profits Fund | 1.00% ³ | 0.05% ⁴ |
| Standard Life Managed Pension Fund | 1.03% | 0.10% ⁴ |
| Prudential | TER¹ | Transaction costs |
| Prudential With-Profits Cash Accumulation Fund | n/a ⁵ | 0.06% ⁴ |
| Other AVC providers | TER¹ | Transaction costs |
| Aegon Cash Fund | 0.61% | 0.00 |
| Phoenix Life With-Profits Fund | 0.62% ⁶ | 0.01% ⁶ |
| Scottish Widows With-Profit Fund | 0.9%-1.5% ⁷ | 0.16% |

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

²A Scheme-specific discount of 0.40% is applied annually.

³The 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.

⁴As at 30 September 2024.

⁵Charges on the Prudential With Profits and Deposit Fund are not explicit, they are accounted for in the bonus declared on the Fund.

⁶As at 31 December 2023.

⁷Scottish Widows has confirmed expenses do apply to the With-Profits fund, but that these vary based on regular premiums or single premiums and based on term length. The figure provided is for policies reaching maturity in 2019, however it is expected that impact for policies maturing in 2024 would be of a similar value. We are awaiting confirmation for 2025.

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 Property – 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 | £5,200 | £5,200 | £5,200 | £5,200 | £5,200 | £5,200 | £5,200 | £5,200 | £5,000 | £5,000 |
| 3 | £11,200 | £11,200 | £11,200 | £11,200 | £11,200 | £11,200 | £11,200 | £11,200 | £10,400 | £10,400 |
| 5 | £17,700 | £17,600 | £17,700 | £17,600 | £17,700 | £17,600 | £17,700 | £17,600 | £15,800 | £15,800 |
| 10 | £35,900 | £35,700 | £35,900 | £35,700 | £35,900 | £35,700 | £35,900 | £35,700 | £28,900 | £28,800 |
| 15 | £57,600 | £57,000 | £57,600 | £57,000 | £57,600 | £57,000 | £57,600 | £57,000 | £41,700 | £41,600 |
| 20 | £83,400 | £82,200 | £83,400 | £82,200 | £83,400 | £82,200 | £83,400 | £82,100 | £54,200 | £53,900 |
| 25 | £114,000 | £111,700 | £114,000 | £111,700 | £114,000 | £111,700 | £112,400 | £110,100 | £66,400 | £66,000 |
| 30 | £150,400 | £146,000 | £150,400 | £146,000 | £150,400 | £146,000 | £143,100 | £138,800 | £78,300 | £77,700 |
| 35 | £188,100 | £180,600 | £182,800 | £175,800 | £5,200 | £5,200 | £174,000 | £166,700 | £89,900 | £89,100 |
| 40 | £216,700 | £205,700 | £199,300 | £190,000 | £231,200 | £223,000 | £195,800 | £186,100 | £101,200 | £100,200 |
| Percentage Difference | | 5.3% | | 4.9% | | 3.7% | | 5.2% | | 1.0% |

| Years invested | Property - active | | Inflation-Linked Annuity Tracker - passive | |
|------------------------------|-------------------|-------------|--|-------------|
| | Before costs | After costs | Before costs | After costs |
| 1 | £5,100 | £5,100 | £5,200 | £5,200 |
| 3 | £10,800 | £10,700 | £11,200 | £11,200 |
| 5 | £16,700 | £16,500 | £17,700 | £17,700 |
| 10 | £32,200 | £31,600 | £35,900 | £35,900 |
| 15 | £48,900 | £47,500 | £57,600 | £57,600 |
| 20 | £66,900 | £64,400 | £83,400 | £83,300 |
| 25 | £86,300 | £82,200 | £114,000 | £113,900 |
| 30 | £107,200 | £101,100 | £150,400 | £150,100 |
| 35 | £129,700 | £121,000 | £193,500 | £193,200 |
| 40 | £154,000 | £142,200 | £244,800 | £244,300 |
| Percentage Difference | | 8.3% | | 0.2% |

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 £2,300. 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 2024, 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 £27,400. 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 prior to this point.
- ◆ 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
 - Property – active: 1.5% above inflation
 - Inflation – Linked Annuity Tracker – passive: 3.5% 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.

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 | 14.0 | 9.1 |
| 45 | 14.0 | 8.5 |
| 55 | 11.1 | 5.4 |

*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 | 14.0 | 9.1 |
| 45 | 14.0 | 8.5 |
| 55 | 11.1 | 5.5 |

*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 | 14.0 | 9.1 |
| 45 | 14.0 | 8.5 |
| 55 | 11.1 | 3.3 |

*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 | 14.3 | 9.2 |
| 45 | 14.0 | 8.2 |
| 55 | 10.8 | 5.0 |

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 | 5.3 | 2.3 |
| 45 | 5.3 | 2.3 |
| 55 | 5.3 | 2.3 |

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

| DC Fund name | 1 year (%) | 5 years (% p.a.) |
|----------------------|------------|------------------|
| UK Equities - active | 11.4 | 4.2 |

| DC Fund name | 1 year (%) | 5 years (% p.a.) |
|---|------------|------------------|
| Diversified Assets - active | 7.9 | 2.7 |
| Shariah Law Equities - passive | 29.7 | 17.1 |
| Sustainable and Responsible Equities - active | -1.6 | 4.1 |
| Global Bonds - active | 8.4 | 3.7 |
| UK Equities - passive | 9.4 | 4.9 |
| Global Equities - passive | 14.3 | 9.2 |
| Property - active | 2.5 | 1.7 |
| Fixed Annuity Tracker - passive | -3.4 | -4.9 |
| Inflation Linked Annuity Tracker - passive | -5.7 | -6.3 |
| Cash - active | 5.3 | 2.3 |
| European (ex UK) Equities - passive | -0.4 | 6.2 |
| North American Equities - passive | 26.9 | 15.7 |
| Japanese Equities - passive | 10.6 | 6.1 |
| Asia Pacific (ex-Japan) Equities - passive | -3.4 | 3.1 |
| Global Equities - active | 11.3 | 7.7 |
| Sterling Corporate Bonds - active | 2.0 | -0.1 |
| Emerging Markets Equities - active | 6.6 | 2.7 |

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 | 8.9 | 5.5 |
| 45 | 8.9 | 5.5 |
| 55 | 8.9 | 5.5 |

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 | 6.3 | 4.7 |
| GM Overseas Equity Fund | 21.0 | 11.5 |
| GM Property Fund | 3.8 | 1.8 |
| Aviva (ex Friends Life) With-profits Fund | TBC | TBC |
| Standard Life Pension Millennium With Profits Fund | 10.2 | 4.7 |
| Standard Life Pension Millennium With Profits 2006 Fund | 10.2 | 4.7 |
| Standard Life Pension With Profits Fund | 4.1 | 0.9 |
| Standard Life Managed Pension Fund | 8.8 | 4.4 |
| Aegon Cash Fund | 4.2 | 1.4 |
| Phoenix Life With-Profits Fund | N/A ¹ | N/A ¹ |
| Prudential With-Profits Cash Accumulation Fund ¹ | 0.0 | 0.0 |
| Scottish Widows With-Profit Fund | 7.0 | 4.7 |

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.

¹Phoenix 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 2024 Scheme year took place on 9 June 2025. 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 | <p>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 2024 the Trustee monitored the performance of its administrator on a regular basis, including via quarterly reporting on SLAs.</p> <p>For DC only members, SLAs performance has been above agreed target of 95% in 2024, with an average of 97.5%, which is an improvement on the previous year's assessment.</p> <p>Hybrid Scheme administration performance was more mixed over the year with an average of 90.4%; however, this improved by the last quarter, with SLAs returning to near target levels.</p> |
| 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, with training undertaken ahead of meetings, and attends away days to focus more specifically on key areas of the Scheme. |

| | | |
|------------------------------|-----------|--|
| | | During 2024, the Trustee carried out a high-level assessment against the new General Code of Practice in the Scheme Year which indicates that the Trustee is meeting the vast majority of requirements. More detailed analysis is being carried out over 2025. |
| Communications | Very good | <p>Communications are of a very good standard. Over the Scheme year the Trustee developed segmented communications to members setting out the changes to the three Targeted Investment strategies including letters, a changes guide and a video. A new DC investment guide was drafted, incorporating the changes to the strategies, and the annual member newsletter also reminded members about the changes.</p> <p>A dedicated futurefocus page for mid-career members was launched, which includes a podcast, the MOT guide, access to the Pensions Freedoms Planner as well as a blog on Midlife Money Mastery.</p> <p>New flyers were created with key messages from the nudges for members who have opted out of digital communications.</p> |
| At Retirement | Very good | <p>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. Members continue to be signposted to their retirement options, with support available in the form of retirement seminars/webinars.</p> <p>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.</p> |
| Default arrangement | Very good | <p>Different defaults are available to different cohorts of members, recognising their different requirements.</p> <p>The triennial investment strategy review was carried out in March 2023, and the Trustee concluded that the default strategies remain appropriate and well positioned to meet their objectives. The Trustee agreed in the strategy review to allocate 15% of the Early Growth Fund to a multi-asset private markets fund. This is accessed via a bespoke LTAF and made up 9% of the Early Growth Fund as at the end of the Scheme Year. This will be continued to be built up over 2025. The phased approach to the Flexible Income, Lump Sum and Annuity Purchase strategies were implemented in June 2024.</p> |
| Self-select investment range | Very good | <p>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).</p> <p>The agreed changes to the Global Equities – active Fund were implemented in March 2024.</p> |
| Scheme design | Very good | <p>The Scheme's employer contributions are generous compared to the UK market generally, and the banking sector.</p> <p>New joiner communications have been refreshed, with a new dedicated page on futurefocus as well as more focussed pension information on Bank led communications for new employees.</p> <p>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</p> |

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 2025.

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 Trustee ensures that the appropriate level of Trustee Knowledge & Understanding ('TKU') is achieved and maintained in the following ways.

The Scheme invests considerable support in the design and provision of a Trustee training curriculum to ensure that all Trustee Directors develop 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. 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.
- ◆ Newly appointed Trustee Directors have meetings with key advisors and PSE executive committee members covering a variety of topics.
- ◆ Focused training is provided to support the Trustee Directors in advance of specific decisions and topics which are particularly complex.
- ◆ 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, which are kept in the Trustee Reading Room (an online resource available to Trustee Directors).
- ◆ Trustee Directors have performance conversations with the Board Chair and complete periodic self-assessments to help identify training needs.

Two of the Trustee Directors are independent trustees, defined as 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 considered the extent to which the current committee structure provided sufficient oversight of DC matters and concluded that it did.

Further, a formal Trustee effectiveness review was carried out in 2022. The review assessed the extent to which the Trustee operated effectively, both as a full Trustee and per committee. This was done by a combination of psychometric testing supported by individual interviews and group observations. The outcome of the review was positive.

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:

- ◆ In January 2024, the Trustee engaged in a session led by the PSE and LCP covering the communication campaign and investment strategy changes for members invested in the main default arrangements. This included the new phased approach and implementation of the bespoke LTAF outlined in section 2.
- ◆ Three Trustee training away days took place, namely a strategy day, investment day, and governance day, to update all Trustee Directors with relevant developments. Example topics covered included climate modelling, sustainability, private markets, artificial intelligence and political outlook. Attendance is documented and in 2024, all Trustee Directors attended at least two training days.

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

- ◆ The PSE in consultation with the Governance and Nominations Committee reviewed the training logs mentioned above and 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 Trustee Chair.
- ◆ There was a continual focus on DC governance and investment strategies, as well as training on, amongst other things, Investment beliefs (including ESG) and administration processes. 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 (e.g. Trust Deed and Rules, Trustee policies, SIP etc.), 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 Picot

Date: 25 June 2025

R Picot, 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 CONTRIBUTIONS

November 2024

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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 September 2023. 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, 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 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).

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Statement of Investment Principles – Defined Contributions

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 less risky assets, 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 less risky assets 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 less risky assets, 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 less risky assets 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, as members did not make a choice to invest in this strategy, this targeted strategy continues to be considered a default by the Trustee for the purpose of fulfilling legislative requirements. This targeted strategy does not change its asset allocation following a member's 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 as a result of a decision taken to ensure a separate fund (ie one which members could not self-select into) was available to allocate members' contributions in the event of a DC fund closure in the future (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 will be 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 version of the existing main 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 similar strategy structure to the lifecycles but allowed members some flexibility to choose between a number of funds to invest in during the growth phase and the de-risking phase, and decide when to switch between the phases. Members invested in Flexicycle when it was closed to new member investments 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 will monitor 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 considered 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 given the risk being taken;
- the need for appropriate diversification within the default arrangements and other targeted 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 need for appropriate diversification within the other investment options offered to members;
- 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 skilful 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 eighteen different DC funds that can be accessed through three distinct structures; targeted strategy, Freechoice 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 giving 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's assets 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 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

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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 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 portfolio and DC fund managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the DC fund manager 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 portfolios 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 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 Fund, via an allocation to a Long Term Asset Fund ("LTAF"), and the Diversified Assets – active Fund.

The LTAF predominately invests in illiquid assets. As at 30 September 2024 the exposure to illiquid assets included private credit, long term equity and real estate, which together constituted 51.9% of the LTAF's total assets. This allocation is currently being built up, as illiquid allocations take time to establish, once fully built up the exposure to illiquid assets in the LTAF will be 80% of the LTAF's total assets and will include private credit, real estate, natural capital, infrastructure, long term equity and private equity. This expected to take around 12 months from its introduction in June 2024. Members invested in the main default arrangements up until 10 years from their target retirement age (ie aged up to age 55, assuming a target retirement age of 65), have exposure to illiquid assets via 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 2024 the exposure to illiquid assets included microfinance, insurance-linked securities, direct property, infrastructure and infrastructure debt, which together constituted around 9.3% of the DGF allocation. Members invested in the main default arrangements from 20 years to their target retirement age (ie aged between 45 and 70, assuming a target retirement age of 65), have exposure to illiquid assets via the DGF allocation.

Our policy is to have exposure to an LTAF and a DGF, with discretion to invest in illiquid assets, within the default arrangements because our assessment is that this offers members a potentially higher return, greater level of

diversification and hence better risk management in the overall asset allocation. As a result, we believe 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 (ie 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 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 investments 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 takes 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 drive improved performance over these periods.

The Trustee adopts 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 ensure financially material considerations (including ESG considerations) are implicitly incorporated 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. 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 regularly monitors 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 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.

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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 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 its 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 ESG risk management framework. In summary, the Trustee:

- has made ALCo responsible for ensuring 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 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 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 Competition Market Authority'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. 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 achieving 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;

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- 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 achieving the well below 2°C target.

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

- help to implement new Responsible Investment solutions in a proportionate and practical way with a clear focus on excellence and continuous improvement;
- informing government policy, market developments and pension funds with respect to Responsible Investment;
- improve the risk and return characteristics of investments to improve the financial outcomes for members;
- 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 Cambridge Institute Asset Owner Group relating to universal ownership and global systemic risks
- a member of the Willis Towers Watson Thinking Ahead Institute ('TAI')
- a signatory to the Principles for Responsible Investment ('PRI')
- 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 will consider disclosing successes and learnings from its associations on an annual basis.

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 as to their exposure to controversial weapons manufacturers, if any.

The Trustee will avoid Investments in companies with ties to the legal production and/or retail of cannabis products for recreational use. This position has been taken on the grounds of 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 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 (ie 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 attaching 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 2024 and the full Board approved the SIP on 11 December 2024. Document effective from 1 January 2025.

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'). This committee is responsible for selecting, monitoring the performance of and, when required, replacing DC fund managers and ensuring that the high-level strategy and beliefs set by the Trustee are implemented effectively.

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 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 portfolios of assets 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;

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- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- 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 Act insofar as it is necessary to do so.

The custodians of the portfolios (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 portfolios.

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 return and consequent volatility to allow members to invest according to their individual risk tolerances and circumstances. Members are offered targeted strategies that reduce 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 growth phase of 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 believes 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 was 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 an DC fund manager selection exercise. The Trustee and its 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 only 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 only 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 then 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 with a simple number.

Climate change risk is managed through a combination of both positive and negative tilts where appropriate (Global Equities) as well as a robust engagement policy via the Trustee's appointed DC fund managers. 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.

Annual Implementation Statement

1 January 2024 to 31 December 2024

This document is the Annual Implementation Statement (the 'Statement') prepared by HSBC Bank Pension Trust (UK) Limited (the 'Trustee') in relation to the HSBC Bank (UK) Pension Scheme (the 'Scheme') covering the Scheme Year to 31 December 2024.

This Statement focuses on the investments held for the purposes of members of the Scheme with Defined Contribution ('DC') benefits. A separate statement relating to the investments held for the purpose of providing Defined Benefits ('DB') under the Scheme can be found [here](#).

The purpose of this statement is to:

- set out how the Scheme's Statement of Investment Principles for the Scheme's DC assets (the 'SIP') has been followed during the year (and on the implementation of the SIP in Sections 2-12 below);
- detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review - information is provided on the last review of the SIP in Section 1;
- describe the voting behaviour by, or on behalf of, the Trustee over the year - this is provided in Section 13 below.

This Statement is intended to meet requirements under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, which were introduced on 1 October 2020 and is expected to evolve over time. The Statement will be included in the Scheme's Report & Accounts and made public online. In preparing this Statement, the Trustee has taken advice from its advisors. The Trustee has also had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ('DWP's guidance') in June 2022.

1. Review of, and changes made to, the SIP

The SIP was reviewed and updated during the Scheme Year and published on 1 January 2025 to reflect a number of updates, the most notable being:

- the updated policy for investing in daily dealing funds following the investment in the WS Fulcrum Diversified Private Markets (H) Long Term Asset Fund ("LTAF");
- the updated illiquid assets policy following the investment in the WS Fulcrum Diversified Private Markets (H) LTAF; and
- the updated commentary on engagements and exclusions in section 7: Environmental, social and governance ("ESG") and other financial material considerations, including an example relating to the energy sector and the transition to a low carbon economy.

As part of these SIP updates, the Principal Employer was consulted and confirmed it was comfortable with the changes. No other policies changed over the Scheme Year and this SIP includes all policies that were in the previous SIP which was in place at the start of the Scheme Year.

The Trustee has, in its opinion, followed the policies in the Scheme's SIP during the Scheme Year. The following sections provide detail and commentary about how and the extent to which it did this.

2. Governance

The Trustee has ensured that only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. Key to this is the four-person dedicated team of investment professionals within the Pension Scheme Executive ('PSE') headed up by an experienced Chief Investment Officer ('CIO'). In 2022, a Head of Responsible Investment was appointed to join the PSE. The Trustee calls on the skills of appointed external specialists including the fund managers, custodians, legal advisors, accountants, investment advisors and Scheme Actuary, as well as that of the PSE, especially the CIO. All these agents feed into the Scheme's Asset and Liability Committee ('ALCo'), a dedicated committee which handles the majority of investment matters in relation to the Scheme DC assets. Where decisions are required to be taken by the Trustee Board, the ALCo has made recommendations to the Board.

The monitoring of DC fund managers is covered in Sections 5 and 11 below. The Trustee has also set objectives for the Trustee's investment advisors against which they are reviewed annually.

3. Investment objectives to track the SIP

As part of the most recent annual performance and strategy review of the DC default arrangement on 24 May 2024, the Trustee considered the membership demographics and the variety of ways that members may draw their DC benefits in retirement from the Scheme. This level of review

is performed on an annual basis, with a detailed, formal triennial investment strategy review carried out every three years, most recently carried out on 3 March 2023.

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 Trustee also provides members with access to a range of investment options which it believes are suitable for this purpose and enable appropriate diversification. The Trustee has made available alternative targeted lifecycle strategies and a Freechoice fund range to members covering a suitable selection of major asset classes. The Trustee monitors the take up of these DC investment funds ('DC funds'). Take up of the Freechoice fund range by the members remains relatively high in comparison to the DC pensions market. The Trustee has reminded members to review their investment choices and check they are suitable for their risk tolerances and retirement planning.

The Trustee reviews changes in member choices, behaviour and trends each quarter using a tool provided by its investment advisor, Lane, Clark & Peacock ('LCP'), called LCP Horizon.

The Trustee receives annual advice from LCP regarding the efficacy of its DC investment arrangements. This year's letter was received shortly after Scheme year end.

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 de-risking into the 'Late Growth Fund' from 20 years to retirement. Members are further de-risked 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 has been gradually built up over 2024 to reach the target allocation of 15% in 2025.

3.1. Investment strategy

Flexible Income Strategy (main default arrangement for members with only DC benefits)

As noted above, the Trustee, with the help of LCP reviewed the strategy and performance of the Flexible Income strategy arrangement for members with only DC benefits over the period, as part of the annual strategy review and concluded that drawdown remains an appropriate retirement target. The growth phase of the DC default arrangement outperformed inflation over the last 5 years to 31 December 2024. The changes to the structure of the strategy and the introduction of private markets into the strategy were implemented as mentioned above.

As part of this review the Trustee confirmed that the Scheme's targeted and lifecycle strategies were adequately and appropriately diversified between different asset classes and that the Freechoice options provide a suitably diversified range to choose from.

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

The Trustee also reviewed the main default for members with Hybrid benefits, the Lump Sum strategy, and concluded that a lump sum targeting strategy remains an appropriate retirement target for this cohort of members. The changes to the structure of the strategy and the introduction of private markets into the strategy were implemented as mentioned above within the Lump Sum strategy.

Annuity Purchase Strategy

The previous main default for members with only DC benefits, was also reviewed and the Trustee concluded that the Annuity Purchase strategy remains an appropriate retirement target for the cohort of members targeting the purchase of an annuity at retirement. The changes to the structure of the strategy and the introduction of private markets into the strategy were implemented as mentioned above.

Cash – active Fund

In 2020, the Trustee introduced a new default due to the suspension of the Property – active Fund, before being reopened in December 2020, and consequently redirected contributions, namely to the Cash - active (ex-Property) Fund. This Fund became classified as a default for the purpose of fulfilling legislative requirements. The Trustee is comfortable that this fund acts as a suitable default option for this purpose. The name of this Fund was updated during the Scheme Year to remove reference to property and allow contributions to be made into the fund as part of the implementation of lifestyle changes.

Cash Lifecycle

The Cash Lifecycle is a legacy version of the current main defaults for members with Hybrid benefits and, as 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. The Cash Lifecycle Strategy was reviewed as part of the review mentioned above and the Trustee concluded that no changes to the strategy were required. The strategy is closed to new members, however, the Trustee is comfortable for members already invested in this lifecycle to remain invested.

Legacy lifecycles

The Scheme also operates two other legacy lifecycles, the Flexicycle and Lifecycle 2, which are not default arrangements. These arrangements are closed to new members. The Trustee is comfortable for members already invested in the Flexicycle to remain invested and that this strategy remains appropriate. In May 2021, the Trustee reviewed all legacy lifecycles and agreed to move the majority of members from Lifecycle 2 into a default lifecycle based on whether members held only a DC pension pot or held Hybrid benefits, unless they elected to stay where they were. Given market conditions in 2022 and 2023, the Trustee agreed in June 2023 to exclude members within 5 years of their target retirement from the Lifecycle 2 transition due to their exposure to Fixed Annuity Tracker passive. This transfer was implemented in November 2023.

Retirement data

The Trustee reviews retirement data provided by the Scheme administrators on a quarterly basis to analyse how members access their benefits. As part of the annual strategy review, the Trustee concluded members are generally accessing their benefits in line with expectations based on the strategy in which they are invested. However, the Trustee has found that some members are retiring earlier than their target retirement age which has influenced the discussions regarding the incorporation of private markets assets into the growth phase of the Flexible Income, Lump Sum and Annuity Purchase default arrangements.

4. Considerations in setting the investment arrangements

When the Trustee undertook a strategy and performance review of the DC default arrangement on 24 May 2024, it considered the investment risks set out in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes, as well as how these risks can be mitigated. Both qualitative and quantitative factors are incorporated in all investment decisions. The relative importance of these is discussed as part of the annual strategy review that is presented to the Trustee.

Over the Scheme Year, the Trustee considered how its beliefs could be further integrated into the investment strategies and Freechoice fund range.

- At the 6 September 2024 ALCo meeting, following ongoing poor relative performance, the Trustee conducted a review of the Sustainable & Responsible Equities – active Fund and the underlying manager, WHEB Asset Management ('WHEB'). The investment advisor, LCP, recommended alternative funds and the Trustee 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 ('CT') Sustainable Opportunities Global Equity Fund.
- At the 22 November 2024 ALCo meeting, the Trustee conducted a full review of the Diversified Assets – active Fund and the underlying manager, Schroder Investment Management. The review considered the performance of the Fund, the level of diversification provided and the sustainability credentials of the Fund. The Trustee concluded it remains comfortable with the Fund.
- Throughout the Scheme Year, the Trustee has continued its review of the Legal and General Investment Management ('LGIM') Future World Fund which is used within the Flexible Income, Lump Sum and Annuity Purchase strategies. Alongside its investment adviser, the Trustee is considering how the Fund could evolve to better take account of current best practice in designing climate/ESG index funds and align better with the Trustee's beliefs. This project is ongoing and is expected to be concluded in 2025.
- Any conflicts of interest between the Trustee, asset owners, its agents (advisors, DC fund managers, PSE) and any other party that may influence in the decision-making process are recorded in the conflicts register which is reviewed quarterly. This policy was enhanced during the Scheme Year to ensure it is clear that all parties that may influence a decision as well as decision makers declare whether there is a potential conflict.

The Trustee's governance budget is reviewed quarterly and prioritised to focus on the main default arrangement for members with only DC benefits, the Flexible Income strategy, given this is where the majority of members are invested. This was the focus of the most recent strategy review, however, all other targeted and lifecycle strategies were considered. The Cash – active fund was not included in this review as there were no members invested in the fund, however, the Trustee monitors the underlying fund that would be utilised by this white labelled fund where appropriate, if it had assets, on a quarterly basis, as part of its regular performance monitoring.

DC communications are tailored to specific portions of the membership depending on those impacted by different issues; active and deferred members receive separate communications, where appropriate.

Active DC funds are available for members who wish to use them however, particularly within the default options, the Trustee makes use of DC funds that can replicate active management strategies cheaply, where appropriate, in order to systematically replicate active fund manager value at a lower cost.

Transaction costs, fees and additional expenses for all investment options are monitored annually and reported in the Annual Chair's Statement.

The Trustee's key investment beliefs and understanding of the Scheme's membership are reflected in the design of the default and other targeted and lifecycle strategies, and in the range of other DC funds made available to members (the Freechoice range). In particular, ESG issues are an important part of the Trustee's decision-making process (see Section 7).

5. Implementation of the investment arrangements

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 changes were implemented on 20 June 2024. Members are now invested in the 'Early Growth Fund,' before de-risking into the 'Late Growth Fund' from 20 years to retirement. Members are further de-risked 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.

In addition to the changes to the structure of targeted strategies, the Trustee agreed to allocate 15% of the Early Growth Fund to private markets. This is accessed via the WS Fulcrum Diversified Private Markets (H) LTAF. The first assets were invested on 1 July 2024 and further investments are being made on a monthly basis to reach the target allocation of 15% in 2025.

At the 8 September 2023 meeting, the Trustee reviewed the underlying funds of the Global Equity – active fund. The review considered the broad factor exposure of the underlying funds and the resulting exposure of the white-labelled fund, in addition to firmwide considerations of the fund managers. The Trustee concluded that the River Global High Alpha Fund should be removed, the allocation of the MFS Global Equity Fund be reduced and both the Royal London Global Equity Diversified Fund and Schroder Global Sustainable Value Equity Fund be introduced to the Fund. This change was implemented in March 2024.

The Trustee obtains formal written advice from its investment advisor, LCP, and before investing in new DC funds ensures the investment portfolios of the DC funds chosen are adequately and appropriately diversified and that the DC fund managers' approaches are in line with the Trustee's policies, including the fund manager's proxy voting policies. As part of this process in selecting and appointing DC fund managers, the Trustee as a minimum reviews LCP's Responsible Investment ('RI') assessments of the shortlisted managers.

The Trustee's investment advisor monitors the DC fund managers on an ongoing basis, through regular research meetings. The Trustee's investment advisor monitors any developments at DC fund managers and informs the Trustee promptly about any significant updates or events they become aware of, with regard to the DC fund managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the DC funds the Scheme invests in, or any material change in the level of diversification in the DC funds. The Trustee's ESG advisor, Redington, monitors voting behaviour of DC fund managers and keeps the Trustee informed of any changes.

The Scheme's in-house team ('PSE') regularly meets the DC fund managers, at least once every year. Prior to this LCP provides a research view of the fund in question. Any areas where investment practices could be improved (in the view of the PSE or advisor) are highlighted at these meetings, including that of the fund managers' stewardship and voting practices. Over the period, the PSE met with all the DC fund managers to discuss the investments and their stewardship practices.

The PSE receives confirmation from all DC fund managers on an annual basis which states whether their ESG and engagement policies align with those set out in the Scheme's SIP. If they do not, the PSE will engage further with the DC fund manager to attempt to resolve where respective ESG and engagement policies may differ.

The Trustee monitors the performance of the DC fund managers on a quarterly basis, using the quarterly investment report. The report shows the performance of each manager over 1-year, 3-year and 5-year periods. Performance is considered in the context of the manager's benchmark and objectives. Over the Scheme Year, ALCo conducted additional performance analysis of the underlying fund managers in the Scheme, relative to comparable peer groups where appropriate.

Over the period, the Trustee undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the Scheme's DC assets which were found to be extremely competitive when compared with schemes with similar size DC assets.

LCP monitors the DC fund managers' portfolio turnover and confirmed that over the Scheme Year portfolio turnover was in line with expectations and therefore there were no particular concerns highlighted around inappropriate costs being incurred based on the data available at the time of publication of this Statement.

6. Realisation of investments

It is the Trustee's policy to predominantly invest in DC funds that offer daily dealing and pricing to enable members to efficiently manage their investments. However, some of the underlying DC funds are invested in private markets which are dealt and priced less frequently.

As noted in Section 3, 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) LTAF, and the first investment was made on 1 July 2024. The percentage invested in private markets has been gradually built up over 2024 to reach the target allocation of 15% in 2025. The Trustee is comfortable with the level of liquidity in the Early Growth Fund and continues to monitor this closely.

In addition, it is the Trustee's policy is to have exposure, within the Diversified Assets – active Fund, to a diversified growth fund manager with discretion to hold illiquid assets or private markets, in order to provide potentially greater levels of diversification, and hence better risk management for members. The Trustee reviewed the Diversified Assets – active Fund in November 2024 and was comfortable with the level of private markets held within the Fund.

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

As stated in the SIP, one of the Trustee's investment beliefs is 'Understanding the world on which we rely to deliver resilient retirement outcomes for members.' This belief recognises that global systems, such as the planet, its climate, its people and societies have a material impact on the whole economic system today and over the longer term. As a result, ESG risks (including climate change risks) are all important factors in investment decision making. The Trustee expects its appointed DC fund managers to be cognisant of climate change risks and opportunities within

their investment processes as applied to the Scheme assets. 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 include:

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

DC fund managers are further expected to report annually on how these risks and opportunities have been incorporated into the investment process within applicable guidelines and restrictions.

As part of its advice on the selection and ongoing review of the DC fund managers, the Trustee's investment advisor incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement. This assessment acknowledges the Trustee's preference for engagement rather than exclusion as a method for 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. However, the Trustee expects DC fund managers to independently consider whether exclusion or engagement is more appropriate within their investment process.

As part of the quarterly investment report, the Trustee receives LCP's responsible investment scores for the Scheme's current DC funds. These scores cover each manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The Trustee was satisfied with the Responsible Investment scores over the Scheme Year and no further action was taken other than that described in Section 5.

ESG factors including voting practices and policies were considered when choosing DC fund managers and funds as part of the agreed changes over the Scheme Year.

Over the Scheme Year, the Trustee and its ESG advisor, Redington, continued to develop the Scheme's internal general climate dashboard risk monitoring framework. This involved the introduction of two new metrics. Six climate risk related metrics are currently being measured within the TCFD report and disclosed publicly.

Within the context of its fiduciary responsibility, the Trustee is supportive of the goals of the Paris Agreement to avoid dangerous climate change. Accordingly, the Trustee is targeting that the Scheme assets align with the goals of the Paris Agreement by reaching net zero and is developing a strategy to implement this. The Trustee expects its appointed DC fund managers to be cognisant of climate change risks and opportunities within their investment processes as applied to the Scheme 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.

The Trustee encourages the further development of asset classes that are supportive of achieving net zero by aligning with the Paris Agreement target, provided they are all based within the primary fiduciary framework. This is borne in mind as part of any DC fund manager changes.

The Trustee has included specific climate-related objectives in its investment advisors' annual objectives 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.

The Trustee agreed what governance structure and climate metrics the Scheme will continue to report on, including a clear definition of roles and responsibilities of the Trustee and its committees. In October 2021, the Trustee announced its commitment to achieve net zero greenhouse gas emissions across the Scheme's DB and open DC assets by 2050 or sooner by aligning with the Paris Agreement where possible. The announcement includes the Trustee:

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

In doing so, the Trustee intends to align its climate risk management principles with the best practice principles set out in the Net Zero Investment Framework published by the Institutional Investors Group on Climate Change ('IIGCC').

The TCFD annual statement can be found [here](#).

The Trustee is a signatory to the UN-supported Principles of Responsible Investment ('PRI'), the Asset Owner Diversity Charter and the UK Stewardship Code and supports a number of other ESG organisations and initiatives including the IIGCC, the Transition Pathway Initiative ('TPI'), Climate Action 100+ and the WTW Thinking Ahead Institute ('TAI').

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. During 2024, the PSE received details of any controversial weapons holdings from all of the DC fund managers, and concluded the exposure was in line with its policies.

In 2022, the Trustee also added additional policies on avoiding holding investments in companies with ties to the legal production and/or retail of cannabis products for recreational use and avoiding investments that breach any sanction, prohibition or restriction. These positions have been taken on the grounds of risk, as the Trustee believes this is in the best financial interests of its members.

When the PSE met with the Scheme's DC fund managers during the year, the PSE asked several questions about the managers' ESG, voting behaviours and engagement practices. The responses have helped the Trustee to understand how the managers' policies operate in practice and to inform future dialogue with them. The Trustee also reviewed reports from its managers on voting and engagement activities undertaken on its behalf to ensure they were well aligned with that of the Trustee's ESG priorities. Overall, the Trustee believes all the DC fund managers' stewardship and engagement practices are strongly aligned with those of the Trustee, recognising that stewardship and engagement best practice is a continually evolving area and therefore is a long-term journey. To further enhance this process, in early 2024, the Trustee formally wrote to all the DC fund managers outlining the Trustee's ESG beliefs, commitments, priorities, and expectations for the year relating to the systemic ESG concerns such as climate change.

8. Members' Views and Non-Financial Factors

Within the Scheme's DC assets, the Trustee recognises that some members may wish for specific non-financial matters to be taken into account in their investments and therefore, as mentioned in the SIP, it has made available the Sustainable & Responsible Equities – active Fund and Shariah Law Equities – passive Fund as investment options to members.

The Trustee conducts regular member surveys to understand member views on a range of topics, including the Scheme's investment options and the information provided to members to help them to make informed decisions about the investment of their DC pension pots. The next member survey is due to take place in 2025.

In the 2022 survey, members were asked to rank ESG issues by importance to them. Of the issues surveyed, the most immediate priority for respondents was climate risk. Respondents asked for regular annual updates about how the Trustee manages climate and other ESG related risks and, in early 2023, the Trustee released the first annual ESG Bulletin to members.

The survey also asked members how important it was to them that they have the option to invest their DC pension pot in a DC fund or funds that aim to generate positive social and environmental impact. Just over 50% of respondents said that it was important or very important.

9. Stewardship

Over the Scheme year, when considering potential new DC fund managers for inclusion in the Scheme, the stewardship and engagement practices of managers were scrutinised. The Trustee took account of assessments of managers' engagement practices including voting, made by both its investment advisors and PSE, through research meetings, research questionnaires and formal requests for information and proposal.

The Trustee has also had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ('DWP's guidance') in October 2022. In the 2022 Scheme year the PSE and the Trustee developed a Stewardship Policy which included a framework for effective stewardship. This policy document was reviewed and updated in June 2024. The Stewardship Policy can be found [here](#).

In September 2022, the Scheme became a signatory of the UK Stewardship Code. The latest report can be found [here](#). The Trustee expects all of its managers to be able to demonstrate how they have applied and act in accordance with the 12 principles of the UK Stewardship Code. Managers that are not signatories to the Code are challenged on why this is the case as part of the manager monitoring process which is carried out on an annual basis.

Stewardship practices of the current underlying managers in the Scheme are covered in Section 7 above.

10. Responsibilities, decision-making and fees (detailed in Appendix 1 of SIP)

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme.

Trustee

The Trustee, via the PSE, has regular discussions with the Bank regarding the investment strategy and the Scheme in general. As part of the SIP update the Principal Employers were consulted and confirmed they were comfortable with the changes.

As mentioned in Section 5, the Trustee obtains formal written advice from its investment advisor, LCP, before appointing or dismissing fund managers. The Trustee assesses the performance of the Scheme's investments on an ongoing basis as part of the quarterly investment monitoring reports it receives.

See Section 8 above for details on how non-financial factors are taken into account in the investment decision making process.

The Trustee has communicated to members over the Scheme year on appropriate investment matters such as the introduction of private market investments in the default investment strategies, the Midlife MOT strategy and the changes to the Lifetime Allowance from 6 April 2024. In addition, members received communications on the impact of investment market uncertainties on retirement savings and the second annual update on how ESG risks and opportunities are managed for the Scheme in the form of the ESG Bulletin.

Platform Provider

The investment platform provider, Fidelity, is reviewed on an annual basis - the last review took place in November 2024. This review was included in the performance monitoring report issued by the Trustee's investment advisor as at 30 September.

Investment Manager

As mentioned in Section 5 above, LCP monitors the DC fund managers on an ongoing basis, through regular research meetings. The PSE also meets each of the DC fund managers at least once a year.

Investment advisor

The performance of the advisors is considered on an ongoing basis by the Trustee.

Fee structure

See Section 5 for details on the Trustee's assessment of the fees charged by managers.

Performance assessment

The Trustee has put in place formal objectives for its investment advisors and will review the advisors' performance against these objectives on a regular basis (the most recent review took place in November 2024).

During the year, the Trustee considered the effectiveness of its decision making after each Trustee meeting.

11. Policy towards risk, risk measurement and risk management (detailed in Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment advisor.

The Trustee maintains a risk register which considers a prioritised list of significant and emerging risks, and this is discussed at quarterly meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary. The Trustee takes external legal and/or investment advice on how to manage these risks within its investment strategy. These include risks such as credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of volatility and the risk of inadequate investment returns, the Trustee makes use of equity and equity-based DC funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default arrangements and are also made available within the Freechoice options. To reduce the chance of a sharp deterioration in members' DC pension pots close to retirement, the Trustee has made the default options lifecycle strategies gradually reduce investment risk as the member approaches their target retirement age.

Inflation risk is managed by investing in growth assets that are expected to produce returns that exceed long term inflation within both the default arrangements and the Freechoice range of DC funds available to members.

With regard to market switching risk, the Trustee monitors the change in allocations within the Freechoice options over the year to ensure members aren't excessively switching between DC funds. The Trustee also monitors transaction costs as part of the annual Chair's Statement.

Annuity conversion risk is managed by the Annuity Purchase Strategy by switching DC funds into fixed income bonds as the member approaches retirement.

The PSE receives details of securities lending practices on an annual basis from all of the DC fund managers, and concluded the exposure was reasonable based on the available investment options for the Scheme Year.

The following risks are covered earlier in this Statement: lack of diversification risk in Section 5, DC fund manager risk and excessive charges in Sections 4 and 5, liquidity/marketability risk in Section 6 and climate change and other ESG risks in Section 7.

12. Investment manager arrangements

There are no specific policies in the Scheme's Investment Policy Implementation Document ('IPID').

13. Description of voting behaviour during the year

All of the Trustee's holdings in listed equities are within pooled funds. The Trustee has delegated to its DC fund managers the exercise of voting rights (see sections 7 & 9 for more information). Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year. Despite this, the Trustee closely monitors and engages with its managers in relation to their stewardship activities to ensure these reflect the Trustee's own policies in relation to stewardship. The Trustee has collected data and reported on the Scheme's most significant votes (see sub-sections 13.2 and 13.3 below) taking into consideration the context and unique features of the Scheme. The most significant votes determined by the Trustee in 2024 form a core input into the ongoing monitoring and oversight of the Trustee's incumbent DC fund managers.

In this section, the Trustee has sought to include voting data on the Scheme's DC funds where the Scheme has the highest allocation, defined as £100m or more invested. This is aligned with the disclosure requirements for popular arrangements in the Trustee's TCFD report:

- HSBC Islamic Global Equity Index Fund

- Legal & General Investment Management ('LGIM') Future World Fund
- LGIM North America Equity Index Fund
- MFS Global Equity Fund
- Royal London Global Equity Diversified Fund (invested from March 2024)
- Schroders Life HSBC Sustainable Diversified Growth Fund
- WS Fulcrum Diversified Private Markets (H) Long Term Asset Fund ('LTAF') (invested from July 2024)

In addition to the above, the Trustee contacted the Scheme's other asset managers (listed below) that hold listed equities, to provide their voting policies in place over the year. Commentary provided from these managers is set out in Section 13.1.

- Artemis UK Special Situations Fund
- LGIM Diversified Multi-Factor UK ESG Exclusions Equity Fund
- Robeco Emerging Stars Equities Fund
- River Global High Alpha Fund (invested until March 2024)
- Schroder Life Global Sustainable Value Equity (invested from March 2024)
- JP Morgan Emerging Markets Sustainable Equity Fund
- WHEB Sustainability Impact Fund
- Schroders Life UK Smaller Companies Fund
- LGIM UK Equity Index Fund
- LGIM Europe (ex UK) Equity Index Fund
- LGIM Japan Equity Index Fund
- LGIM Asia Pacific (ex Japan) Developed Equity Index Fund
- LGIM Global Real Estate Index Fund

The Trustee has omitted the following DC funds as the managers have confirmed that the funds did not have voting opportunities over the period:

- Newton Global Dynamic Bond Fund
- M&G Total Return Investment Credit Fund
- M&G All Stocks Corporate Bond Fund
- LGIM Future World Annuity Aware Fund¹
- LGIM Future World Inflation Linked Annuity Aware Fund¹
- LGIM Cash Fund
- Columbia Threadneedle Property Fund
- Invesco Global Direct Property Fund

¹In the 2023 Scheme Year, the LGIM Pre-Retirement was renamed as the LGIM Future World Annuity Aware Fund and the LGIM Inflation Linked Pre-Retirement Fund was renamed as the LGIM Future World Inflation Linked Annuity Aware Fund. The name changes occurred as a result of aligning the funds with LGIM's Future World investment approach, including the incorporation of ESG into the funds' strategies.

13.1. Description of the voting processes, as supplied by the respective investment managers

Artemis Fund Managers Limited

Artemis' voting is informed and carried out by Institutional Shareholder Services ('ISS'). Artemis has developed guidelines for ISS which take into account local, national and international standards. This ensures Artemis' expectations for corporate governance are appropriate to each business they invest in. Artemis' fund managers have access to this in the form of governance reports. It considers this research to be very valuable, however its fund managers make the final decision on how to vote. The firm carries out due diligence when outsourcing the processing of votes to third parties such as ISS. Any external service must meet the required standard and demonstrate effective operating controls. Artemis reviews the services provided by ISS annually.

Artemis aims to vote its shares in all stocks in the UK and overseas unless it is restricted from doing so by local market practice, laws or regulation. For example, where share-blocking is an issue – that is, voting would bar Artemis from buying or selling a company's stock around the time of the AGM – Artemis prefers to have the option to trade. In some markets Artemis is prevented from using its voting rights as overseas investors. Artemis does not lend stock for its funds. If a client's custodian does so, Artemis will not recall it for voting without prior arrangement.

Fulcrum Asset Management LLP

Fulcrum has appointed Glass Lewis, a leading independent corporate governance research provider to analyse corporate actions, and management recommendations and make voting recommendations in order to assist Fulcrum in the independent assessment of governance issues.

Fulcrum's management body have established a Responsible Investment Committee and a Stewardship Committee with the aim of strengthening internal communications on stewardship issues. Both committees comprise members of the Risk, Investment Management and representatives of the Sustainable investment team. The common membership of both committees ensures consistency in the Firm's stewardship and responsible investing approach (which includes considering Environmental, Social and Governance issues).

Fulcrum uses Glass Lewis's platform for proxy voting. All the voting recommendations relevant to Fulcrum's clients and funds are through this platform. It uses Glass Lewis's "Climate Policy" for proxy voting guidance, to ensure a stronger stance with regards to sustainability matters is reflected as its default choice. Fulcrum will vote in line with these independent research recommendations unless it chooses to override them based on its own analysis, following discussions in the Stewardship Committee. If Fulcrum identifies any areas where there is a systematic divergence between its final decisions and the recommendations, it will communicate this to the proxy advisor.

HSBC Global Asset Management (U.K) Limited

The legal right to the underlying votes lies with the directors of the HSBC Islamic Global Equity Index Fund. They have delegated this execution of this voting to HSBC Global Asset Management (UK) Limited.

HSBC exercises its voting rights as an expression of stewardship for client assets. HSBC has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

HSBC uses the voting research and platform provider ISS to assist with the global application of their voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene their guidelines. HSBC reviews voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on HSBC's guidelines.

With regards to climate, in its engagement HSBC encourages companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the TCFD. Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. HSBC also generally supports shareholder resolutions calling for increased disclosure on climate-related issues.

JP Morgan Asset Management Limited

JP Morgan votes on shares held in its clients' portfolios in a prudent and diligent manner, based exclusively on its reasonable judgement of what it believes will best serve the financial interests of the beneficial owners of the security. JP Morgan treats every proxy on a case-by-case basis, voting for or against each resolution, or actively withholding its vote as appropriate. The investment analyst or portfolio manager always has discretion to override the policy should individual circumstances dictate.

To oversee the proxy-voting process on an ongoing basis, a Proxy Committee has been established for each global location where proxy-voting decisions are made. The primary functions of each Proxy Committee include determining the independence of any third-party vendor which it has delegated proxy voting responsibilities; review and approve the voting guidelines annually and provide advice and recommendations on general proxy-voting matters as well as on specific voting issues to be implemented.

To assist JP Morgan investment professionals with public companies' proxy voting proposals, it may retain the services of an independent proxy voting service ('Independent Voting Service'). The Independent Voting Service is assigned responsibility for various functions, which may include providing JP Morgan with a comprehensive analysis of each proxy proposal and providing JP Morgan with recommendations on how to vote each proxy proposal based on the guidelines or, where no guideline exists or where the guidelines require a case-by-case analysis, on the Independent Voting Service's analysis; and executing the voting of the proxies in accordance with guidelines and its recommendation.

Legal and General Investment Management Limited

All decisions are made by LGIM's Investment Stewardship team and in accordance with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ('IVIS') to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows it to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

MFS International (U.K) Limited

MFS maintains its own publicly available proxy voting policies and procedures (the MFS Proxy Policies), which guide all of its proxy voting decisions and provide a framework for voting decisions at approximately 2,000 meetings in over 50 markets each year. The exercise of voting rights is overseen by the MFS Proxy Voting Committee, which consists of senior members of MFS' Investment, Legal and Global Investment Support departments. The proxy voting committee encompasses a diverse range of perspectives, which they believe leads to a thoughtful and collaborative process that guides MFS' voting decisions and policy development. This committee does not include individuals whose primary duties relate to client relationship management, marketing or sales.

The day-to-day management of the proxy voting and engagement activity is performed by its stewardship team. While many voting issues fall within the scope of MFS's policies, many votes require a case-by-case analysis by the proxy voting team. As an active manager, MFS is able to combine the collective expertise of their proxy voting team with the unique perspectives and experience of their global team of investment professionals. This process enables MFS to formulate viewpoints with multiple inputs, which they believe leads to well-informed voting decisions. This process also provides the investment team with an opportunity to better understand the stewardship team's viewpoint on a variety of topics, which enables their analysts and portfolio managers to integrate those viewpoints into their research process. As a result, when considering certain types of votes for which the MFS Proxy Voting Policies and Procedures do not provide explicit guidance, the stewardship team and the investment team typically collaborate in assessing the voting matter.

MFS's stewardship team will engage in a dialogue or written communication with a company or other stakeholders when MFS believes that the discussion will enhance their understanding of certain matters on the company's proxy statement that are of concern to shareholders or regarding certain thematic topics of focus for the proxy voting committee. Some of the issues they discuss with investee companies include executive compensation, director accountability, as well as various ESG issues. When engaging with companies, the proxy voting team aims to: (i) explain the rationale behind their proxy votes; (ii) exchange views on relevant ESG issues; and (iii) potentially effect positive change with respect to such issues.

River Global Investors LLP

River Global's Voting Policy incorporates its General Principles on standards for good corporate governance and management of environmental and social issues. For UK companies River Global supports a "comply or explain" approach to corporate governance and endorses the UK Stewardship Code, expecting UK companies to explain and justify any reasons for non-compliance, and to outline their plans for compliance in future. In the case of non-compliance, River Global reserves the right to accept or reject the explanation. For non-UK companies, River Global is supportive of similar Stewardship Codes. River Global discourages passive box ticking and aim to take an informed and pragmatic approach to voting. Consideration is given to the specific circumstances and facts available to each investor before voting.

Engagements are two-way conversations addressing a sustainability, environmental, social, governance or innovation topic. The purpose of engagement is to change behaviour and incentivise management to deliver sustainability. River Global believes by engaging with companies where issues are identified that could be at risk to the investors' long-term interest and potential for improvement, that this is the best process to improve management attitudes and ensuring positive behaviour within the companies invested in, over screening or exclusion. Engagement topics are focused on the sustainability factors financially material to the investment case.

Robeco Institutional Asset Management B.V.

Robeco uses their voting rights with the aim to influence company's corporate governance and other relevant investment related decisions in the best interest of their clients.

The Robeco voting policy consists of principles, guidance and example scenarios to assist in determining their voting instructions. Broadly, Robeco votes against management recommendations in case of poor corporate governance practices, when proposals are not in the best interest of long term shareholders and on any other proposal that is out of line with their policy principles.

The Active Ownership team carries out proxy voting at Robeco. As Active Ownership is part of the investments domain's Sustainable Investing ('SI') Center of Expertise, voting decision-making integrates the perspectives of portfolio managers and analysts, as well as SI research analysts, SI strategists, and clients in discretionary mandates. The Active Ownership team coordinates voting instructions reflecting a consistent view for the organization in line with the voting guidelines and executes voting decisions for all shareholder meetings.

Royal London Asset Management Limited

Royal London Asset Management ('RLAM') regards voting in a responsible, informed and consistent manner to be a fiduciary duty of institutional investors, as such proxy voting at RLAM is a highly active and integrated process led by dedicated staff within the Responsible Investment ('RI') Team. The RI Team sits alongside fund managers who are involved in decision making and policy setting. RLAM reviews its voting guidelines on an annual basis to ensure that it integrates best practice and market developments.

All of RLAM's votes are assessed and fully researched in-house by the RI Team, many of which are also discussed at length with the relevant fund management teams. To aid in this, RLAM purchases governance and voting research from IVIS (the voting service of the UK Investment Association) and Glass Lewis. This provides information around company meetings, and highlights items of particular interest or where there could

potentially be an exception to generally agreed principles affecting RLAM's shareholder rights. This external research is used in conjunction with internal research, information gathered from meetings with the company and any other relevant sources. RLAM does have a custom voting template implemented by Glass Lewis, but it does not follow proxy recommendations and do not operate any standing instructions or auto-vote procedures. The voting recommendations are used rather as a method of flagging potential concerns. All votes are reviewed at a minimum by one member of the RI team before submission, and two if they are controversial or differ from our policy position. Fund managers receive automated notifications of all votes submitted for their funds, where they can raise any additional questions or concerns.

Schroder Investment Management Limited

Schroders' Corporate Governance team sits within the Active Ownership team, who are responsible for all engagement and voting activities. The Corporate Governance team has specialist knowledge of best practice in individual markets and works alongside investors, thematic analysts and its internal compliance and legal teams to ensure compliance with its ESG policy.

Corporate Governance is integrated into the overall investment process and the teamwork in collaboration with its analysts and portfolio managers to seek to ensure its voting rights are used to enhance and protect the long-term interests and value of its clients' investments.

Schroders seeks to align its approach to voting with its wider active ownership priorities. This can include voting against the board recommendations; for example, by holding directors to account on ESG topics, and supporting shareholder proposals, which are becoming increasingly frequent and important levers for change. Schroders will oppose management if it believes that doing so is in the best interests of shareholders and clients.

In applying the policy, Schroders considers a range of factors, including the circumstances of each company, performance, governance, strategy, and personnel. It may also take advice from third parties, including its provider of voting services. The overriding principle governing its voting is to act in the best interests of clients.

Glass Lewis acts as Schroders' proxy voting provider. Glass Lewis automatically votes on all holdings of which Schroders owns less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in Schroders' voting decisions as well as creating a more formalised approach to its voting process.

WHEB Asset Management LLP

As equity holders, WHEB's voting rights are an opportunity to exercise progressive influence on investee company strategy and governance. It endeavours to vote all its shares, following the guidelines set out in WHEB's Voting Policy. To achieve effective outcomes, WHEB uses voting to complement its other stewardship strategies. Its objective is not just to fulfil an obligation as part of a siloed process, but to use voting alongside wider engagement with company management to achieve a change in policy or performance.

For example, when voting against management's recommendations WHEB's policy is to explain to the company why it has done so which often leads to further dialogue with management. This way, even if the vote outcome is not what it hoped for, WHEB's activity has enabled a conversation with the company, which it finds most effective for driving change. WHEB's Voting Policy is therefore primarily designed to guide voting on core governance and sustainability issues in relation to routine proposals, which occur more frequently for its investee companies that are often sustainability leaders.

WHEB finds it advantageous to have a highly proactive policy that enables opportunities for conversations with company management and to exercise good stewardship. Combined with the high standards it requires from its companies this reinforces WHEB's impact-focused investment strategy. WHEB typically uses the services of specialist proxy voting agencies to advise on voting policy and facilitate voting shares listed on stock exchanges around the world. Whilst WHEB considers the recommendations of advisory services in how it votes its shares, the Investment Team assesses each individual company vote against its own internal policies before agreeing on how to vote.

13.2. Summary of voting behaviour over the year

The Trustee's investment managers have cast votes on its behalf throughout 2024. Consistent with the Trustee's approach of focussing on exposures which are most material, the below table summarises the voting behaviour of the investment managers where the Scheme has the highest allocation, defined as greater than £100m invested per mandate.

The Trustee has access to the voting records of its investment managers. Data is requested specifically from the investment managers to allow its advisor to review each manager individually. This data is aggregated by the advisor through its own proprietary system. This system overlays the individual voting activity of each manager and identifies the largest holdings across all portfolios, and instances where managers have voted inconsistently on the same resolution. The Trustee takes this data as reported and recognises that there is a small margin for error due to potential errors accruing as part of data collection and amalgamation. However, the Trustee's advisor sense checks the output, and reviews the underlying data received from the investment managers should any underlying errors become apparent. Given these checks, the Trustee's advisor believes the data the Trustee and PSE receives is adequately robust to enable it to exercise its stewardship responsibilities by holding the managers to account for quality of decision-making and independence of thought.

In the voting data below, resolutions have been split between those proposed by management and shareholders respectively. Management resolutions are typically skewed more towards governance matters when compared to shareholder resolutions. Investment manager voting behaviour often differs between the two types of resolutions.

| | HSBC Islamic Global Equity Fund | LGIM Future World Fund ² | LGIM North America Equity Fund ² | MFS Global Equity Fund ² | Royal London Global Equity Diversified Fund ² | Schroders Life HSBC Sustainable Diversified Growth Fund ² |
|---|---------------------------------------|--|---|--|--|---|
| Meetings voted at | 99 | 1,561 | 625 | 85 | 181 | 697 |
| Resolutions voted | 1,702 | 22,041 | 8,318 | 1,501 | 2,614 | 8,674 |
| Management resolutions | 1,545 | 21,185 | 7,687 | 1,411 | 2,424 | 8,325 |
| Shareholder resolutions | 157 | 856 | 631 | 90 | 190 | 349 |
| % Voted in favour of management resolutions | 78% | 81% | 66% | 94% | 83% | 88% |
| % Voted against management resolutions | 16% | 19% | 33% | 2% | 15% | 10% |
| % Voted "other" on management resolutions ¹ | 5% | 1% | 2% | 4% | 2% | 3% |
| % Voted in favour of shareholder resolutions | 62% | 58% | 65% | 13% | 62% | 53% |
| % Voted against shareholder resolutions | 34% | 38% | 31% | 56% | 26% | 44% |
| % Voted "other" on shareholder resolutions ¹ | 3% | 4% | 5% | 31% | 12% | 2% |

¹ "other" includes abstentions, withheld votes, and "do not vote" instructions.

² Totals sum to 100% to more than one decimal place.

Geographic Voting Footprint

Given the allocation of the Scheme's equity allocation is geographically diverse, it follows that the exercise of voting is also geographically diverse as shown in the table below:

| | HSBC Islamic Global Equity Fund | LGIM Future World Fund | LGIM North America Equity Fund | MFS Global Equity | Royal London Global Equity Diversified Fund | Schroder Life HSBC Sustainable Diversified Growth Fund |
|---------------------------------|---------------------------------------|---------------------------|--------------------------------------|----------------------|---|--|
| Europe, Middle East & Africa | 41% | 39% | 6% | 60% | 33% | 41% |
| Asia-Pacific | 11% | 30% | 0% | 2% | 10% | 20% |
| Americas | 48% | 31% | 94% | 38% | 57% | 39% |

13.3. Most significant votes over the year

Most Significant Votes have been chosen through the use of the vote significance framework as described above. The votes shown in the below tables have therefore been chosen due to a combination of the following factors:

- Cast at issuers where the Scheme has higher exposure;
- Relate to one of the Trustee's key priorities of:
 - Climate change: Resolutions at Climate Action 100+ companies that focused on climate strategy and transition planning, scope 3 targets and climate lobbying.
 - Biodiversity: Resolutions related to biodiversity overall, including ones that related to the company's impact on the environment.
 - Antimicrobial resistance: AMR resolutions, all of which are included as an MSV.
- Diversity & inclusion: Resolutions that received significant support from shareholders.
- Voted on in an inconsistent manner by two or more of the investment managers; and
- Due to the significance of the resolution itself i.e., driven by its nature, the scale of any public media interest and whether votes against management on the resolution were particularly high.

The process ideally only selects one resolution per company in most cases, allowing for exception where warranted (mainly when there were two or more resolutions covering different themes at the same company– e.g. at PepsiCo and Amazon).

Climate change-related votes

| <i>Company</i> | <i>Date</i> | <i>Country</i> | <i>Proponent</i> | <i>Resolution nature</i> | <i>Vote</i> | <i>Votes vs mgmt</i> |
|--------------------------------|-------------|----------------|------------------|---------------------------------------|----------------------------------|----------------------|
| <i>Sasol</i> | 19/01/2024 | South Africa | Management | Climate change report | Against | 29% |
| <i>Canadian Pacific Kansas</i> | 24/04/2024 | Canada | Management | Say on climate | For/For/Against | 13% |
| <i>The Goldman Sachs Group</i> | 24/04/2024 | US | Shareholder | Clean energy financing ratio | For/Against/For/For ¹ | 30% |
| <i>Berkshire Hathaway</i> | 04/05/2024 | US | Shareholder | Emissions in underwriting | For/For/For | 41% |
| <i>American Express</i> | 06/05/2024 | US | Shareholder | Climate lobbying | For/Against/For ¹ | 26% |
| <i>Suncor Energy</i> | 07/05/2024 | Canada | Shareholder | Climate in accounting | For | 12% |
| <i>Holcim</i> | 08/05/2024 | Switzerland | Shareholder | Say on climate | For | 5% |
| <i>Equinor</i> | 14/05/2024 | Norway | Shareholder | Strategy and capex in line with Paris | For | 30% |
| <i>Shell</i> | 21/05/2024 | UK | Management | Say on climate | For/Against ¹ | 27% |
| <i>Amazon</i> | 22/05/2024 | US | Shareholder | Just transition | For/For | 28% |
| <i>Markel Group</i> | 22/05/2024 | US | Shareholder | Disclose emissions from underwriting | For | 41% |
| <i>TotalEnergies</i> | 24/05/2024 | France | Management | Say on climate | Against | 25% |
| <i>Glencore</i> | 29/05/2024 | Jersey | Management | Say on climate | Against/Abstain ¹ | 20% |
| <i>Exxon Mobil</i> | 39/05/2024 | US | Shareholder | Just transition | For | 9% |
| <i>Nippon Steel</i> | 21/06/2024 | Japan | Shareholder | GHG emissions targets | For | 21% |
| <i>Mitsubishi</i> | 27/06/2024 | Japan | Shareholder | Board climate competencies | For/Against ¹ | 27% |
| <i>Nike</i> | 10/06/2024 | US | Shareholder | Sustainability target-setting | For/Against ¹ | 37% |

¹ Resolutions have been voted on inconsistently by the Trustee's managers.

Biodiversity

| <i>Company</i> | <i>Date</i> | <i>Country</i> | <i>Proponent</i> | <i>Resolution nature</i> | <i>Vote</i> | <i>Votes vs mgmt</i> |
|--|-------------|----------------|------------------|------------------------------|------------------------------|----------------------|
| <i>PepsiCo</i> | 01/05/2024 | US | Shareholder | Biodiversity and nature loss | For/For/For/For | 21% |
| <i>Amazon</i> | 22/05/2024 | US | Shareholder | Plastic packaging | For/For/For/For | 34% |
| <i>Chevron Corporation</i> | 29/05/2024 | US | Shareholder | Single use plastics | Against/For ¹ | 9% |
| <i>General Motors Company</i> | 04/06/2024 | US | Shareholder | Deep sea mining risks | For/For | 13% |
| <i>Restaurant Brands International</i> | 06/06/2024 | Canada | Shareholder | Plastic packaging | For | 41% |
| <i>Tesla</i> | 13/06/2024 | US | Shareholder | Deep sea mining moratorium | For/Against/For ¹ | 13% |
| <i>Coles Group</i> | 12/11/2024 | Australia | Shareholder | Farmed seafood reporting | For | 40% |

Antimicrobial Resistance

| <i>Company</i> | <i>Date</i> | <i>Country</i> | <i>Proponent</i> | <i>Resolution nature</i> | <i>Vote</i> | <i>Votes vs mgmt</i> |
|--|-------------|----------------|------------------|--|-------------|----------------------|
| <i>Yum! Brands</i> | 16/05/2024 | US | Shareholder | Comply with World Health Organisation guidelines on antimicrobial use throughout supply chains | For | 12% |
| <i>McDonalds</i> | 22/05/2024 | US | Shareholder | Adopt antibiotics policy | For/For | 16% |
| <i>Restaurant Brands International</i> | 06/06/2024 | Canada | Shareholder | Comply with World Health Organisation guidelines on antimicrobial use throughout supply chains | For | 17% |

Diversity & Inclusion

| <i>Company</i> | <i>Date</i> | <i>Country</i> | <i>Proponent</i> | <i>Resolution nature</i> | <i>Vote</i> | <i>Votes vs mgmt</i> |
|---|-------------|----------------|------------------|---------------------------------|--------------------------------------|----------------------|
| <i>The Goldman Sachs Group</i> | 24/04/2024 | US | Shareholder | Report on Pay equity | For/Against/For/Against ¹ | 30% |
| <i>PepsiCo</i> | 01/05/2024 | US | Shareholder | Racial Equity Audit | For/For/For/For | 21% |
| <i>Eli Lilly and Company</i> | 06/05/2024 | US | Shareholder | DEI efforts | For/For | 24% |
| <i>Marriott International</i> | 10/05/2024 | US | Shareholder | Racial/gender pay gap reporting | For/Against ¹ | 24% |
| <i>Amazon</i> | 22/05/2024 | US | Shareholder | Racial/gender pay gap reporting | For/For | 35% |
| <i>The Procter & Gamble Company</i> | 08/10/2024 | US | Shareholder | Racial/gender pay gap reporting | For/For | 31% |

¹ Resolutions have been voted on inconsistently by the Trustee's managers.

Statement of Investment Principles

HSBC BANK (UK) PENSION SCHEME DEFINED BENEFITS

November 2024

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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 ('HBEU') 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) Seek to protect the funding position 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 portfolio¹, 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 corporate bonds, and other secure income assets. As at the date of this document, the Scheme had a material surplus on an LRFM basis.

- 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 Appendix 2.

- 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, 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.

¹ This is conceptually similar to the "low dependency investment allocation" referenced in the DB funding code of practice which requires cashflows from the investments to be broadly matched with the payments under the scheme and the value of the assets relative to the value of the scheme's liabilities to be highly resilient to short-term adverse changes in market conditions.

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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, and
 - potential fluctuations in the experience of this section, including as a result of funding any items from the general assets of the Scheme.
- 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 assets above the Low Risk Funding Measure, including the bank's objective to protect and safely grow the LRFM surplus.
- the expectation that the assumptions adopted at each triennial actuarial investigation would (notwithstanding that the figures may fluctuate relative to each other between valuations) result in that part of the Low Risk Funding Measure which relates to the defined benefit payments and expenses not being greater than the corresponding amount taken into account in the actuary's estimate of the solvency of the scheme as at the same date.

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).

Borrowing

- 3.26. The Trustee does not borrow money and does not allow investment managers of its DB portfolios or funds to borrow money except for purposes of temporary liquidity.

Additional Voluntary Contributions

- 3.27. 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 Defined Contribution fund range. The ALCo will continue to monitor 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 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 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 takes 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 drive improved performance over these periods.
- 6.6. The Trustee adopts 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 ensure financially material considerations (including ESG considerations), are incorporated 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.
 - 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. The Trustee periodically reviews the indices employed for this purpose and keeps up to date with other passive ESG fund options available in the market via updates from its investment advisors.
- 6.7. The Trustee applies these principles to all asset classes, although a greater emphasis is given to credit, listed and unlisted equities, property and infrastructure assets.

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- 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 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 ESG risk management framework. In summary, the Trustee:
- has made ALCo responsible for ensuring 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 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 Competition Market Authority's Investment Consultant Objectives framework;
 - requires 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. However, the Trustee expects each of its asset and 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 achieving 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 achieving the well below 2°C target.
- 6.12. The Trustee will support Responsible Investment organisations or initiatives where in doing so will help the Trustee achieve at least one of the following goals:
- help to implement new Responsible Investment solutions in a proportionate and practical way with a clear focus on excellence and continuous improvement.
 - informing government policy, market developments and pension funds with respect to Responsible Investment.
 - improve the risk and return characteristics of investments to increase the likelihood of members receiving benefits as they fall due.
 - 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 Cambridge Institute Asset Owner Group relating to universal ownership and global systemic risks
 - a member of the Willis Towers Watson Thinking Ahead Institute ('TAI')
 - a signatory to the Principles for Responsible Investment ('PRI')
 - 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. The Trustee will consider disclosing successes and learnings from its associations on an annual basis.
- 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 as to their exposure to controversial weapons manufacturers, if any.
- 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 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 attaching 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 requires 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 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 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 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) 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.

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◆ 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 investment 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 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 managers actions relative to the guidelines that have been set.
- Is managed 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 and fund 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 with 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 2024 and the full Board approved the SIP on 11 December 2024. Document effective from 1 January 2025.

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.

Trustee

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

1.
 - ◆ 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 ALCo is responsible for selecting, monitoring the performance of and, when required, replacing asset and fund managers and ensuring that the high-level strategy and beliefs set by the Trustee are implemented effectively.

2. 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 decision making process are optimised from the Trustee's perspective.

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) attaching to assets and undertaking engagement activities in respect of assets;
- ◆ having regard to the provisions of Section 36 of the Act 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.

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;
- 3. ◆ advising on the selection, and review, of the asset and fund managers; and
- ◆ participating with the Trustee in reviews of this SIP.

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

4. Trustee monitors the level of additional expenses charged by 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.

Performance assessment

5. 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 31 December 2022, this represents around 56% 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 |
| UK corporate bonds (screened) | BlackRock Investment Management (UK) Limited | N/A – Mandate in run-off | N/A |
| UK corporate bonds | M&G Investments | N/A – Mandate in run-off | N/A |
| Global credit | Schroder Pension Management Limited | Custom mandate | N/A |
| Global credit | AXA Investment Management | Custom mandate | N/A |
| Global credit | Legal & General Investment 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 |
| Asset-backed securities (US) | Wellington Management | 3-Month T-Bills | 1.3% - 1.8% per year above benchmark over rolling five years |
| US Treasury Inflation Protected Securities ('TIPS') | Insight Investments | Custom mandate | N/A |
| 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) | Greencoat Capital | 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 Investment Management | Solactive L&G ESG GBP Investment Grade Corporate TR Index | N/A |
| Pooled LDI Fund (Fixed) | Legal & General Investment Management | N/A | N/A |
| Pooled LDI Fund (Real) | Legal & General Investment Management | N/A | N/A |
| Sterling Liquidity Fund | Legal & General Investment 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 Investment Management | Solactive L&G ESG GBP Investment Grade Corporate TR Index | N/A |
| Pooled LDI Fund (Fixed) | Legal & General Investment Management | N/A | N/A |
| Pooled LDI Fund (Real) | Legal & General Investment Management | N/A | N/A |
| Sterling Liquidity Fund | Legal & General Investment Management | SONIA | N/A |

Appendix 6: Risk and return assumptions

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).

1. **Bank and HGSU Sections**

The asset class assumptions utilised in the latest HBEU 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% |

Annual Implementation Statement

1 January 2024 to 31 December 2024

This document is the Annual Implementation Statement ('the Statement') prepared by HSBC Bank UK Pension Trust (UK) Limited (the 'Trustee') in relation to the HSBC Bank (UK) Pension Scheme (the 'Scheme') covering the Scheme year to 31 December 2024.

This Statement focuses on the investments held for the purposes of providing the Scheme's Defined Benefits ('DB'). A separate statement relating to the investments held for members with Defined Contribution ('DC') benefits can be found [here](#).

The purpose of this statement is to:

- detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review - information is provided on the last review of the SIP in Section 1
- set out how the Scheme's Statement of Investment Principles for the Scheme's DB assets (the 'SIP') has been followed during the year in Sections 2-8 below;
- describe the voting behaviour by, or on behalf of, the Trustee over the year - this is provided in Section 9 below.

This statement is intended to meet requirements under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, which were introduced on 1 October 2020. The Statement will be included in the Scheme's Report & Accounts and made public online. The Trustee has also had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ('DWP's guidance') in June 2022. In preparing this Statement, the Trustee has taken advice from its advisors.

The Trustee is satisfied that the Scheme's performance against its funding and investment objectives, integrated risk management and approach to stewardship during the Scheme year drives long-term value for beneficiaries.

1. Review of, and changes made to the SIP

The SIP was reviewed and updated during the Scheme year with changes becoming effective in July 2024. The updated SIP includes:

1. The factors the Trustee intends to consider when setting the investment strategy for HBUK Section following the move to using the Low Risk Funding measure as the primary basis for setting the strategy. The factors include, but are not limited to, potential future changes in interest rates and inflation, any mismatch between the size and shape of projected asset cashflows versus projected liability cashflows and potential fluctuations in the market value of assets.
2. Updates to the investment strategy of the HSBC Bank plc and HGSU Sections following the disinvestment from the diversified growth fund and the utilisation of a corporate bond fund that incorporates ESG factors.
3. An update to the estimated proportion of longevity risk hedged within the HBUK Section

The Trustee has, in its opinion, followed the policies in the Scheme's SIP during the year. The following sections of this Statement provide detail and commentary about how and the extent to which it did this.

2. Governance

The Trustee has ensured that only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. Key to this is the four-person dedicated team of investment professionals within the Pension Scheme Executive ('PSE') headed up by an experienced Chief Investment Officer ('CIO'). In addition, the Trustee calls on the skills of recognised external advisors including the fund and asset managers, custodians, legal advisors, accountants, DB investment advisors and Scheme Actuary, as well as that of the PSE, especially the CIO. All these agents feed into the Scheme's Asset and Liability Committee ('ALCo'), a dedicated committee who handles the majority of investment matters in relation to the DB assets and their ability to pay the liabilities. Where decisions are required to be taken by the Trustee, the ALCo has made recommendations to the Trustee.

Monitoring investment managers is covered in Section 4 below. The Trustee has set objectives for the DB investment advisors against which they are reviewed annually.

3. Objectives of the Scheme

There are three sections of the Scheme providing DB benefits, the HSBC UK ('HBUK') Section, the Bank plc Section and the HSBC Global Services ('HGSU') Section.

The Trustee is satisfied that the HBUK Section objectives have been achieved, and in particular that:

- The current DB assets will enable the Scheme to meet the expected cost of current and future benefits. This has been borne out through regular reviews of funding, as well an annual review of asset versus liability cashflow expectations.
- The solvency Value at Risk remained at or below 7% of the solvency liabilities. The Trustee has also undertaken additional risk analysis this year, including reverse stress testing (where they looked for events that could put the Scheme in a problematic funding situation). The specific Value at Risk objective has been removed effective 1 January 2025 as a result of the move to a new funding basis. Risk is now considered through multiple lenses relative to the LRFM liability basis in the quarterly risk dashboard.
- During the year the Trustee continued to follow a CDI policy consistent with the General Framework agreed with the sponsor.

The Trustee is satisfied that the HSBC Bank plc and the HGSU Section's objectives have been achieved, and in particular that:

- The current DB assets, together with any agreed contributions from the Bank, will enable the Scheme to meet the cost of current and future benefits. Given the volatile nature of the funding level for these Sections, additional contributions above those currently agreed may be required in future. The Trustee reviewed the strategy in Q1 2024 and decided to remove the allocation to a diversified growth fund and invest in a corporate bond fund.
- 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 agreed strategies for these Sections fulfilled the desired objectives of being simple, low cost, and liquid.

The Trustee is satisfied that it has upheld other principles in this section as follows:

- The Trustee receives advice on the satisfactory nature of the Scheme's investments from its DB investment advisors. The latest versions of these letters were received in February 2024.
- ALCo revised its approach to monitoring and management of liquidity risk following the market volatility in late 2022. They are comfortable that the liquidity position remains sufficient to meet the Scheme's liabilities on an ongoing basis with a reasonable level of prudence, as well as adequately support the leverage within the liability matching portfolio.

The Trustee remains comfortable that the other principles around diversification, derivatives and borrowing were met during the year.

4. Strategic asset allocation and manager structure

Based on advice from the DB investment advisor and Scheme Actuary, the HBUK Section has adopted a CDI approach to investment strategy and management of investment risks. The DB 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 DB assets are expected to evolve over time as asset cashflows are released, reducing the value of the Scheme's DB assets and impacting the relative proportions of remaining DB assets. Some legacy illiquid assets have been placed in run off and remain within the Scheme until the run-off is complete.

The HBUK Section's investment strategy and cashflow matching characteristics were reviewed in September 2024. Within the DB assets, the HBUK Section employs a range of long-term focused DB Funds to diversify by asset and manager approach. These are listed in the table below:

| DB fund/portfolio | DB asset/fund 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 |
| UK commercial property | LaSalle Investment Management | N/A – Mandate in run-off | N/A |
| UK corporate bonds (screened) | BlackRock Investment Management (UK) Limited | N/A – Mandate in run-off | N/A |
| Global credit | AXA Investment Management | Custom mandate | N/A |
| Global credit | Legal & General Investment Management | Custom mandate | N/A |
| Global credit | Schroder Pension Management Limited | Custom mandate | N/A |
| UK corporate bonds | M&G Investments | N/A – Mandate in run-off | N/A |

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| | | | |
|---|-------------------------------|--|---|
| 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 |
| Asset-backed and mortgage-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 |
| US Treasury Inflation Protected Securities ('TIPS') | Insight Investments | Custom mandate | N/A |
| Cash – liquidity | HSBC Global Asset Management | Sterling Overnight Index Average (SONIA) | 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 is required to manage to a different benchmark.

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

In 2024 the Trustee agreed a new investment strategy for the Bank plc and HGSU sections. The DB funds that were used for these two sections are detailed below.

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

The Scheme reviews manager fees annually. The Trustee and its advisors remain comfortable with the fees being paid following the most recent review in 2024.

The Trustee's DB investment advisor monitors the asset and fund managers on an ongoing basis, through regular research meetings. The DB investment advisor monitors any developments at asset and fund managers and informs the Trustee promptly about any significant updates or events they become aware of that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the DB funds or portfolios the Scheme invests in, or any material change in the level of diversification in the funds or portfolios.

The PSE regularly meets the Trustee's asset and fund managers, seeing each manager at least once every year. These meetings followed a semi-annual meeting with the DB investment advisor's research team to highlight any developments or areas of concern. Any areas where investment practices could be improved (in the view of the PSE or the DB investment advisor) are highlighted at these meetings. Over the period, the PSE met with all the Trustee's managers to discuss the investments.

The PSE receives confirmation from all managers on an annual basis that their ESG and engagement policies align with those set out in the Scheme's SIP or agreements with the managers.

The PSE monitors the performance of the Scheme's DB funds and portfolios on a quarterly basis, using the quarterly investment report. The report shows the performance of each manager over the 1-year, 3-year and 5-year periods. Performance is considered in the context of the manager's benchmark and objectives. The most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term.

HSBC Bank (UK) Pension Scheme

2024 DB Implementation Statement

The Trustee's DB investment advisor monitors the turnover of each DB fund and asset manager and confirmed that, over the Scheme year, turnover was in line with expectations and therefore there were no particular concerns highlighted around inappropriate costs being incurred. Two managers noted small additional costs linked to tax preparation and legal advice.

Information on portfolio turnover as provided by the DB asset and fund managers is given below. WTW has asked DB asset and fund managers to define turnover as the lesser of the value of purchases or the value of sales as a proportion of the average market value over the period:

| DB fund/portfolio | DB asset/fund manager | Turnover experienced in 2024 | Expected Range | Comments |
|---|--|--------------------------------|------------------------------------|--|
| Private equity | Pathway Capital Management | Not applicable. | Not applicable. | Assets are held until liquidated, therefore turnover is not calculated. Pathway has not charged any additional expenses other than its ongoing management fee. However, the fund has incurred expenses primarily for audit and tax preparation as well as miscellaneous other expenses, which for the period of January through December 2024 are expected to total £94k |
| UK corporate bonds (screened) | BlackRock Investment Management (UK) Limited | Not applicable. | Not applicable. | DB Fund is in run off so no further purchases are being made. |
| Buy and Maintain Credit | AXA Investment Management | 4.2% | 0%-5% | Turnover was in line with expectations |
| UK corporate bonds | M&G Investments | Not applicable. | Not applicable. | DB Fund is in run off so no further purchases are being made. |
| Global credit | Loomis, Sayles & Company | 62.3% | 40%-100% | Turnover was in line with expectations |
| Asset-backed and mortgage-backed securities (US) | Wellington Management | 21% | 20%-70% | Turnover was in line with expectations |
| Liquid Matching Assets (index-linked gilts and swaps) | Insight Investments | Not applicable. | Not applicable. | Not applicable |
| Liquid Matching Assets (USD and GBP Core Portfolio) | Insight Investments | USD Core: 1.3% GBP Core: 0% | USD Core: 0%-5% GBP Core: 0%-5% | Turnover was in line with expectations |
| US Treasury Inflation Protected Securities ('TIPS') | Insight Investments | Not applicable | Not applicable. | This is a buy & hold mandate therefore no turnover is expected |
| Cash – liquidity | HSBC Global Asset Management | Not applicable. | Not applicable. | Given the short-term nature of instruments, turnover is not calculated. |
| Total of LaSalle Property funds | LaSalle Investment Management | 0% | 0% | Turnover was in line with expectations. The return-seeking portfolio is being actively wound down so is not undertaking any new purchases. The matching portfolio is acquiring DB assets and hence is not selling anything it currently holds |
| Illiquid Matching Assets (renewables) | Schroders Greencoat | Not applicable. | Not applicable. | Both Solar II and Buckingham are buy and hold for the life of the fund (25 years from final close) so aren't making any sales. |
| Illiquid Matching Assets (infrastructure debt) | Vantage Infrastructure | 4.4% | 0%-5% | Turnover was in line with expectations |
| Illiquid Matching Assets (ground rents) | Alpha Real Capital | 0.0% | 0%-5% | Turnover was in line with expectations |
| Buy and Maintain Credit | Legal & General Investment Management | 1.7% | 0%-5% | Turnover was in line with expectations |
| Buy and Maintain Credit | Schroders | 5.1% | 0%-5% | Turnover was marginally above expectations |

5. Investment beliefs

The Trustee formally reviewed all its investment beliefs in 2022. Since then, it has reviewed the investment strategy for consistency with the beliefs and is comfortable that these arrangements remain valid. However, the Trustee will continue to keep this under review.

Any conflicts of interest between the Trustee, asset owners, and their agents (advisors, DB asset and fund managers, PSE) are recorded in the conflicts register which is reviewed quarterly.

The Trustee's key investment beliefs are reflected in how the Scheme's DB assets are invested. In particular, ESG issues are an important part of the Trustee's decision-making process (please see section 6).

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

As stated in the SIP, one of the Trustee's investment beliefs is that ESG (including Climate Change risks) risks are all important factors in investment decision making. The Trustee expects its appointed DB asset and fund managers to be cognisant of financially material climate change risks and opportunities within their investment processes as applied to the DB assets of the Scheme. DB asset and 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.

As part of its advice on the selection and ongoing review of the DB asset and fund managers, the Trustee's DB investment advisor incorporates its assessment of the nature and effectiveness of DB asset and fund managers approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement. This assessment acknowledges the Trustee's preference for engagement rather than exclusion as a method for incorporating climate change risks into an effective fiduciary framework. However, the Trustee expects fund and asset managers to independently consider whether exclusion or engagement is more appropriate within their respective investment processes.

As part of the quarterly investment report, the Trustee receives responsible investment ('RI') scores for the Scheme's existing DB funds and portfolios. These scores cover the managers' approach to ESG factors, voting and engagement. During the year the Trustee conducted detailed meetings with specialist researchers for each manager to identify any areas of concern on which to focus their engagement efforts with the managers. The PSE's annual meetings with the DB asset and fund managers are used to test that financially material considerations (including ESG considerations), are incorporated into the investment decision-making process and this is also covered in the six-monthly meetings between the PSE and the Scheme's DB investment advisor's research team.

The Trustee encourages the further development of asset classes that are supportive of achieving its Net Zero by 2050 target provided they are all based within the primary fiduciary framework and align with the overall investment strategy and liquidity needs of the Scheme. This is borne in mind as part of any DB asset or fund manager changes.

The Trustee reports on clear roles and responsibilities, definitions and explicit climate measurement metrics (total carbon emissions, carbon footprint, weighted average carbon intensity, Partnership for Carbon Accounting Financials Data Quality Metric and Transition Pathway Initiative Management Quality Score) for the Task Force on Climate-related Financial Disclosures ('TCFD').

The Trustee is a signatory to the UN-supported Principles of Responsible Investment ('PRI'), the Asset Owner Diversity Charter and the UK Stewardship Code and supports a number of other ESG organisations and initiatives including the Institutional Investors Group on Climate Change ('IIGCC'), the Cambridge Initiative: addressing systemic risks through collaboration, the Transition Pathway Initiative ('TPI'), Climate Action 100+ and the WTW Thinking Ahead Institute ('TAI').

The Trustee's net zero objectives include:

1. targeting a real economy emissions reduction interim target of 50% by 2030 or sooner for the Scheme's equity and corporate bond mandates, in line with the findings of the most recent Intergovernmental Panel on Climate Change ('IPCC') report
2. having the ambition of achieving all of the Scheme's corporate bond and equity investments being fully aligned to the goals of the Paris Agreement by 2030 across its DB and DC assets
3. enhancing its engagement and stewardship efforts through the Scheme's DB asset managers

The Trustee has a policy of avoiding investments in controversial weapons manufacturers (generally accepted to be companies involved in the production of antipersonnel landmines, cluster munitions, chemical and biological weapons, and nuclear weapons) 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. During 2024 the PSE received details of any controversial weapons holdings from all the investment managers, and concluded the exposure was in line with its policies.

When the PSE met with the Scheme's DB investment advisor's research team and DB asset and fund managers during the year, the PSE asked several questions about the managers' ESG, voting and engagement practices. The responses have helped the Trustee understand how managers' policies operate in practice and inform future dialogue with them. The Trustee also reviewed reports from their DB asset and fund managers on voting and engagement activities undertaken on its behalf.

The Trustee has not considered any non-financial matters in setting the investment strategy for the HBUK Section, the HSBC Bank plc Section and the HGSU Section during the year.

The Scheme's asset and fund managers' approach to stewardship and voting is covered in Sections 9-12 below. The Trustee is satisfied that this Implementation Statement demonstrates that the Trustee's policies in relation to ownership rights and stewardship within the SIP have been appropriately delivered on over the Scheme year.

7. Risk Management (incl. Appendices 6 and 7 of SIP)

Risks are monitored on an ongoing basis with the help of the DB investment advisor.

ALCo maintains a quarterly risk dashboard covering investment risks, whilst the Trustee also looks at a broader risk register which considers a prioritised list of significant and emerging risks.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary. The Trustee takes external legal and/or investment advice on how to manage these risks within its investment strategy. These include risks associated with cashflow mismatch, funding/solvency, credit, currency, liquidity, DB fund and asset managers, sponsor, longevity, and counterparties.

The Risk Dashboard outlines metrics for the risks listed above, and sets limits which, when breached, indicate that the risk should be considered and action taken where appropriate. During the year there were some breaches of risks limits identified: .

- The manager risk limit was breached as one of HBUK's managers outperformed vs its expected range. ALCo discussed this with WTW and agreed they were comfortable that this wasn't a result of excess risk being taken and continue to monitor the situation.
- There was a technical breach of the liability hedging limits during the year. ALCo undertook a review of the hedge position and prior to this being finalised decided to take an interim step towards their new target. Limits were not updated until after the full review was finalised, hence the interim step resulted in a technical breach versus the previous limits. This was known and agreed in advance of this step being taken. ALCo remained comfortable with the hedging position of the HBUK throughout the year.

The Trustee and its committees receive regular training on climate-related and broader sustainability topics. This enables the Trustee to make informed decisions. The Trustee continues to assess skills gaps and undertake training accordingly. The frequency and level of training that Trustee Directors receive depends on their role and their membership of specific committees.

Specifically, Trustee Directors continued to build knowledge in relation to understanding what an orderly transition in the energy sector might mean for the portfolio and how the Trustee's climate transition planning can evolve. Recognising the link between two of the Trustee's ESG priorities, the Board received an update on nature, including an assessment of nature metrics and how to prioritise engagement on nature with the Trustee's managers. Climate Scenario analysis was also a key agenda item at the Investment Day; different approaches to analysis were considered including a presentation from a leading provider.

The Trustee considers a DB asset or fund manager's securities lending practices when deciding if they are an appropriate partner to manage the scheme's DB assets, and remains aligned with the overall investment beliefs of the Trustee.

Manager risk is covered in more detail in Section 4, whilst Climate change and other ESG risks are covered in Section 6.

8. Responsibilities, decision-making and fees (Appendix 1 of SIP)

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme.

Trustee

The Trustee, via the PSE has regular discussions with the sponsor regarding the investment strategy and the Scheme in general. As part of the SIP update the sponsor was consulted and confirmed it was comfortable with the changes.

As mentioned in Section 4 above, the Trustee obtains formal written advice from its DB investment advisor, before appointing or dismissing DB fund or asset managers. The Trustee assesses the performance of the DB funds and portfolios on an ongoing basis as part of the quarterly investment monitoring reports it receives.

Asset and Fund Managers

As mentioned in Section 4 above, the Trustee's DB investment advisor monitors the DB fund and asset managers on an ongoing basis, through regular research meetings. The PSE also meets each of the DB fund and asset managers at least once a year.

DB Investment advisors

The Trustee has put in place formal objectives for its DB investment advisors and reviews their performance against these objectives on a regular basis. The objectives explicitly reference ESG and climate change.

Fee structures

See Section 4 for details on the Trustee's assessment of the fees charged by DB fund and asset managers.

Performance assessment

During the year, the Trustee considered the effectiveness of its decision making after each Trustee meeting.

9. Description of voting behaviour during the year

The Trustee’s policy is to delegate the day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) to its DB fund and asset managers. Due to the nature of the HBUK Section having no equities, voting does not apply. However, the Trustee believes that engagement activities are also important for credit assets and the credit asset managers’ engagement approach was an important determinant in their selection. The Trustee and the PSE continue to engage with the credit asset managers to ensure their approach remains consistent with the views of the Trustee.

For the Bank plc and HGSU Sections, the Trustee delegated day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) to LGIM within their Diversified Fund pooled fund. Since the LGIM Diversified Fund was disinvested during the year, the Scheme no longer holds assets with voting rights. Below is a summary of voting behaviour and the most significant votes made over the year.

10. Summary of voting behaviour over the previous year

The DB Scheme had one underlying fund manager who held assets on which they had the right to cast votes on the Trustee’s behalf for part of 2024. The voting behaviour of this fund manager is summarised in the table below.

The Trustee has access to the voting records of its DB and DC investment managers. Data is requested specifically from the investment managers to allow its advisor to review each manager individually. This data is aggregated by the advisor through its own proprietary system. This system overlays the individual voting activity of each manager and identifies the largest holdings across all portfolios, and instances where managers have voted inconsistently on the same resolution. The Trustee takes this data as reported and recognises that there is a small margin for error due to potential errors accruing as part of data collection and amalgamation. However, the Trustee’s advisor sense checks the output, and reviews the underlying data received from the investment managers should any underlying errors become apparent. Given these checks, the Trustee’s advisor believes the data the Trustee and PSE receives is adequately robust to enable it to exercise its stewardship responsibilities by holding the manager to account for quality of decision making and independence of thought.

In the voting data below, resolutions have been split between those proposed by management and shareholders, respectively. Management resolutions are typically skewed more towards governance matters when compared to shareholder resolutions. Fund manager voting behaviour often differs between the two types of resolutions.

| | LGIM Diversified Fund |
|---|-----------------------|
| Meetings voted at | 4,722 |
| Resolutions voted | 57,844 |
| Management resolutions | 56,130 |
| Shareholder resolutions | 1,714 |
| % Voted in favour of management resolutions | 75% |
| % Voted against management resolutions | 24% |
| % Voted ‘other’ on management resolutions ¹ | 2% |
| % Voted in favour of shareholder resolutions | 65% |
| % Voted against shareholder resolutions | 34% |
| % Voted ‘other’ on shareholder resolutions ¹ | 2% |

1 ‘other’ includes abstentions, withheld votes, and ‘do not vote instructions’.

11. Most significant votes over the year

Most Significant Votes

The votes shown in the below tables have been chosen due to a combination of the following factors:

- Cast at issuers where the Scheme has higher exposure;

- Relate to one of the Trustee’s key priorities of:
 - Climate change: Resolutions at Climate Action 100+ companies that focused on climate strategy and transition planning, scope 3 targets and climate lobbying.
 - Biodiversity: Resolutions related to biodiversity overall, including ones that related to the company’s impact on the environment.
 - Antimicrobial resistance: AMR resolutions, all of which are included as an MSV.
 - Diversity & inclusion: Resolutions that received significant support from shareholders.
- Voted on in an inconsistent manner by two or more of the investment managers; and
- Due to the significance of the resolution itself i.e., driven by its nature, the scale of any public media interest and whether votes against management on the resolution were particularly high.

The process ideally only selects one resolution per company in most cases, allowing for exception where warranted (mainly when there were two or more resolutions covering different themes at the same company– e.g. at PepsiCo and Amazon).

Climate change-related votes

| Company | Date | Country | Proponent | Resolution nature | Vote | Votes vs management |
|-------------------------|------------|--------------|-------------|---------------------------------------|----------------------------------|---------------------|
| Sasol | 19/01/2024 | South Africa | Management | Climate change report | Against | 29% |
| Canadian Pacific Kansas | 24/04/2024 | Canada | Management | Say on climate | For/For/Against | 13% |
| The Goldman Sachs Group | 24/04/2024 | US | Shareholder | Clean energy financing ratio | For/Against/For/For ¹ | 30% |
| Berkshire Hathaway | 04/05/2024 | US | Shareholder | Emissions in underwriting | For/For/For | 41% |
| American Express | 06/05/2024 | US | Shareholder | Climate lobbying | For/Against/For ¹ | 26% |
| Holcim | 08/05/2024 | Switzerland | Shareholder | Say on climate | For | 5% |
| Equinor | 14/05/2024 | Norway | Shareholder | Strategy and capex in line with Paris | For | 30% |
| Shell | 21/05/2024 | UK | Management | Say on climate | Against/For ¹ | 27% |
| Amazon | 22/05/2024 | US | Shareholder | Just transition | For/For/For/For | 28% |
| Markel Group | 22/05/2024 | US | Shareholder | Disclose emissions from underwriting | For | 41% |
| TotalEnergies | 24/05/2024 | France | Management | Say on climate | Against | 25% |
| Glencore | 29/05/2024 | Jersey | Management | Say on climate | Against/Abstain ¹ | 20% |
| Nippon Steel | 21/06/2024 | Japan | Shareholder | GHG emissions targets | For | 21% |
| Mitsubishi | 27/06/2024 | Japan | Shareholder | Board climate competencies | For/Against ¹ | 27% |
| Nike | 10/06/2024 | US | Shareholder | Sustainability target-setting | Against/For ¹ | 37% |

Biodiversity

| Company | Date | Country | Proponent | Resolution nature | Vote | Votes vs management |
|---------------------------------|------------|---------|-------------|------------------------------|--------------------------|---------------------|
| PepsiCo | 01/05/2024 | US | Shareholder | Biodiversity and nature loss | For/For/For/For | 21% |
| Amazon | 22/05/2024 | US | Shareholder | Plastic packaging | For/For/For/For | 34% |
| Chevron Corporation | 29/05/2024 | US | Shareholder | Single use plastics | For/Against ¹ | 9% |
| General Motors Company | 04/06/2024 | US | Shareholder | Deep sea mining risks | For/For/For | 13% |
| Restaurant Brands International | 06/06/2024 | Canada | Shareholder | Plastic packaging | For | 41% |

| | | | | | | |
|-------------|------------|-----------|-------------|----------------------------|------------------------------|-----|
| Tesla | 13/06/2024 | US | Shareholder | Deep sea mining moratorium | Against/For/For ¹ | 13% |
| Coles Group | 12/11/2024 | Australia | Shareholder | Farmed seafood reporting | For | 40% |

Anti-Microbial Resistance

| Company | Date | Country | Proponent | Resolution nature | Vote | Votes vs management |
|---------------------------------|------------|---------|-------------|--|---------|---------------------|
| Yum! Brands | 16/05/2024 | US | Shareholder | Comply with World Health Organisation guidelines on antimicrobial use throughout supply chains | For | 12% |
| McDonalds | 22/05/2024 | US | Shareholder | Adopt antibiotics policy | For/For | 16% |
| Restaurant Brands International | 06/06/2024 | Canada | Shareholder | Comply with World Health Organisation guidelines on antimicrobial use throughout supply chains | For | 17% |

Diversity & Inclusion

| Company | Date | Country | Proponent | Resolution nature | Vote | Votes vs management |
|------------------------------|------------|---------|-------------|---------------------------------|--------------------------------------|---------------------|
| The Goldman Sachs Group | 24/04/2024 | US | Shareholder | Report on Pay equity | For/Against/For/Against ¹ | 30% |
| PepsiCo | 01/05/2024 | US | Shareholder | Racial Equity Audit | For/For/For/For | 21% |
| Eli Lilly and Company | 06/05/2024 | US | Shareholder | DEI efforts | For/For/For | 24% |
| Marriott International | 10/05/2024 | US | Shareholder | Racial/gender pay gap reporting | For/Against/For ¹ | 24% |
| Amazon | 22/05/2024 | US | Shareholder | Racial/gender pay gap reporting | For/For/For/For | 35% |
| The Procter & Gamble Company | 08/10/2024 | US | Shareholder | Racial/gender pay gap reporting | For/For | 31% |

¹ Resolutions have been voted on inconsistently by the Trustee’s managers.

² Note that the first decision included in the ‘Vote’ column refers to the LGIM vote decision. Other managers whose votes are reflected in the ‘Vote’ column are relevant to the DC section.

12. Summary of engagement behaviour over the previous year

The Trustee has two main methods of engagement: engagement directly with portfolio companies through their DB fund and asset managers, and engagement with their DB fund and asset managers through the PSE. The Trustee has identified four key priority areas for engagement: climate change, biodiversity, anti-microbial resistance and diversity & inclusion.

Engagement with asset and fund managers

As part of the Trustee’s ongoing manager monitoring process, the PSE meet with all the Trustee’s fund and asset managers on at least an annual basis to discuss their activities including stewardship practices. The Trustee believes ongoing engagement with the Scheme’s fund and asset managers is important to ensure that they are aware of, and working towards meeting, the Trustee’s stewardship expectations as set out in the Trustee’s Stewardship Policy.

Case Study: Setting clear expectations of asset managers in an annual CIO letter

Issue: The Trustee is driven by the spirit of continuous improvement and continues to deepen its understanding of how investments impact the sustainability of the planet and its people, and how sustainability impacts investment. Given the Trustee's outsourced model, the Trustee views institutional alignment between the asset managers it works with and the Scheme as an important tenet of both manager selection as well as ongoing manager monitoring to ensure the Trustee's priorities are implemented.

Action: For the second year at the beginning of 2024, the Scheme's Chief Investment Officer sent a letter to all the Scheme's asset managers communicating the Trustee's investment beliefs, ESG priorities and commitments around universal ownership, stewardship and ESG. The letter also sought managers' responses to questions outlined in the letter around the Trustee's four ESG priorities. For example, managers were asked to share their firm-wide climate transition plans, and undertake nature-related assessments for the mandates being managed on behalf of the Trustee. By formally articulating these expectations, the Trustee seeks to encourage improvement in the quality and quantity of managers' stewardship activities.

Outcome: During the annual manager meetings, the CIO letter and the relevant responses focused the discussion on the Trustee's evolving expectations and manager's current and planned actions. The PSE continued to engage with the managers throughout the year and provided a progress report against the 'asks', including where progress has been made as well as areas for improvement, to the ALCo at the end of the year. The CIO letter was repeated for the third time at the start of 2025, providing a powerful tool for the Trustee to evolve and communicate its expectations of asset managers and monitor progress on their implementation of each of the Trustee's ESG priorities. In conversations with the managers it is clear they give great importance to the asks in the CIO letter and view this as a key manager monitoring tool from the Scheme.

Regarding underlying issuers, the Trustee prefers engagement over exclusion as a way of influencing long-term behaviour. The Trustee believes the proximity of its asset and fund managers to their investments can deliver more meaningful change via proactive and constructive engagement, and the Trustee makes this belief clear to them via the Trustee's investment guidelines and further discussions. The Trustee recognises that there is no 'one-size-fits-all' stewardship approach and instead encourages asset and fund managers to prioritise stewardship opportunities and to apply the most suitable and influential engagement strategies based on their in-depth knowledge of a given asset class, sector, geography and/or specific company.

Given the nature of the Trustee's outsourced approach to investment, the Trustee reviews engagement reports from its asset and fund managers to track their actions in material stewardship initiatives and the outcomes from those actions. Examples of direct engagement activities include letter writing, phone calls, annual meetings, and thematic/targeted engagements with management teams.

Engagement by asset and fund managers

Case study: Direct engagement from one of the Scheme's managers on Anti-Microbial Resistance (AMR)

Issue: While many view AMR as a tail risk, the Trustee believes it could grow into a material market risk and has therefore engaged with all managers on the integration of AMR into their investment decision-making. One manager responded with a detailed AMR risk assessment of the Scheme's portfolio and some examples of the beginning stages of an engagement process with individual issuers.

Action: The asset manager engaged with a large consumer staples company in the US having identified the company on its AMR Focus List due to the risk of potentially excessive antibiotics usage in its supply chains. Over 2024, the asset manager engaged with the company on animal welfare expectations and supplier management processes to ensure that specific topics such as antibiotic management procedures are a high priority.

Outcome: While the asset manager acknowledged that the company does set clear expectations relating to animal welfare and antibiotic management, the manager was disappointed to note that the proportion of the company's dairy supply sourced from suppliers following formal animal welfare standards had fallen from 73% in 2022 to 67% in 2023. The manager is in the process of engaging with the company further to see if they would be willing to set a target goal and date for this metric.

Case study: Direct engagement from one of the Scheme's managers on diversity, equity and inclusion

Issue: Given that diversity, equity and inclusion is one of the Trustee's priorities, the PSE continues to closely monitor manager activity in relation to this theme. One of the Trustee's managers has been engaging with a British housebuilder, following the findings of a Parker Review report in 2020. The report highlighted the lack of diversity on FTSE 350 boards, in particular with regards to ethnically diverse directors.

Action: The manager initiated this engagement in 2020 when it asked the company to complete a survey evaluating diversity progress in senior positions. The manager set out the additional steps it encouraged the company to take in order to meet the Parker Review recommendations and increase representation, as well as highlighting its escalation techniques to vote against the Nomination Committee Chair if these requirements were not met. Subsequently, the manager accelerated the engagement through sending an email prior to the company's AGM and setting up a call to discuss the expectations on diversity in detail.

Outcome: In May 2024 the company appointed an ethnically diverse director to the board, now meeting the expectations set out for large UK boards in the Parker Review. Additionally, a formal Executive Committee was set up during 2024, which includes the senior executives, Regional Chairs, and several Group Directors. The manager will continue to monitor the company's ongoing efforts to increase gender and ethnic diversity.

The Trustee recognises the importance of collaboration in delivering effective stewardship given the potential for increased resource and greater influence. As part of the Trustee's annual manager monitoring, the Trustee seeks to understand relevant industry initiatives or collaborations that its asset managers engage with. Major initiatives the Trustee's managers have committed to include the PRI, the UK Stewardship Code or national equivalent where possible, the IIGCC's Net Zero Investment Framework, the Net Zero Asset Managers Initiative, and Climate Action 100+, among others. Beyond industry association participation or signatory status, managers are encouraged to work with peers and other stakeholders to bring about tangible outcomes.

Collective Engagement

Case study: Call to Action on nature and biodiversity

Issue: As one of the Scheme's key ESG priorities, the Trustee is focused on engagement with policymakers and the wider industry to promote a system that addresses nature-related issues and supports nature recovery.

Action: In October, the Trustee supported a Call to Action aimed at governments and policy makers on nature and biodiversity, prepared by a group of leading asset owners. This was subsequently delivered to policy makers ahead of the Nature and Biodiversity Conference of Parties (COP16), that took place in Colombia in October 2024.

Outcome: The topics raised in the Call to Action were discussed at COP16 and an assessment against the specific asks in the statement will be undertaken in due course.

Case study: Call to Action on AMR

Issue: As one of the Scheme's key ESG priorities, the Trustee is engaging with policymakers and the wider industry to ensure that AMR risk is being adequately addressed by all of these stakeholders.

Action: In June 2024, the Trustee supported a Call to Action on AMR led by the industry group Investor Action on AMR (IAAMR). The statement outlined seven key asks for global policy makers to consider ahead of the UN General Assembly High-Level Meeting on AMR in September 2024, emphasising the importance of all stakeholders coming together to mitigate AMR risk.

Outcome: Following the High-Level Meeting, progress against the seven asks included in the statement were assessed. The Trustee was pleased to note that some progress was made towards six out of the seven asks. The Trustee will continue to follow the work of IAAMR and raise this issue with its managers.

Escalation of engagement

The Trustee recognises that there may be instances where engagement must be escalated, at both the manager and issuer levels. This is likely to follow a period of active dialogue that has not been successful. The Trustee expects its asset managers to apply a range of engagement tools to escalate dialogue, including voting against company management, proposing shareholder resolutions, and litigation. Divestment from unresponsive issuers is the final point of escalation and asset managers are expected by the Trustee to use discretion as to whether this is an appropriate action and to undertake any action in line with its fiduciary duty. Escalating engagement is also a responsibility of the PSE and Trustee, however the tools are somewhat different. Where asset managers provide substandard reporting, fail to respond adequately to targeted questions, or are behaving in a way that is not aligned with the Trustee's expectations, PSE engagement will escalate. If the PSE believes this is appropriate, it will first clearly set out what expectations have not been met, and the required remedying actions. Should these expectations not be met, the Trustee will seek to engage with senior representatives at the organisation and, if institutional alignment cannot be reached over a period of time, the Trustee will consider further escalation.

The Trustee expects managers to escalate engagement where necessary. While the Trustee believes proactive dialogue, relationship-building, and collaboration between managers and issuers are important in promoting lasting positive change, the Trustee recognises the need for escalation in certain cases (e.g. material news events, inaction/slow response to concerns, etc).

Case study: Escalation from a Scheme asset manager on climate change

Issue: One of the Trustee's managers invests in a large, integrated oil and gas producer. The manager recognises the importance of the company in the global transition to net zero.

Action: The manager has set minimum expectations for companies in climate-critical sectors, which aligns with the Trustee's climate change priority theme. In line with this, the manager has been engaging with the company on climate change for several years and supported the company's strengthened emissions targets and plans to decrease oil and gas production in 2022.

Outcome: In 2023 following a decision from the company to revise oil production targets, the manager engaged with the company to discuss its concerns with the plan and the company's governance processes. The engagement was escalated at the company's 2023 AGM where the manager voted against the re-election of the Chair. Since then, the manager has continued to engage with senior staff, including the Chair and former CEO and plans to do so into the future both individually and as part of collaborative engagement initiatives.