

## **Frequently asked questions for members concerning the governance arrangements of the HSBC Bank (UK) Pension Scheme (“the Scheme”).**

### **Why did the Bank want to change the number of Trustee Directors?**

The structure of the Trustee Board has not been reviewed since 2015. Following banking reform ring-fencing, which was implemented in July 2018, there was a need to review the Trustee Board to ensure that there is appropriate representation from the UK banking entities amongst the Bank Nominated Directors (BNDs). In addition to this, in light of the fact that one of the Group’s Strategic Priorities is to ‘Simplify the Organisation’, the Bank commissioned benchmarking analysis which confirmed that a reduction in the size of the Board would not only simplify the Board, but would also bring the scheme in line with our peers.

### **Why does the Bank want to appoint an Independent Trustee?**

The breadth of experience that an Independent Trustee will bring to the Board will support the ongoing governance of the scheme. They will introduce experience and insight from leading practice from other large pension schemes in the UK, and will be able to contribute to the improvement of both the performance and efficiency of the Trustee Board and its Committees.

### **Whose role is it to make these decisions?**

The Bank decides on the overall size of the Trustee Board and the proportions of BNDs and Member Nominated Directors (MNDs), subject to there always being one third MNDs. The Trustee decides on the appropriate method to select the MNDs.

### **Why has the balance between BNDs and MNDs changed during the interim phase?**

MNDs must comprise at least one third of the number of Trustee Directors. The revised balance for the interim phase sustains experience and continuity amongst the remaining Trustee Directors while also achieving the desired reduction in the size of the Board.

### **What were the objectives and criteria for the selection panel?**

For this selection exercise there were three objectives;

1. To have a trustee board which has a well-balanced range of skills and experience covering the principal activities of the scheme and the expected competencies for a non-executive Trustee Director.
2. To have sufficient diversity and independence of thought on the trustee board to enable constructive challenge and the avoidance of group think and to inform objective decision making.
3. To achieve an effective balance between fresh thinking and experience.

The selection criteria used by the selection panel were shared with the Board in advance. Selection criteria will be subject to review at each selection exercise to make sure they remain appropriate.

**What happens to the Trustee Directors who were not selected?**

The MNDs not selected ceased to be Trustee Directors on 28th February 2019. The Trustee is grateful for their important contribution to date.

**How will the nomination process work in the future?**

All members will be notified well in advance of the next selection panel exercise so they can consider putting themselves forward. Depending on numbers, there is likely to be an initial review process followed by interviews for short-listed candidates with the independent selection panel.

**Why are you not using an election?**

The trustee board carries a substantial, and growing, responsibility to manage £31 billion assets to deliver the promised benefits for over 190,000 members. This requires the right mix of skills and experience and, along with many other pension schemes, we feel that selection rather than election will allow that mix to be arrived at.

**Will these changes affect my benefits in the Scheme?**

These new arrangements have no impact on the way the Scheme is administered, funds are invested and benefits that will be received.