

## Appendix 2

### Costs and charges illustrations

In order to achieve greater transparency about costs, new regulations came into force on 6 April 2018 which require the Trustee to provide members with additional information in relation to investment charges and transactions costs. These must be set out as example member illustrations that have been prepared with regard to the relevant statutory guidance: “Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational pension schemes” (September 2018).

The illustrations have been prepared in accordance with the relevant statutory guidance and reflect the impact of costs and charges for a range of Plan members and investment funds.

As each member has a different amount of savings within the Plan 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 in the Notes section below the illustrations.

Within this Appendix we have provided illustrations based on:

- The potential period of Plan membership for the youngest member and average age of a Plan member
- The different member types within the Plan:
  - Members of the New Section with DC Element by virtue of earning over the earnings cap for Defined Benefit Section accrual
  - DB Section members (not New Section members) paying additional voluntary contributions
  - Deferred members with no new contributions going into the Plan
- A range of investment choices have been illustrated, including:
  - Fidelity BlackRock Cash Fund - the fund that most members invest in. This is also considered to carry the lowest level of potential investment returns.
  - Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy – this is the New Section’s core default investment strategy
  - Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund) – the fund with the highest level of charges and is also considered to carry the highest level of potential investment returns.
  - Fidelity BlackRock Over 15Yr UK Gilt Index Fund - This fund has the lowest charge of any of the funds offered by the Trustee
  - Fidelity BlackRock World (ex) UK Index Fund - This fund is classified as a default investment arrangement
  - Fidelity BlackRock UK Equity Index Fund - This fund is classified as a default investment arrangement
  - Fidelity BlackRock Equity/Bond Split75/25 Fund - This fund is classified as a default investment
- Risk and return ratings have been determined with input from the Trustee’s investment adviser

The table below shows the age, salary, contribution and starting fund sizes used for the purpose of the illustrations:

Criteria	1. New Section		2. AVC payers		3. Deferred	
	1a (youngest)	1b (average)	2a (youngest)	2b (average)	3a (youngest)	3b (average across Plan)
<b>Age</b>	31	46	32	50	24	53
<b>Salary</b>	£84,700	£102,600	£60,000	£84,000	n/a	n/a
<b>Contributions</b>	In line with age related scheme design (based on salary over the DB Earnings Cap)	In line with age related scheme design (based on salary over the DB Earnings Cap)	£600	£4,700	n/a	n/a
<b>Fund size</b>	£400	£42,900	£44,400	£73,000	£400	£29,800

The illustrations below show the projected fund values based on certain assumptions before and after charges so that the potential impact of charges is clearly shown. Members should be aware that these are simply illustrations, and so the actual fund values and implication of charges for members' investments may be different if members' personal details or investment choices differ from those shown or the assumptions are not borne out. This means that the information contained in this Appendix is not a substitute for the individual and personalised illustrations which are provided to members each year by the Plan.

Example Member	Years	Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund		Fidelity HSBC Islamic Pension Fund		BlackRock Over 15 Years UK Gilt Index Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£700	£600	£600	£600	£700	£700	£600	£600
	3	£1,200	£1,100	£1,100	£1,100	£1,200	£1,200	£1,100	£1,100
	5	£1,700	£1,600	£1,600	£1,600	£1,800	£1,700	£1,600	£1,600
	10	£3,000	£2,900	£2,800	£2,700	£3,400	£3,300	£2,700	£2,600
	15	£4,700	£4,600	£4,300	£4,200	£5,600	£5,400	£4,000	£4,000
	20	£6,500	£6,400	£5,700	£5,600	£8,100	£7,700	£5,400	£5,300
	25	£8,800	£8,500	£7,500	£7,300	£11,300	£10,700	£6,900	£6,800
	30	£11,000	£10,600	£9,200	£8,900	£15,000	£14,000	£8,400	£8,200
34	£12,400	£11,800	£10,500	£10,200	£18,300	£16,900	£9,400	£9,200	
New Section 'Over the Cap' members (average member)	1	£46,600	£46,500	£46,000	£45,900	£47,500	£47,300	£45,700	£45,600
	3	£54,000	£53,600	£52,100	£51,800	£57,100	£56,400	£51,100	£50,900
	5	£61,900	£61,200	£58,500	£57,900	£67,500	£66,200	£56,700	£56,400
	10	£85,400	£83,500	£77,200	£76,000	£99,600	£96,200	£73,300	£72,400
	15	£108,600	£105,400	£95,100	£93,100	£135,900	£129,400	£88,500	£87,200
	19	£123,400	£119,200	£108,800	£106,000	£168,300	£158,500	£99,900	£98,100

Projected fund values are rounded to the nearest hundred.

Example Member	Years	Fidelity BlackRock World (ex) UK Index Fund		Fidelity BlackRock UK Equity Index Fund		Fidelity BlackRock Equity/Bond Split75/25 Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£700	£700	£700	£700	£700	£700
	3	£1,200	£1,200	£1,200	£1,200	£1,200	£1,200
	5	£1,800	£1,800	£1,800	£1,800	£1,700	£1,700
	10	£3,400	£3,300	£3,400	£3,300	£3,200	£3,100
	15	£5,600	£5,400	£5,600	£5,400	£5,100	£5,000
	20	£8,100	£7,900	£8,100	£7,800	£7,300	£7,000
	25	£11,300	£10,900	£11,300	£10,900	£10,000	£9,600
	34	£18,300	£17,400	£18,300	£17,400	£15,300	£14,600
New Section 'Over the Cap' members (average member)	1	£47,500	£47,400	£47,500	£47,400	£47,000	£46,900
	3	£57,100	£56,600	£57,100	£56,600	£55,500	£55,100
	5	£67,500	£66,700	£67,500	£66,700	£64,700	£63,900
	10	£99,600	£97,500	£99,600	£97,400	£92,200	£90,100
	15	£135,900	£131,800	£135,900	£131,600	£121,900	£118,000
	19	£168,300	£162,200	£168,300	£161,800	£147,200	£141,500

Projected fund values are rounded to the nearest hundred.

Example Member	Years	Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund		Fidelity HSBC Islamic Pension Fund		BlackRock Over 15 Years UK Gilt Index Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£45,200	£45,100	£44,600	£44,500	£46,100	£45,900	£44,300	£44,200
	3	£46,800	£46,400	£45,000	£44,700	£49,700	£49,000	£44,100	£43,900
	5	£48,400	£47,800	£45,400	£44,900	£53,400	£52,300	£43,800	£43,500
	10	£52,600	£51,200	£46,300	£45,400	£63,600	£61,000	£43,300	£42,700
	15	£56,800	£54,600	£47,200	£45,800	£75,200	£70,700	£42,900	£42,000
	20	£61,100	£58,000	£48,000	£46,300	£88,300	£81,400	£42,400	£41,300
	25	£65,500	£61,500	£48,800	£46,700	£103,100	£93,200	£42,000	£40,700
	30	£69,100	£64,200	£49,600	£47,100	£119,800	£106,300	£41,600	£40,100
33	£69,500	£64,300	£50,100	£47,300	£130,900	£114,800	£41,400	£39,800	
DB AVC payers (average member)	1	£78,000	£77,800	£77,000	£76,900	£79,600	£79,200	£76,500	£76,400
	3	£88,200	£87,500	£85,000	£84,500	£93,200	£92,100	£83,300	£83,000
	5	£98,400	£97,200	£92,800	£91,900	£107,600	£105,500	£89,900	£89,300
	10	£124,100	£121,300	£111,600	£109,800	£146,800	£141,500	£105,500	£104,200
	15	£144,500	£140,200	£129,700	£126,700	£191,100	£181,300	£119,900	£117,900

Projected fund values are rounded to the nearest hundred.

Example Member	Years	Fidelity BlackRock World (ex) UK Index Fund		Fidelity BlackRock UK Equity Index Fund		Fidelity BlackRock Equity/Bond Split75/25 Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£46,100	£46,000	£46,100	£46,000	£45,700	£45,500
	3	£49,700	£49,300	£49,700	£49,300	£48,200	£47,800
	5	£53,400	£52,700	£53,400	£52,700	£50,900	£50,200
	10	£63,600	£62,000	£63,600	£61,900	£57,900	£56,300
	15	£75,200	£72,400	£75,200	£72,200	£65,400	£62,800
	20	£88,300	£83,900	£88,300	£83,700	£73,500	£69,600
	25	£103,100	£96,900	£103,100	£96,500	£82,200	£76,900
	30	£119,800	£111,300	£119,800	£110,800	£91,600	£84,600
	33	£130,900	£120,700	£130,900	£120,100	£97,600	£89,500
DB AVC payers (average member)	1	£79,600	£79,400	£79,600	£79,400	£78,800	£78,600
	3	£93,200	£92,500	£93,200	£92,500	£90,700	£90,000
	5	£107,600	£106,300	£107,600	£106,200	£102,900	£101,600
	10	£146,800	£143,500	£146,800	£143,300	£135,200	£131,900
	15	£191,100	£185,000	£191,100	£184,600	£169,900	£164,100

Projected fund values are rounded to the nearest hundred.

Example Member	Years	Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund		Fidelity HSBC Islamic Pension Fund		BlackRock Over 15 Years UK Gilt Index Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£400	£400	£400	£400	£400	£400	£400	£400
	3	£400	£400	£400	£400	£400	£400	£400	£400
	5	£400	£400	£400	£400	£500	£400	£400	£400
	10	£400	£400	£400	£400	£500	£500	£300	£300
	15	£400	£400	£300	£300	£600	£500	£300	£300
	20	£400	£400	£300	£300	£700	£600	£300	£300
	25	£400	£400	£300	£300	£700	£700	£300	£300
	30	£500	£400	£300	£300	£800	£700	£200	£200
	35	£500	£400	£300	£300	£900	£800	£200	£200
	40	£500	£400	£300	£300	£1,100	£900	£200	£200
Deferred New Section members (average member)	41	£500	£400	£300	£300	£1,100	£900	£200	£200
	1	£29,900	£29,800	£29,500	£29,500	£30,500	£30,400	£29,300	£29,300
	3	£30,200	£29,900	£29,000	£28,800	£32,100	£31,700	£28,400	£28,300
	5	£30,500	£30,000	£28,500	£28,200	£33,700	£33,000	£27,500	£27,300
	10	£30,500	£29,600	£27,200	£26,700	£38,100	£36,500	£25,400	£25,000

Projected fund values are rounded to the nearest hundred.

Example Member	Years	Fidelity BlackRock World (ex) UK Index Fund		Fidelity BlackRock UK Equity Index Fund		Fidelity BlackRock Equity/Bond Split75/25 Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£400	£400	£400	£400	£400	£400
	3	£400	£400	£400	£400	£400	£400
	5	£500	£400	£500	£400	£400	£400
	10	£500	£500	£500	£500	£500	£400
	15	£600	£600	£600	£600	£500	£500
	20	£700	£600	£700	£600	£500	£500
	25	£700	£700	£700	£700	£600	£500
	30	£800	£800	£800	£800	£600	£600
	35	£900	£900	£900	£900	£700	£600
40	£1,100	£1,000	£1,100	£1,000	£700	£600	
Deferred New Section members (average member)	41	£1,100	£1,000	£1,100	£1,000	£700	£600
	1	£30,500	£30,500	£30,500	£30,500	£30,200	£30,200
	3	£32,100	£31,800	£32,100	£31,800	£31,100	£30,900
	5	£33,700	£33,300	£33,700	£33,200	£32,100	£31,600
	10	£38,100	£37,100	£38,100	£37,100	£34,500	£33,500

Projected fund values are rounded to the nearest hundred.



Notes:

1. Projected pension account values are shown in today's terms.
2. Projections take account of the Plan's age-related contribution structure.
3. Charges and costs are deducted before the application of investment returns.
4. Inflation is assumed to be 2.5% each year.
5. Contributions, where applicable, are assumed from age 20 to 65 and increase in line with assumed earnings inflation of 0% per year in real terms.
6. Values shown are estimates and not guaranteed.
7. The real projected growth rates for each fund are as follows (based on Fidelity's Statutory Money Purchase Illustration (SMPI) assumptions which are used for benefit statements):
  - Fidelity BlackRock Cash Fund: -0.90%
  - Chevron Equity/Bond Split 50/50 Lifestyle Strategy: from -0.90% to 0.45% (adjusted depending on term to retirement)
  - Fidelity HSBC Islamic Pension Fund: 2.50%
  - Fidelity BlackRock Over 15Yr UK Gilt Index Fund: -1.60%
  - Fidelity BlackRock World (ex) UK Index Fund: 2.50%
  - Fidelity BlackRock UK Equity Index Fund: 2.50%
  - Fidelity BlackRock Equity/Bond Split75/25 Fund: 1.48%
8. The Plan's normal retirement age is 65.
9. The DB Earnings Cap as at 1 April 2022 is £87,806
10. The DB Earnings Cap is assumed to increase with inflation
11. Transaction cost assumptions have been based on the latest information provided by Fidelity and cover different periods depending on the fund concerned. The Trustee endeavored to use an annualised average of transaction costs incurred in the year to 31 December 2019, 31 December 2020, and 31 December 2021 as an ongoing assumption. However, the transaction costs in the year to 31 December 2020 were not made available by Fidelity due to incomplete underlying data, and the transaction costs in the year to 31 December 2021 were not available from Fidelity at the date of this disclosure. The Trustee has used an average of actual available annual transaction costs in line with the DWP guidance. The transaction cost assumptions are:
  1. Fidelity BlackRock Cash Fund: 0.010% p.a. (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, 1 October 2019 to 30 September 2020, and 1 October 2020 to 30 September 2021)
  2. Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy: 0.040% p.a. (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, 1 October 2019 to 30 September 2020, and 1 October 2020 to 30 September 2021)
  3. Fidelity HSBC Islamic Pension Fund 0.003% p.a. (based on the average transaction costs for the periods from 1 June 2018 to 30 June 2019, 1 October 2019 to 30 September 2020, and 1 October 2020 to 30 September 2021))
  4. Fidelity BlackRock Over 15Yr UK Gilt Index Fund: 0.003% (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, 1 October 2019 to 30 September 2020, and 1 October 2020 to 30 September 2021))

5. Fidelity BlackRock World (ex) UK Index Fund: 0.020% (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, 1 October 2019 to 30 September 2020, and 1 October 2020 to 30 September 2021))
6. Fidelity BlackRock UK Equity Index Fund: 0.037% (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, 1 October 2019 to 30 September 2020, and 1 October 2020 to 30 September 2021))
7. Fidelity BlackRock Equity/Bond Split 75/25 Fund: 0.043% (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, 1 October 2019 to 30 September 2020, and 1 October 2020 to 30 September 2021))

The averaged transaction cost assumptions shown above include an overlapping period of assessment between 1 October 2019 and 1 December 2019 rather than being based on consecutive year on year historic transaction cost figures. This is because Fidelity's transaction cost information availability now has a time lag after the year end and so in the last two years, the transaction costs have covered the year to 30 September rather than 31 December. However the averaging for the purpose of the illustrations will remove some of the effect including an overlapping period in the calculations, and as the projections are based on several assumptions which may not be borne out in practice, the Trustee's legal and investment advisers have confirmed that this approach is reasonable given the information available.

12. The age-related contribution structure is as follows;

Tier	Age	Contribution rate
Tier 1	Under 30	10%
Tier 2	30-39	15%
Tier 3	40-49	20%
Tier 4	50 and over	25%