

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

**Report and Financial Statements for the year ended
31 December 2024**

Scheme Registration No: 10101681

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

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YORKSHIRE BUILDING SOCIETY PENSION SCHEME

TRUSTEE AND ADVISERS

Corporate Trustee:

YBS Pension Trustees Limited

Trustee Directors:

Dr IS Dhingra (Independent Trustee Director and Chairman)

CP Canning

R Eblett *

(Resigned 6 June 2024)

LJ Horwell

(Appointed 17 February 2025)

CR Huitson

RD Kestin *

(Appointed 1 May 2025)

AB Lenman

(Resigned 30 June 2024)

DP Marshall *

VL Oygard *

* *Member-Nominated*

Secretary to the Trustee:

C Cheetham

Actuary:

C Gore FIA

Willis Towers Watson

5 Wellington Place

Wellington Street

Leeds LS1 4AP

Independent Auditors:

PricewaterhouseCoopers LLP

Central Square

29 Wellington Street

Leeds LS1 4DL

Legal Advisers:

DLA Piper UK LLP

Princes Exchange

2 Princes Square

Leeds LS1 4BY

Bankers:

Bank of Scotland

The Mound

Edinburgh EH1 1YZ

National Westminster Bank plc

1 Market Street

Bradford BD1 1EG

Investment Managers:

AXA Investment Managers UK Limited

22 Bishopsgate

London EC2N 4BQ

BlackRock Investment Management (UK) Limited

12 Throgmorton Avenue

London EC2N 2DL

FIL Life Insurance Limited

Beech Gate

Millfield Lane

Lower Kingswood

Tadworth

Surrey KT20 6RP

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

TRUSTEE AND ADVISERS (continued)

Investment Managers (continued):

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

Nephila Capital Ltd.
31 Victoria Street
Victoria Place, 3rd Floor West
Hamilton HM10
Bermuda

Annuity Provider:

Pension Insurance Corporation
14 Cornhill
London EC3V 3ND

Investment Advisers:

Willis Towers Watson
5 Wellington Place
Wellington Street
Leeds LS1 4AP

AVC Providers:

Chelsea Building Society *
Yorkshire House
Yorkshire Drive
Bradford BD5 8LJ

Clerical Medical
PO Box 28121
15 Dalkeith Road
Edinburgh EH16 9AS

FIL Life Insurance Limited
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP

Standard Life
30 Lothian Road
Edinburgh EH1 2DH

Custodian:

Northern Trust
50 Bank Street
Canary Wharf
London E14 5NT

* "Chelsea Building Society" and "The Chelsea" are trading names of Yorkshire Building Society

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

TRUSTEE AND ADVISERS (continued)

Administrators:

XPS Administration Limited
4th Floor
Wellbar Central
Gallowgate
Newcastle upon Tyne NE1 4TD

FIL Life Insurance Limited
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP

Sponsoring Employer (the "Employer"):

Yorkshire Building Society
Yorkshire House
Yorkshire Drive
Bradford BD5 8LJ

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

The Trustee presents to the members its annual report and financial statements for the year ended 31 December 2024.

Scheme Information

The Yorkshire Building Society Pension Scheme (the "Scheme") is governed by the Definitive Trust Deed, dated 1 April 2010, including subsequent amendments. A supplemental Definitive Trust Deed and Rules was signed on 5 December 2018 which consolidated the original Definitive Deed and Rules with all subsequent amending deeds. No additional amendments were made to the Deed and Rules throughout this process or subsequently.

The Scheme is a registered pension scheme within the meaning of Section 153 of the Finance Act 2004 and provides pensions and lump sum benefits on retirement and death for those past and present employees who are members of the Scheme.

The Scheme provides both defined benefit (DB) and defined contribution (DC) pensions. The DB section is closed to new employees and to future accrual whilst the DC section is open to new employees. Detailed information about the Scheme is available to members at www.ybspensionscheme.co.uk.

The Trustee, YBS Pension Trustees Limited, is a Corporate Trustee. Trustee Directors are appointed and removed from office by the Employer in accordance with the Trust Deed and the Trustee's Articles of Association. Under the provisions of the Pensions Act 2004, at least one-third of the Trustee Directors must be nominated by Scheme members and in accordance with these provisions, three member-nominated Trustee Directors are currently appointed. The Trustee Directors have the responsibility for ensuring that the Scheme is properly run in accordance with its governing documents and in the best interests of the members.

During the year, the Trustee Directors met regularly to review the management of the Scheme and to monitor the performance of the Investment Managers, Administrators and Advisers. The dates of the Trustee Board meetings and the number of Trustee Directors in attendance are shown below:

Date	Attendance
5 March 2024	7 of 7
7 June 2024	6 of 6
19 September 2024	5 of 5
28 November 2024	5 of 5

In addition, the Trustee has established several subcommittees which meet regularly throughout the year in between the Trustee Board meetings to progress specific areas of work in more detail. In 2024, the following subcommittees met:

- Investment Subcommittee (ISC): 5 meetings comprising 4 regular meetings in addition to a 2-day 'Investment Manager Due Diligence' session.
- Governance and Operational Risk Subcommittee (GORC): 4 meetings.
- Communications Subcommittee (CSC): 5 meetings comprising 4 regular meetings and a strategy session.
- GMP Working Party: 4 meetings.

Membership

The number of members as at the year end was:

		2024	2023
Active members	Defined contribution	3,506	3,401
Deferred pensioners	Defined benefit	1,386	1,463
	Defined contribution	4,684	4,568
Pensioners	Defined benefit	<u>1,986</u>	<u>1,943</u>
		<u>11,562</u>	<u>11,375</u>

Included within 'pensioners' are 131 spouse/child pensioners (2023: 122), 743 members with benefits insured with the Pension Insurance Corporation (2023: 761), and 11 other annuitants (2023: 11).

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

Pension Increases

All pensions in payment were increased in accordance with the Rules of the Scheme. The Retail Price Index (RPI) dependent increases for each section of the Scheme (up to a maximum of 5.0%) were as follows:

	Date increase applied	RPI increase and reference date	Minimum increase applied	Maximum increase applied	Average increase applied
Barnsley Building Society	Anniversary dates throughout the year	8.9% (September 2023)	0%	5.0%	3.8%
Chelsea Building Society	1 April 2024	5.2% (December 2023)	0%	5.0%	4.8%
Norwich & Peterborough Building Society	1 September 2024	2.9% (June 2024)	0%	5.0%	3.8%
Yorkshire Building Society	1 January 2024	6.1% (October 2023)	0%	5.0%	4.9%

Deferred pensions in excess of the Guaranteed Minimum Pension (GMP) are increased annually in line with the cost of living up to a maximum of 5%. There were no discretionary increases during the year (2023: Nil).

In addition to the annual increases outlined above, pensions were also increased by £8,210 per annum in respect of GMP equalisation.

Transfer Values

Cash equivalent transfer values paid to other approved pension arrangements are calculated and verified as prescribed by Section 97 of the Pension Schemes Act 1993. No discretionary benefits are included.

Benefit/Scheme Changes

There were no benefit or Scheme changes during the year.

Financial Development of the Scheme

Changes in the Scheme's net assets during the year were as follows:

	£'000s
Net assets at 1 January 2024	845,557
Net withdrawals from dealings with members	(16,334)
Net returns on investments	<u>(18,377)</u>
Net assets at 31 December 2024	<u>810,846</u>

The financial statements for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

Enquiries

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme Trustee:

(For DB Benefits)
c/o XPS Administration Limited
PO Box 562
Middlesbrough TS1 9JA
Email: ybs@xpsgroup.com

(For DC Benefits)
c/o FIL Life Insurance Limited ("Fidelity")
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP
pensions.service@fil.com

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Money and Pensions Service (formerly The Pensions Advisory Service), Pension Wise and the Money Advice Service. MoneyHelper can be contacted at:

MoneyHelper
Bedford Borough Hall
138 Cauldwell Street
Bedford MK42 9AB
Tel: 0800 011 3797
Email: pensions.enquiries@moneyhelper.org.uk
Website: www.moneyhelper.org.uk

Pensions Ombudsman

If you have a complaint concerning your Scheme pension arrangements, you should first make a formal complaint to the Scheme Trustee. Complaints should be addressed to the Scheme Trustee at the address above under Enquiries.

If you are unhappy with the response, you can refer your complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

You can also submit a complaint online at: www.pensions-ombudsman.org.uk/making-complaint

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

The Pensions Regulator (tPR)

The Pensions Regulator can intervene if they consider that a scheme's trustees, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Telecom House
125-135 Preston Road
Brighton BN1 6AF

Tel: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10101681. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

The Pension Service
Post Handling Site A
Wolverhampton WV98 1AF

Tel: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

INVESTMENT REPORT

The Trustee determines its investment strategy after taking advice from its Investment Advisers. It has delegated the management of the investments to the Investment Managers listed on pages 2 and 3, and it has secured a proportion of the liabilities through a bulk annuity (buy-in) contract with the Pension Insurance Corporation.

For the DB section, the Trustee has adopted a Liability Driven Investment ("LDI") strategy. LDI strategies typically seek to reduce or partially hedge a DB pension scheme's interest rate and inflation risk. As at the 2024 year end, the Scheme was 93% (2023: 94%) hedged against interest rate risk and 93% (2023: 94%) hedged against inflation risk.

Statement of Investment Principles

A Statement of Investment Principles ("SIP") has been produced as required under Section 35 of the Pensions Act and includes specific references to:

- The Scheme's investment policy including the investment objectives, the exercising of voting rights, and ESG issues;
- The investment strategy for the DB section;
- The fund range and 'Lifestyle' strategies for the DC section; and
- The Trustee's policy with regard to risk.

A copy of the latest SIP has been included as an appendix to this Report. Members may also request a copy of the SIP at any time and it is also available online at:

https://www.ybspensionscheme.co.uk/documents/ybs_sip_november_2024.pdf.

All investments made during the year were in accordance with the SIP.

Custodial Arrangements

The Custodians are responsible for the safekeeping of share certificates and other documentation relating to the ownership of listed investments, settlement of trades, and income collection.

The Trustee is responsible for ensuring that the Scheme's assets continue to be held securely. The Trustee has delegated the selection and monitoring of its Custodians to the pooled fund managers with the exception of the LDI and credit portfolios, where Northern Trust has been appointed as Custodian by the Trustee.

Investment Strategy

Defined Benefit Section

The investment strategy is disclosed on page 33.

Defined Contribution Section

The fund range is disclosed on page 36 and details of the Lifestyle strategies can be found in the SIP.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

INVESTMENT REPORT (continued)

Investment Performance

Defined Benefit Section

Investment Manager performance (before fees) for the year to 31 December 2024 was as follows:

	1 year		3 years		5 years	
	Fund %	Benchmark %	Fund % p.a.	Benchmark % p.a.	Fund % p.a.	Benchmark % p.a.
AXA Investment Managers ⁽¹⁾	-2.82	-	-8.89	-	-4.42	-
BlackRock Investment Management ⁽²⁾	1.51	-	-0.33	-	1.20	-
Insight Investment Management - LDI Strategy ⁽³⁾	-18.72	-18.65	-45.60	-45.84	-27.30	-27.54
Insight Investment Management - Synthetic Equity ⁽⁴⁾	308.42	-	-	-	-	-
Nephila Capital	14.93	7.90	8.17	6.40	4.97	4.87

⁽¹⁾ There is no fund benchmark for the AXA investments.

⁽²⁾ The BlackRock Strategic Alternative Income Fund ("SAIF") invests in long term capital projects.

⁽³⁾ The 3 year and 5 year returns are highly negative due largely to the returns in 2022 in which the LDI Strategy returned -79% as a result of rapidly rising gilt yields. LDI returns quoted are also leveraged returns.

⁽⁴⁾ The Insight Synthetic Equity Fund uses a high level of leverage which can vary from 9x to 17x. The performance figure shown in the table above is the leveraged return based on the value of the Fund which is significantly lower than the value of the exposure, hence the high return.

The overall return for the DB section for the year was -9.49%. This is based on the growth of all funds, excluding the value of the Scheme's bulk annuity contract with the Pension Insurance Corporation, and has been calculated by the Scheme's Investment Advisers, Willis Towers Watson.

Defined Contribution Section

Investment performance for each of the DC Funds for the year to 31 December 2024 is shown below:

	1 year		3 years		5 years	
	Fund %	Benchmark %	Fund % p.a.	Benchmark % p.a.	Fund % p.a.	Benchmark % p.a.
Cash Fund	5.0	5.1	3.5	3.7	2.0	2.2
Diversified Investment Fund	6.6	12.6	1.2	4.1	3.5	7.1
Emerging Markets Fund	11.5	10.1	0.5	0.9	2.2	2.6
International Equity Fund	14.7	15.0	5.7	5.9	9.0	9.2
Short Dated Corporate Bond Fund ⁽¹⁾	-	-	-	-	-	-
Inflation Linked Annuity Target Fund ⁽²⁾	-8.8	-9.6	-17.3	-17.4	-8.0	-7.9
Pre-Retirement Fund	-3.8	-2.5	-10.0	-11.5	-5.2	-6.0
Shariah Equity Fund	29.7	29.4	11.4	11.6	16.5	17.1

⁽¹⁾ The Fund was invested on 15 May 2024 therefore a full year's performance data is not yet available.

⁽²⁾ The Inflation Linked Annuity Target Fund replaced the Over 5-year Index Linked Gilt Fund in June 2024. Performance data has been combined for both Funds.

Fund performance results include costs associated with administration and investment services provided by FIL Life Insurance Limited ("Fidelity"). The benchmark performance results do not include these costs and so are normally slightly higher.

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

INVESTMENT REPORT (continued)

Taskforce on Climate-Related Financial Disclosures (TCFD)

A TCFD report has been prepared for the year ended 31 December 2024 and is available online at https://ybspensionscheme.co.uk/documents/YBS_TCFD_Report_Jul2025.pdf.

Employer Related Investments

There were no employer related investments at the year end or prior year end.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES

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. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2022. This showed that on that date, the technical provisions were £613.9 million and the value of the assets was £626.0 million. This gave a funding level of 102.0%.

Since the latest actuarial valuation, there has been an annual update carried out as at 31 December 2023. At this date, the technical provisions were £601.1 million and the value of the assets was £611.5 million, giving a funding level of 101.7%.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles dated 9 November 2023).

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate: term-dependent rates set by reference to the fixed interest gilt curve (as derived by WTW) at the valuation date plus an addition of 1% per annum to 31 December 2025 and then decreasing linearly to 0.25% per annum from 31 December 2031.

Future Retail Prices Index (RPI) inflation: term-dependent 'breakeven' rates of RPI inflation, derived using WTW's nominal and index-linked gilt yield curves.

Future Consumer Prices (CPI) Index inflation: based on the RPI inflation assumption curve, less a margin of 1% per annum up to 2030, and nil thereafter.

Pension increases: set using the RPI and CPI inflation curves, with an assumption for inflation volatility of 1% per annum, and allowance for the relevant minimum and maximum increase limits.

Pay increases: real pay increases of 1.25% per annum above the weighted average CPI inflation rate. Career Average Revalued Earnings (CARE) revaluations are assumed to be in line with CPI inflation.

Mortality: for the period in retirement, standard tables S3PMA with a scaling factor of 83% for male members and S3PFA with a scaling factor of 92% for female members, both projected from 2013 in line with the Continuous Mortality Investigation's core 2022 projection model using a long term trend rate for improvements of 1.5% per annum, the default smoothing parameter of 7.0 and an initial addition to mortality improvements of 0.25% per annum.

Schedule of Contributions and Recovery Plan requirements

As there were sufficient assets to cover the Scheme's technical provisions at the 31 December 2022 valuation, no recovery plan was required.

The latest Schedule of Contributions certified by the Scheme Actuary on 13 June 2025 sets out that the Society will contribute £1.0 million per year towards the cost of DC section expenses and life assurance premiums. Expenses (including Pension Protection Levy invoices) for the DB section will be met directly from the resources of the Scheme.

ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Actuarial certificate of Schedule of Contributions

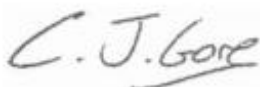
1 Adequacy of rates of contributions

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

2 Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 9 November 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objectives could 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.



Chris Gore
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW company

5 Wellington Place
Wellington Street
Leeds
LS1 4AP

Date: 13 June 2025

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

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 YBS Pension Scheme website. 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.

Approval

The Trustee's Report, which includes the Investment Report, the Report on Actuarial Liabilities, the Statement of Trustee's Responsibilities, the Governance Statement, and the Implementation Statement was approved by the Trustee on:

For and on behalf of the Trustee

Inder Dhingra

25 June 2025

.....

.....

Inderpreet Dhingra, Chairman

Date

Independent auditors' report to the trustee of Yorkshire Building Society Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, Yorkshire Building Society 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 Report and 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Report and 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. 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.
- 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.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

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.

PWC

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
25 June 2025

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

FUND ACCOUNT

For the year ended 31 December 2024

	Note	2024 Defined Benefit Section £'000s	2024 Defined Contribution Section £'000s	2024 Total £'000s	2023 Defined Benefit Section £'000s	2023 Defined Contribution Section £'000s	2023 Total £'000s
CONTRIBUTIONS AND BENEFITS							
Employer contributions	5	1,000	18,446	19,446	1,000	15,886	16,886
Employee contributions	5	-	3,078	3,078	-	2,482	2,482
Total contributions	5	1,000	21,524	22,524	1,000	18,368	19,368
Transfers in	6	-	1,403	1,403	-	864	864
Other income	7	1	904	905	-	517	517
		1,001	23,831	24,832	1,000	19,749	20,749
Benefits paid or payable	8	(24,993)	(3,029)	(28,022)	(23,573)	(2,346)	(25,919)
Payments to and on account of leavers	9	(377)	(9,555)	(9,932)	(3,752)	(8,852)	(12,604)
Other payments	10	(736)	-	(736)	(561)	-	(561)
Administrative expenses	11	(2,476)	-	(2,476)	(2,547)	-	(2,547)
		(28,582)	(12,584)	(41,166)	(30,433)	(11,198)	(41,631)
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		(27,581)	11,247	(16,334)	(29,433)	8,551	(20,882)
RETURNS ON INVESTMENTS							
Investment income	12	19,735	-	19,735	17,860	-	17,860
Change in market value of investments	14	(62,008)	24,362	(37,646)	(2,707)	22,236	19,529
Investment management expenses	13	(466)	-	(466)	(476)	-	(476)
NET RETURNS ON INVESTMENTS		(42,739)	24,362	(18,377)	14,677	22,236	36,913
NET (DECREASE)/INCREASE IN THE FUND		(70,320)	35,609	(34,711)	(14,756)	30,787	16,031
OPENING NET ASSETS		611,832	233,725	845,557	626,588	202,938	829,526
CLOSING NET ASSETS		541,512	269,334	810,846	611,832	233,725	845,557

The notes on pages 20 to 39 form part of these financial statements.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 December 2024

	Note	2024 Defined Benefit Section £'000s	2024 Defined Contribution Section £'000s	2024 Total £'000s	2023 Defined Benefit Section £'000s	2023 Defined Contribution Section £'000s	2023 Total £'000s
INVESTMENT ASSETS	14						
Bonds		516,901	-	516,901	637,451	-	637,451
Pooled investment vehicles	15	34,592	267,379	301,971	79,409	231,958	311,367
Derivatives	16	49,113	-	49,113	56,065	-	56,065
Insurance policies	17	141,500	-	141,500	158,500	-	158,500
AVC investments	18	404	-	404	356	-	356
Cash and cash equivalents	19	8,035	-	8,035	13,845	-	13,845
Other investment balances	20	45,990	-	45,990	11,892	-	11,892
		<u>796,535</u>	<u>267,379</u>	<u>1,063,914</u>	<u>957,518</u>	<u>231,958</u>	<u>1,189,476</u>
INVESTMENT LIABILITIES	14						
Bonds sold short		(35,601)	-	(35,601)	-	-	-
Derivatives	16	(52,338)	-	(52,338)	(55,962)	-	(55,962)
Other investment balances	20	(170,049)	-	(170,049)	(296,782)	-	(296,782)
		<u>(257,988)</u>	<u>-</u>	<u>(257,988)</u>	<u>(352,744)</u>	<u>-</u>	<u>(352,744)</u>
TOTAL NET INVESTMENTS		538,547	267,379	805,926	604,774	231,958	836,732
CURRENT ASSETS	24	4,047	2,476	6,523	8,063	2,539	10,602
CURRENT LIABILITIES	25	(1,082)	(521)	(1,603)	(1,005)	(772)	(1,777)
TOTAL NET ASSETS AVAILABLE FOR BENEFITS		<u>541,512</u>	<u>269,334</u>	<u>810,846</u>	<u>611,832</u>	<u>233,725</u>	<u>845,557</u>

The notes on pages 20 to 39 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 section, is dealt with in the Report on Actuarial Liabilities on page 12 of the Annual Report, and these financial statements should be read in conjunction with this report.

The financial statements on pages 18 to 39 were approved by the Trustee on
and signed on their behalf by:

I Dhingra

C Cheetham

.....
Inderpreet Dhingra, Chairman

.....
Secretary to the Trustee

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

The Scheme is an occupational pension scheme governed by the consolidated Trust Deed, dated 5 December 2018, and provides defined benefit and defined contribution pensions for the beneficial members of the Scheme who are eligible employees of the Yorkshire Building Society. The benefits are payable to members in accordance with the Scheme Rules.

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. Income and capital gains earned by the Scheme receive preferential tax treatment.

2. BASIS OF PREPARATION

The individual financial statements of the Yorkshire Building Society 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").

The financial statements have been prepared on the going concern basis. At the date of signing these financial statements, the Trustee believes that due to the structure of the investments held, the Scheme is able to cover its related outgoings until at least twelve months from the date that these financial statements were signed. As a result, and together with the relatively strong position of the Principal Employer, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

3. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ.

4. ACCOUNTING POLICIES

The significant 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.

(a) **Accounting Convention**

The financial statements are prepared on an accruals basis. The Scheme's functional and presentational currency is Pounds Sterling.

(b) **Contributions**

Employee normal contributions, including Additional Voluntary Contributions (AVCs), are accounted for when they are deducted from pay by the employer, except for the first contribution due where the employee has been auto-enrolled by the employer, which is accounted for when received by the Scheme.

Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as the employees' contributions in accordance with the Schedule of Contributions in force during the year. Salary sacrifice contributions are accounted for when they are deducted from pay by the employer.

Other contributions are recognised on the due dates in accordance with the Schedule of Contributions or on receipt, if earlier, with the agreement of the employer and Trustee.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. ACCOUNTING POLICIES (continued)

(c) *Payments to Members*

Pensions in payment are accounted for in the period to which they relate.

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, on the date of retirement or leaving.

Individual transfers in or out are accounted for when the member liability is accepted or discharged which is normally when the transfer is paid or received.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits, this is shown separately within benefits paid.

Member opt-outs are accounted for when the Scheme is notified of the opt-out.

(d) *Expenses*

Scheme expenses, including life assurance premiums, are accounted for on an accruals basis within the DB section of the Scheme as, under the Schedule of Contributions, the Scheme receives an Employer's Contribution towards the cost of these expenses into the DB section.

(e) *Investment Income*

Income from bonds, other interest receivable or payable and annuity income is taken into account on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Income arising on the underlying investments of accumulation funds is reflected within the change in market value.

Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income.

(f) *Investments*

Investments are included at fair value as follows:

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

Accrued interest is excluded from the market value of bonds and is included in investment income receivable.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Where the latest available price is after the year end, this will be used if it is considered to be the closest price to the year end date for funds which are not priced on a daily basis. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Swaps are valued based on the current value of future cash flows arising from the swap, determined using discounted cash flow models and market data at the reporting date.

Exchange traded futures are valued as the sum of the daily mark-to-market which is a calculated difference between the settlement prices at the reporting date and the inception date.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. ACCOUNTING POLICIES (continued)

(f) Investments (continued)

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.

The Pension Insurance Corporation (PIC) insurance policy in the name of the Scheme has been valued in line with the Scheme Actuary's best estimate solvency assumptions at the reporting date. Other smaller annuity policies in the name of the Scheme would have been valued on the same basis and although these remain assets of the Trustee, these policies have been determined to be immaterial and therefore are not included in these financial statements.

AVC investments are included at the valuations advised by the Scheme's AVC Providers.

Repurchase agreements are shown by recognising the cash received as an asset and the obligation to pay it back as a payable amount. The Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements.

(g) Foreign Currency Translation

Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated into sterling, the Scheme's functional and presentational currency, using the closing exchange rates at the year end.

(h) Critical Accounting Estimates and Judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates, and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements but note estimation uncertainty in the valuation of annuity policies, as disclosed in Note 17. There is also estimation in the valuation of level 3 pooled investment vehicles, as shown in Note 21.

5. CONTRIBUTIONS

	2024	
	Defined Benefit Section £'000s	Defined Contribution Section £'000s
Total		£'000s
Employer contributions		
Normal	-	18,446
Additional	1,000	-
	<u>1,000</u>	<u>18,446</u>
		<u>19,446</u>
Employee contributions		
Normal	-	116
Additional voluntary	-	2,962
	<u>-</u>	<u>3,078</u>
	<u>1,000</u>	<u>21,524</u>
		<u>22,524</u>

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

5. CONTRIBUTIONS (continued)

	Defined Benefit Section £'000s	2023 Defined Contribution Section £'000s	Total £'000s
Employer contributions			
Normal	-	15,886	15,886
Additional	1,000	-	1,000
	<u>1,000</u>	<u>15,886</u>	<u>16,886</u>
Employee contributions			
Normal	-	132	132
Additional voluntary	-	2,350	2,350
	<u>-</u>	<u>2,482</u>	<u>2,482</u>
	<u>1,000</u>	<u>18,368</u>	<u>19,368</u>

The Schedule of Contributions certified by the Scheme Actuary on 13 June 2025 requires the Sponsoring Employer to pay the Scheme £1.0 million by 31 December each year towards the cost of Scheme expenses (including life assurance premiums) for the DC section. Due to the way the Scheme was set up historically, these contributions are paid into the DB section's bank account which is then used by the Trustee to settle all Scheme expenses for both DB and DC sections.

For the current year to 31 December 2024, total contributions include £8.6 million (2023: £7.1 million) received under salary sacrifice arrangements.

6. TRANSFERS IN

	Defined Benefit Section £'000s	2024 Defined Contribution Section £'000s	Total £'000s
Individual transfers in from other schemes	<u>-</u>	<u>1,403</u>	<u>1,403</u>
		2023	
Individual transfers in from other schemes	<u>-</u>	<u>864</u>	<u>864</u>

7. OTHER INCOME

	Defined Benefit Section £'000s	2024 Defined Contribution Section £'000s	Total £'000s
Other income	1	-	1
Claims on term insurance policies	<u>-</u>	<u>904</u>	<u>904</u>
	<u>1</u>	<u>904</u>	<u>905</u>
		2023	
Other income	-	1	1
Claims on term insurance policies	<u>-</u>	<u>516</u>	<u>516</u>
	<u>-</u>	<u>517</u>	<u>517</u>

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

8. BENEFITS PAID OR PAYABLE

	2024		
	Defined Benefit Section £'000s	Defined Contribution Section £'000s	Total £'000s
Pensions	22,502	-	22,502
Commutation of pensions and lump sum retirement benefits	2,180	1,243	3,423
Purchase of annuities	-	173	173
Lump sum death benefits	304	904	1,208
Refunds of contributions on death	7	709	716
	<u>24,993</u>	<u>3,029</u>	<u>28,022</u>
	2023		
Pensions	21,433	-	21,433
Commutation of pensions and lump sum retirement benefits	2,111	1,379	3,490
Lump sum death benefits	-	516	516
Refunds of contributions on death	29	396	425
Taxation where lifetime or annual allowance exceeded	-	55	55
	<u>23,573</u>	<u>2,346</u>	<u>25,919</u>

Pensions paid in the year to 31 December 2024 include payments in respect of guaranteed minimum pension (GMP) equalisation for the majority of current Scheme members. This included back-payments totalling £88,076 and pension increases of £8,210 (per annum).

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024		
	Defined Benefit Section £'000s	Defined Contribution Section £'000s	Total £'000s
Refunds of contributions	-	2	2
Individual transfers out to other schemes	377	9,553	9,930
	<u>377</u>	<u>9,555</u>	<u>9,932</u>
	2023		
Refunds of contributions	-	2	2
Individual transfers out to other schemes	3,752	8,850	12,602
	<u>3,752</u>	<u>8,852</u>	<u>12,604</u>

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

10. OTHER PAYMENTS

	Defined Benefit Section £'000s	2024 Defined Contribution Section £'000s	Total £'000s
Premiums on term insurance policies	736	-	736

2023

Premiums on term insurance policies	561	-	561
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The premiums on term insurance policies include premiums of £131,146 (2023: £81,198) in respect of the 'excepted' life assurance arrangements for the Yorkshire Building Society Excepted Group Life Scheme.

11. ADMINISTRATIVE EXPENSES

	Defined Benefit Section £'000s	2024 Defined Contribution Section £'000s	Total £'000s
Actuarial fees	1,210	-	1,210
Administration expenses	721	-	721
Audit fees	73	-	73
Legal fees	248	-	248
Miscellaneous expenses	5	-	5
PPF levy	58	-	58
Trustee fees & expenses	135	-	135
Other fees	26	-	26
	2,476	-	2,476

2023

Actuarial fees	1,602	-	1,602
Administration expenses	413	-	413
Audit fees	73	-	73
Legal fees	181	-	181
Miscellaneous expenses	2	-	2
PPF levy	60	-	60
Trustee fees & expenses	126	-	126
Other fees	90	-	90
	2,547	-	2,547

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

12. INVESTMENT INCOME

	Defined Benefit Section £'000s	2024 Defined Contribution Section £'000s	Total £'000s
Income from bonds	14,157	-	14,157
Income from pooled investment vehicles	2,724	-	2,724
Interest on cash deposits	655	-	655
Net receipts from swaps	1,667	-	1,667
Annuity income	9,496	-	9,496
Interest on repurchase agreements	(8,964)	-	(8,964)
	<u>19,735</u>	<u>-</u>	<u>19,735</u>

		2023	
Income from bonds	16,606	-	16,606
Income from pooled investment vehicles	4,209	-	4,209
Interest on cash deposits	344	-	344
Net payments from swaps	730	-	730
Annuity income	9,344	-	9,344
Interest on repurchase agreements	(13,373)	-	(13,373)
	<u>17,860</u>	<u>-</u>	<u>17,860</u>

13. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section £'000s	2024 Defined Contribution Section £'000s	Total £'000s
Administration, management & custody	<u>466</u>	<u>-</u>	<u>466</u>

		2023	
Administration, management & custody	<u>476</u>	<u>-</u>	<u>476</u>

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

14. RECONCILIATION OF INVESTMENTS

	Value at 01.01.2024	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31.12.2024
Defined Benefit Section	£'000s	£'000s	£'000s	£'000s	£'000s
Bonds	637,451	67,554	(170,708)	(52,997)	481,300
Pooled investment vehicles	79,409	103,118	(146,550)	(1,385)	34,592
Derivatives	103	6,381	(19,029)	9,320	(3,225)
Insurance policies	158,500	-	-	(17,000)	141,500
AVC investments	356	16	(16)	48	404
	875,819	177,069	(336,303)	(62,014)	654,571
Cash and cash equivalents	13,845			7	8,035
Other investment balances	(284,890)			(1)	(124,059)
	<u>604,774</u>			<u>(62,008)</u>	<u>538,547</u>
	Value at 01.01.2024	Purchases at cost	Sales proceeds	Change in market value	Value at 31.12.2024
Defined Contribution Section					
Pooled investment vehicles	231,958	38,219	(27,160)	24,362	267,379

The change in market value of cash and cash equivalents, and other investment balances relates to foreign exchange gains or losses on overseas currency assets.

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. For the year to 31 December 2024, broker commissions on exchange-traded derivatives were £15,125 (2023: £13,331).

In addition to the direct transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

The pooled investment vehicle purchases and sales for the year of £103.1 million and £146.6 million respectively for the defined benefit section consists primarily of movements in and out of the Insight Liquidity Fund which is used for the short-term investment of cash; purchases and sales from this Fund were £103.1 million and £106.9 million respectively.

The investments purchased by the DC section are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. These investments are held by the Investment Manager on a pooled basis for the Trustee and the Scheme's Administrator for the DC section allocates investment units to members. The Trustee may also hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

All of the DC section assets are allocated to members (2023: all).

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

15. POOLED INVESTMENT VEHICLES

The Scheme's investments in pooled investment vehicles at the year end comprised:

	2024 £'000s	2023 £'000s
Defined Benefit Section		
Strategic alternative income	26,402	67,238
Bonds	1,539	1,762
Cash	6,651	10,409
	<u>34,592</u>	<u>79,409</u>
Defined Contribution Section		
Equities	142,233	120,163
Diversified	100,475	89,380
Bonds	14,579	13,925
Cash	10,092	8,490
	<u>267,379</u>	<u>231,958</u>

16. DERIVATIVES

Objectives and policies

The Trustee has authorised the use of derivatives by its Investment Managers as part of its investment strategy for the Scheme as follows.

Swaps: the Trustee's aim is to match as far as possible the fixed income portfolio with the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds, the Trustee has entered into over-the-counter (OTC) interest rate swaps that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Futures: the Trustee enters into exchange-traded (index based) futures contracts in order to increase or decrease the Scheme's economic exposure to certain markets including UK Gilts and Global Equity.

Forward foreign exchange contracts: in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. 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.

At the year end the Scheme held the following derivatives:

	2024 Asset £'000s	2024 Liability £'000s	2023 Asset £'000s	2023 Liability £'000s
Swaps	47,792	51,053	54,623	51,525
Futures	1,282	1,158	1,302	4,395
Forward Foreign Exchange Contracts	39	127	140	42
	<u>49,113</u>	<u>52,338</u>	<u>56,065</u>	<u>55,962</u>
Net derivatives		<u>3,225</u>	<u>103</u>	

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

16. DERIVATIVES (continued)

Swaps

Nature	Expiration	Notional principal £'000s	Asset £'000s	Liability £'000s
Interest rate swaps (OTC)	0-10 years	48,764	3,142	-
Interest rate swaps (OTC)	10-20 years	57,463	998	9,226
Interest rate swaps (OTC)	20-30 years	111,587	12,956	8,010
Interest rate swaps (OTC)	30-40 years	117,818	26,743	21,494
Interest rate swaps (OTC)	40-50 years	36,712	3,953	12,323
Total 2024		<u>372,344</u>	<u>47,792</u>	<u>51,053</u>
Total 2023		<u>424,963</u>	<u>54,623</u>	<u>51,525</u>

Included in bonds is collateral of £9.8 million (2023: £6.1 million) which has been pledged to counterparties.

At the year end, the Scheme held £6.5 million (2023: £9.5 million) of collateral belonging to counterparties comprising cash of £5.4 million (2023: £4.1 million) and bonds of £1.1 million (2023: £5.4 million); this collateral is not reported within the Scheme's net assets.

Futures

Nature	Expiration	Economic exposure £'000s	Asset £'000s	Liability £'000s
Euro Bund Future	10 March 2025	(5,204)	137	-
MSCI World Index Future	21 March 2025	41,429	-	853
UK Long Gilt Future	27 March 2025	(39,921)	924	-
UK Long Gilt Future	31 March 2025	16,541	-	305
US 10 YR Note CBT	31 March 2025	(21,013)	221	-
Total 2024		<u>(8,168)</u>	<u>1,282</u>	<u>1,158</u>
Total 2023		<u>(41,652)</u>	<u>1,302</u>	<u>4,395</u>

Included within cash deposits is £4.3 million (2023: £6.8 million) in respect of initial and variation margin arising on open futures contracts at the year end.

Forward Foreign Exchange

Contract	Settlement date	Currency bought	Currency sold	Asset £'000s	Liability £'000s
Forward (OTC)	7 March 2025	Sterling	US Dollar	-	127
Forward (OTC)	7 March 2025	Sterling	Euro	39	-
Total 2024				<u>39</u>	<u>127</u>
Total 2023				<u>140</u>	<u>42</u>

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

17. INSURANCE POLICIES

2024	2023
£'000s	£'000s

The Scheme held insurance policies at the year end as follows:

Pension Insurance Corporation (PIC)	141,500	158,500
-------------------------------------	---------	---------

The bulk annuity insurance policy held with PIC has been valued using Willis Towers Watson's best estimate solvency assumptions as at 31 December 2024. The policy covers a representative tranche of pensioners and pays monthly income to cover the pension payroll benefits of members insured by the policy.

The Scheme Actuary has valued the annuities using the Scheme's solvency basis, updated for market conditions as at 31 December 2024, using data obtained from the most recent actuarial valuation. This has been rolled forward with an approximate allowance for annuity payments received and member movements. The assumptions used to value the annuities are as follows:

Discount interest rate: term-dependent rates set by reference to the fixed interest gilt curve (as derived by Willis Towers Watson) with an addition of 0.25% per annum.

Future Retail Prices Index (RPI) inflation: term-dependent 'breakeven' rates of RPI inflation, derived using Willis Towers Watson's nominal and index-linked gilt yield curves.

Pension increases: set using the RPI inflation curve, with an assumption for inflation volatility of 1% per annum, and allowance for the relevant minimum and maximum increase limits.

Mortality: for the period in retirement, standard tables S3PMA with a scaling factor of 83% for male members and S3PFA with a scaling factor of 92% for female members, both projected from 2013 in line with the Continuous Mortality Investigation's core 2023 projection model using a long term trend rate for improvements of 1.5% per annum, the default smoothing parameter of 7.0, an initial addition to mortality improvements of 0.25% per annum, and the core weightings for 2020, 2021, 2022 and 2023 experience (0%, 0%, 15% and 15% respectively).

18. AVC INVESTMENTS

The Trustee holds assets invested separately from the Scheme's main assets to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVCs). With the exception of the one remaining Chelsea Building Society AVC investment, members participating in these arrangements receive an annual statement made up to the year end confirming the value of their fund and the movements in the year.

The aggregate amounts of AVC investments at the year end are as follows:

	2024	2023
	£'000s	£'000s
Chelsea Building Society * (unit linked)	8	8
Clerical Medical (unit linked)	12	12
Clerical Medical (with profits)	44	37
Fidelity (unit linked)	328	287
Standard Life (with profits)	12	12
	<u>404</u>	<u>356</u>

* "Chelsea Building Society" and "The Chelsea" are trading names of Yorkshire Building Society

Following a 'Value for Money' review in respect of the 'legacy' AVC investments with the Chelsea Building Society, Clerical Medical, and Standard Life, these policies were all transferred to Fidelity in May 2025. Members' fund values were uplifted to ensure that members were financially advantaged as a result of this move.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

19. CASH AND CASH EQUIVALENTS	2024	2023
	£'000s	£'000s
Cash deposits	8,035	13,845
20. OTHER INVESTMENT BALANCES		
	2024	2023
	£'000s	£'000s
Dividends and interest receivable	5,237	5,502
Investment debtors	-	384
Amounts receivable under reverse repurchase agreements	40,753	6,006
	45,990	11,892
Interest payable on repurchase agreements	(1,075)	(2,892)
Amounts payable under repurchase agreements	(168,974)	(293,890)
	(170,049)	(296,782)
	(124,059)	(284,890)

At the year end, £159.0 million (2023: £305.4 million) of bonds reported in Scheme assets were held by counterparties under repurchase agreements and £35.8 million (2023: nil) of bonds owned by counterparties were held by the Scheme under reverse repurchase agreements (these bonds are not reported in Scheme assets). In total, there were 15 repurchase agreements including 3 reverse repurchase agreements, all maturing in 2025.

At the year end, collateral of £0.4 million (2023: £15.4 million) belonging to counterparties was held by the Scheme and collateral of £7.1 million (2023: nil) was pledged by the Scheme to counterparties in respect of the change in market value of the bonds held under these agreements. Collateral belonging to counterparties is not reported in Scheme assets.

21. FAIR VALUE DETERMINATION

The fair value of financial instruments has been estimated 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 at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities fall within the above hierarchy as follows:

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

21. FAIR VALUE DETERMINATION (continued)

At 31 December 2024				
Defined Benefit Section	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Bonds	-	481,300	-	481,300
Pooled investment vehicles	-	8,190	26,402	34,592
Derivatives	-	(3,225)	-	(3,225)
Insurance policies	-	-	141,500	141,500
AVC investments	-	348	56	404
Cash	8,035	-	-	8,035
Other investment balances	4,162	(128,221)	-	(124,059)
	<u>12,197</u>	<u>358,392</u>	<u>167,958</u>	<u>538,547</u>
Defined Contribution Section				
Pooled investment vehicles	-	267,379	-	267,379
	<u>12,197</u>	<u>625,771</u>	<u>167,958</u>	<u>805,926</u>
At 31 December 2023				
Defined Benefit Section	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Bonds	-	637,451	-	637,451
Pooled investment vehicles	-	12,171	67,238	79,409
Derivatives	-	103	-	103
Insurance policies	-	-	158,500	158,500
AVC investments	-	307	49	356
Cash	13,845	-	-	13,845
Other investment balances	2,994	(287,884)	-	(284,890)
	<u>16,839</u>	<u>362,148</u>	<u>225,787</u>	<u>604,774</u>
Defined Contribution Section				
Pooled investment vehicles	-	231,958	-	231,958
	<u>16,839</u>	<u>594,106</u>	<u>225,787</u>	<u>836,732</u>

With the exception of the insurance policies which were valued by the Scheme Actuary, investments reported under Level 3 are based on values estimated by the underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

22. INVESTMENT RISK DISCLOSURES

(a) Investment Risks

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, inflation 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.
- **Inflation and 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 Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk taking into account the Scheme's strategic investment objectives. These investment objectives are implemented through the investment management agreements in place with the Scheme's Investment Managers and are monitored by the Trustee through regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies or the AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

(b) Defined Benefit Section

(i) Investment Strategy

The Scheme's investment strategy is set in conjunction with the Scheme's Investment Advisers, recognising and managing a number of risks involved in the investment of the Scheme's assets in order to achieve the Scheme's investment objectives.

The Trustee has agreed that the investment objectives for the DB section should be:

- To achieve a return on the Scheme's assets that is consistent with the long-term assumptions of the Scheme Actuary in determining the funding of the Scheme, whilst at the same time balancing risk.
- To aim for the assets to exceed the liabilities as determined in the event of the Scheme winding up on the basis of cash equivalent transfer values.
- To minimise the requirement for the Employer to make further deficit recovery plan contributions.

The investment strategy is set out in the Statement of Investment Principles and is to hold:

- A range of instruments that provide a better match both to changes in liability values and expected liability cash flows, including (but not limited to) gilts, corporate bonds, derivatives, secure income assets and insurance policies.
- A diversified range of return-seeking assets, including (but not limited to) equities (implemented physically and/or through equity futures), corporate bonds and secure income assets.
- Passive and actively managed portfolios as appropriate, following consideration of efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the Investment Managers' fees on future expected returns.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

22. INVESTMENT RISK DISCLOSURES (continued)

(b) Defined Benefit Section (continued)

(i) Investment Strategy (continued)

A summary of the risks across the Scheme's DB investments is shown below:

	Credit Risk	Currency	Market Risk		2024	2023
			Interest Rate	Other Price	£'000s	£'000s
Bonds	●	○	●	●	481,300	637,451
Pooled investment vehicles	●	●	●	●	34,592	79,409
Derivatives	●	●	●	●	(3,225)	103
Insurance policies	●	○	○	○	141,500	158,500
AVC investments	●	●	●	●	404	356
Cash deposits	●	○	●	○	8,035	13,845
Other investment balances	●	○	●	●	(124,059)	(284,890)

[●] significantly, [●] partially or [○] hardly / not at all.

(ii) Credit Risk

The Scheme is subject to credit risk because the Scheme directly invests in over-the-Counter ("OTC") derivatives and has cash held with counterparties. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles. Credit risk also applies to the bulk annuity insurance policy referring to the risk that the insurer could fall insolvent.

Credit risk arising on bonds held directly is mitigated by investing in UK government bonds where the credit risk is significantly lower. Credit risk arising on other investments is mitigated by investment mandates requiring limits around the amount of non-investment grade credit held.

Credit risk arising on derivatives depends on whether the derivative is exchange-traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements.

Credit risk arising on bulk annuity insurance policies is mitigated by the high level of industry regulation from the Prudential Regulation Authority (PRA) and by industry protections (the Financial Services Compensation Scheme) in addition to the due diligence carried out by the Trustee in selecting an appropriate insurer.

Cash is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate, and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles. This risk is mitigated by only investing in funds which limit the level of non-investment grade credit rated investments.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

22. INVESTMENT RISK DISCLOSURES (continued)

(b) Defined Benefit Section (continued)

(ii) Credit Risk (continued)

The investment in pooled investment vehicles as at 31 December 2024 was as follows:

	2024	2023
	£'000s	£'000s
Investment Funds	1,539	1,762
Authorised Unit Trusts	26,402	67,238
UCITS funds	<u>6,651</u>	<u>10,409</u>
Total	<u>34,592</u>	<u>79,409</u>

(iii) Currency Risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles (e.g. debt and reinsurance). The Trustee has considered the extent to which it wants to mitigate this risk by currency hedging, taking into account the expected benefits and costs of doing so. The Trustee agreed to leave the Synthetic Equity exposure unhedged (as a hedge against 'shocks' to the global economy and markets).

(iv) Interest Rate Risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in government bonds, interest rate swaps, either as segregated investments or through pooled vehicles, and cash. The Trustee has implemented an LDI strategy designed to match 93% of the Scheme's uninsured liabilities using a mixture of bonds, corporate bonds, and interest rate swaps.

Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

At the year end, the LDI portfolio represented 32.6% (2023: 27.9%) of the total investment portfolio and the bulk annuity insurance policy represented 26.2% (2023: 26.3%).

(v) Other Price Risk

Other price risk arises principally in relation to the Scheme's return-seeking portfolio which includes equity futures, UK and global corporate bonds, income generating assets, and global reinsurance. At the year end, the return-seeking portfolio represented 40.9% (2023: 45.8%) of the total investment portfolio.

The Scheme manages the exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

(c) Defined Contribution Section

(i) Investment Strategy

The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their employer, will provide a retirement amount with which the member can purchase a pension annuity or other type of retirement product. The Statement of Investment Principles outlines the investment objectives and strategy for the DC assets of the Scheme.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

22. INVESTMENT RISK DISCLOSURES (continued)

(c) Defined Contribution Section (continued)

(i) Investment Strategy (continued)

At the year end, the investment funds offered to members were provided by Fidelity as follows:

- Cash Fund
- Diversified Investment Fund
- Emerging Markets Fund
- International Equity Fund
- Short Dated Corporate Bond Fund
- Inflation Linked Annuity Target Fund
- Pre-Retirement Fund
- Shariah Equity Fund

The Trustee has an investment management agreement in place with Fidelity that sets out guidelines for the underlying investments held by the funds. The day-to-day management of the underlying investments in the funds is the responsibility of Fidelity, including the direct management of credit and market risks.

The Trustee monitors the DC funds via regular reports and advice from the Scheme's Investment Advisers.

A summary of the risks across the Scheme's DC investments is shown below:

	Credit Risk	Market Risk			2024	2023
		Currency	Interest Rate	Other Price	£'000s	£'000s
Cash Fund	●	○	○	●	10,092	8,490
Diversified Investment Fund	●	○	○	●	100,475	89,380
Emerging Markets Fund	●	●	○	●	2,153	1,887
International Equity Fund	●	○	○	●	134,070	114,547
Short Dated Corporate Bond Fund	●	○	●	●	4,109	-
Inflation-Linked Annuity Target Fund	●	○	●	●	6,186	7,351
Pre-Retirement Fund	●	○	●	●	4,284	6,574
Shariah Equity Fund	●	●	○	●	6,010	3,729

[●] significantly, [○] partially or [○] hardly / not at all.

(ii) Credit Risk

The DC investments are subject to direct credit risk in relation to Fidelity through the Scheme's holding in unit linked funds provided by Fidelity. The Trustee monitors the creditworthiness of Fidelity by reviewing published credit ratings. In the event of default by Fidelity, the Scheme is protected by the Financial Services Compensation Scheme.

The investments are also subject to indirect credit risk arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

(iii) Market Risk

The DC investments are subject to indirect currency risk, interest rate risk, and other price risk arising from the underlying financial instruments held in the funds managed by Fidelity. The equity assets in the funds are exposed to currency and other price risks, and the bond and cash assets in the funds are exposed to currency and interest rate risks.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

23. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme:

	2024		2023	
	£'000s	%	£'000s	%
PIC insurance policy	141,500	17.5	158,500	18.7
Fidelity International Equity Fund	134,070	16.5	114,547	13.5
Fidelity Diversified Investment Fund	100,475	12.4	89,380	10.6
BlackRock UK Strategic Alternative Income	N/A*	N/A*	67,238	8.0

* 5% or less at the year end

24. CURRENT ASSETS

	2024		Total £'000s
	Defined Benefit Section £'000s	Defined Contribution Section £'000s	
	£'000s	£'000s	
Bank balance	3,162	624	3,786
Contributions receivable - employer	-	1,595	1,595
- members	-	257	257
Pensions paid in advance	222	-	222
Life assurance paid in advance	656	-	656
Other assets	7	-	7
	<u>4,047</u>	<u>2,476</u>	<u>6,523</u>
	2023		
Bank balance	7,205	912	8,117
Contributions receivable - employer	-	1,430	1,430
- members	-	197	197
Pensions paid in advance	213	-	213
Life assurance paid in advance	544	-	544
Other assets	101	-	101
	<u>8,063</u>	<u>2,539</u>	<u>10,602</u>

Included in the DC bank balance is £174,453 (2023: £469,782) which is allocated to members.

All contributions receivable relate to the month of December 2024 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions.

25. CURRENT LIABILITIES

	2024		Total £'000s
	Defined Benefit Section £'000s	Defined Contribution Section £'000s	
	£'000s	£'000s	
Accrued expenses	384	-	384
Unpaid benefits	62	521	583
Tax payable	340	-	340
Annuities received in advance	296	-	296
	<u>1,082</u>	<u>521</u>	<u>1,603</u>

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

25. CURRENT LIABILITIES (continued)

	Defined Benefit Section £'000s	2023 Defined Contribution Section £'000s	Total £'000s
Accrued expenses	355	-	355
Unpaid benefits	37	772	809
Tax payable	314	-	314
Annuities received in advance	299	-	299
	<u>1,005</u>	<u>772</u>	<u>1,777</u>

26. RELATED PARTIES

Transactions with related parties of the Scheme have been disclosed in the annual report and financial statements as follows.

(a) Transactions with key management personnel – The Trustee

- Contributions received during the year in respect of four (2023: four) Trustee Directors who were active members of the Scheme were made in accordance with the Trust Deed and Rules. One of these Trustee Directors resigned during the year.
- Pension payments were made during the year to one (2023: one) Trustee Director as a retired member of the Scheme and are included within pensions payable. These payments were calculated on the same basis as pensions payable to other members of the Scheme in accordance with the Trust Deed and Rules.
- Amounts paid to Trustee Directors as a fee for their services are disclosed in Note 11. At the year end, £26,419 (2023: £51,841) was payable by the Scheme for these fees.

(b) Transactions with other related parties – The Employer

- Contributions receivable from the Employer of the Scheme are disclosed in Notes 5 and 24.

The Scheme has an AVC provision arrangement with The Chelsea Building Society. "The Chelsea Building Society" and "The Chelsea" are trading names of Yorkshire Building Society.

27. EMPLOYER RELATED INVESTMENTS

There were no employer related investments at the year end (2023: £Nil).

28. GUARANTEED MINIMUM PENSION (GMP) EQUALISATION

In October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to GMP benefits. In November 2020, the High Court also ruled that pension schemes needed to revisit individual transfer payments made since May 1990. Under the rulings, schemes are required to backdate benefit and transfer out adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

In 2024, the Trustee completed the GMP equalisation calculations for the majority of current Scheme members and, where applicable, back-payments and/or pension adjustments were made. The remainder of the GMP equalisation project, including remaining current Scheme members and past transfer payments, is expected to be completed in 2025.

Based on an approximate assessment of the remaining backdated amounts and related interest, the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

29. VIRGIN MEDIA LTD V NTL PENSION TRUSTEES II LTD

The Virgin Media Ltd v NTL Pension Trustees II Ltd decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993 which only allowed the rules of contracted-out pension schemes in respect to defined benefits to be altered where certain requirements were met. The High Court decision was upheld on appeal on 25 July 2024.

The Trustee has taken legal advice and having undertaken some sample-based document reviews, it does not believe that there is a material impact on the financial statements. Additionally, the Government has announced that legislative intervention will give pension schemes the ability to retrospectively validate certain rule amendments. Consequently, the Trustee has determined that there is no immediate need for action but will continue to monitor developments.

Independent auditors' statement about contributions to the trustee of Yorkshire Building Society Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the Schedule of Contributions for the year ended 31 December 2024 as reported in the Yorkshire Building Society Pension Scheme's Summary of Contributions have, in all material respects, been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 30 June 2020.

We have examined the Yorkshire Building Society Pension Scheme's Summary of Contributions for the Scheme year ended 31 December 2024 which is set out on the following 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 Schedule 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.

PWC

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
25 June 2025

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

During the year, the contributions paid to the Scheme by the employer under the Schedule of Contributions were as follows:

Contributions required by the Schedule of Contributions:	£'000s
Employer normal contributions	18,446
Employer additional contributions	1,000
Employee normal contributions	<u>116</u>
Contributions required by the Schedule of Contributions (as reported on by the Scheme Auditors)	<u>19,562</u>
Reconciliation to the financial statements:	
Contributions paid under the Schedule of Contributions	19,562
Members' Additional Voluntary Contributions	<u>2,962</u>
Contributions receivable per the financial statements	<u><u>22,524</u></u>

This summary was approved by the Trustee on25 June 2025..... (date)

Signed on behalf of the Trustee

I Dhingra

.....
Inderpreet Dhingra, Chairman

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

**Chair's Governance Statement for the year ended
31 December 2024**

Scheme Registration No: 10101681

GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION AND DEFINED BENEFIT SECTION OF THE YORKSHIRE BUILDING SOCIETY PENSION SCHEME

This Chair's Governance Statement (the "Statement") has been produced for the Yorkshire Building Society Pension Scheme (the "Scheme") and its corporate trustee, YBS Pension Trustees Limited (the "Trustee"), in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. The Scheme's Principal Employer and Sponsor is Yorkshire Building Society (the "Society"). The Statement describes the role of the Trustee and how the Trustee, acting through its directors (the "Trustee Directors"), has met its statutory governance standards in relation to the Defined Contribution ("DC") arrangements during the Scheme year ended 31 December 2024 (the "Scheme Year") in the following areas:

- The investment options in which members' accounts are invested during the Scheme Year, including the default investment arrangements and self-select funds.
- Requirements for processing core financial transactions.
- Assessment of charges and transaction costs borne by members.
- The net return on investments for each default arrangement and self-select fund.
- Assessment of value for members.
- The requirement for Trustee knowledge and understanding.

The Statement also includes "pounds and pence" illustrations demonstrating the potential impact of costs and charges on a member's DC savings over the course of their Scheme membership.

The Statement is designed to provide members with key information and assurances regarding the proper running of the Scheme and the value it provides. The Scheme is used as a qualifying scheme for the Society's automatic enrolment obligations.

The Statement primarily relates to the Scheme's DC Section but also includes sections covering the Defined Benefit ("DB") Section and its Additional Voluntary Contribution ("AVC") arrangements.

The Trustee receives professional Defined Contribution ("DC"), investment and governance advice from WTW (the "Investment Adviser"). The Scheme's DC Section is administered by Fidelity (the "Plan Administrator").

Market update

The Bank of England (BoE) implemented two base rate adjustments throughout the 12 months to December 2024. In August 2024, the BoE cut its base rate by 0.25% reducing it from a 16-year high of 5.25% to 5.00%. A further decrease of 0.25% in November brought the base rate down to 4.75%, which has been maintained until 31 December 2024. UK inflation rate, as measured by the CPI, rose by 2.5% in the 12 months to December 2024. Over the same period, sterling has depreciated against US dollar by 1.8%.

Over the 12 months to 31 December 2024, equity markets returned positive performance across all regions other than Developed Asia Pacific (ex-Japan) which returned negative performance. The FTSE All World Index returned 19.8% whilst the FTSE Emerging Index returned 14.8% (both in sterling terms). FTSE All-Share Index returned 9.5% whilst North America was the best performing region with 26.9% (both in sterling terms).

UK government bond yields (which move inversely to bond price) increased over 12 months to 31 December 2024. Long maturity UK gilts have returned -10.6% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and UK gilts all stocks returned -3.3%. Similarly, inflation-linked gilt yields increased over the 12-month period. Long maturity UK index-linked gilts returned -15.4% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index) and UK index-linked gilts all stocks returned -8.3%.

Over a 3-year period, which takes into account the gilts crisis in the latter part of 2022, bond returns have been negative. However, for a DC member invested in the Pre-Retirement fund, this should be considered alongside significant falls in the price of annuities over the same period. As an example, average annuity prices fell by around 12.9% p.a. over the 3 years ending 31 December 2024 (for a level annuity bought at age 65). The DC Pre-Retirement fund value also fell, but to a lesser extent (10.0%) – ultimately this means the fund has done a good job at tracking the price of purchasing an annuity.

DC Section

The Trustee has taken account of statutory guidance in preparing this section of the Statement.

Investment strategy

Members who join the Scheme and who do not subsequently choose an investment option are placed into the default investment strategy. The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangements. The Scheme's DC investment strategy is set out in the Scheme's Statement of Investment Principles ("SIP"). This document governs the Trustee's decisions about investments including its aims, objectives, and policies for the Scheme's investment options including the default arrangement, and the Trustee's policies in relation to the kinds of investment that should be held, risks (including how these are measured and managed) and policies on investment. It has been prepared in accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005. A copy of the current SIP, last revised in November 2024, is attached to this document in Appendix B. A copy of the Chair's Governance Statement and SIP can also be found online at <https://www.ybspensionscheme.co.uk/dc/library>

The Scheme's investment objectives are:

- a. To offer a suitable range of options, including a default lifestyle strategy, three additional lifestyle strategies and a range of self-select funds.
- b. To recognise and limit the risk of a member's account failing to satisfy the member's reasonable expectations over the long term.
- c. To optimise the long-term benefits from the Scheme by allowing members to benefit from long-term growth on their assets whilst having regard to the objectives shown under the previous paragraph.
- d. To monitor the value for money received by members in the DC section from their membership of the Scheme and commission our Investment Adviser to undertake an annual review and make recommendations for improvements. The Trustee aims to ensure that the members receive good value for money but recognises that this does not necessarily equate to paying lower fees or costs for services.

Investment strategy review

The Trustee periodically, and on no less than a three-yearly cycle, reviews the appropriateness of the default arrangements. It will undertake an earlier review if there are any significant changes in legislation, investment policy or member demographics.

The Trustee completed a full DC investment strategy review in July 2024, with support from the Investment Adviser. This review covered the default investment arrangements as well as the 'self-select' arrangements. A review of the Trustee's beliefs was carried out in advance of the investment strategy review, resulting in the Trustee setting and documenting its DC investment beliefs. A membership analysis was then carried out to better understand the membership's risk tolerance and retirement objectives. Subsequently, the Scheme's lifestyle strategy designs were reviewed to ensure they could meet the varying objectives of the membership at retirement.

As a result of the strategy review of the default arrangements, the Trustee agreed to introduce a new short-dated corporate bond fund to the Flexible and Lump Sum lifestyle strategies in order to better manage members' exposure to risk as they progress towards retirement. This change was implemented in July 2024. The Trustee believes that the other 2 lifestyle funds (both 'self-select arrangements'), the Annuity and Drawdown lifestyles, still remain appropriate and so no changes were made to these strategies.

Full details of each of the Lifestyle strategies can be found on the YBS website www.ybspensionscheme.co.uk

The next investment review is due to begin in 2026.

In addition to the default lifestyle strategies described above, for the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, due to their history and development, the following self-select funds are also classed as "default arrangements":

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- International Equity Investment Fund.
- Diversified Investment Fund.
- Pre-Retirement Fund.
- Cash Fund.

Investment performance

The Trustee undertakes regular reviews of the performance of the funds underlying the default arrangements and the self-select funds, with the support of the Investment Adviser. These reviews have concluded that all funds performed broadly in line with their objectives and remained well rated. The DC Section investments do not carry any performance related fees.

The Trustee has calculated the investment returns (after charges and transaction costs have been deducted) for example members invested in the default lifestyle funds and self-select funds, in line with the guidance issued by the Department for Work and Pensions. The returns achieved by different aged members vary due to the lifestyle strategies outlined previously in this Statement. Net investment returns refer to the returns on funds minus all transaction costs and member-borne charges. These returns are shown below:

Flexible Lifestyle

Age of member (years)	Investment return p.a. over 5 years (to 31 December 2024)	Investment return p.a. over 3 years (to 31 December 2024)	Investment return over 1 year (to 31 December 2024)
25	8.98%	5.69%	14.70%
45	5.06%	2.73%	10.65%
55	2.21%	0.83%	6.60%

Lump-sum Lifestyle

Age of member (years)	Investment return p.a. over 5 years (to 31 December 2024)	Investment return p.a. over 3 years (to 31 December 2024)	Investment return over 1 year (to 31 December 2024)
25	8.98%	5.69%	14.70%
45	5.06%	2.73%	10.65%
55	1.84%	0.73%	6.60%

Drawdown Lifestyle

Age of member (years)	Investment return p.a. over 5 years (to 31 December 2024)	Investment return p.a. over 3 years (to 31 December 2024)	Investment return over 1 year (to 31 December 2024)
25	8.98%	5.69%	14.70%
45	8.98%	5.69%	14.70%
55	5.06%	2.73%	10.65%

Annuity Lifestyle

Age of member (years)	Investment return p.a. over 5 years (to 31 December 2024)	Investment return p.a. over 3 years (to 31 December 2024)	Investment return over 1 year (to 31 December 2024)
25	8.98%	5.69%	14.70%
45	5.06%	2.73%	10.65%
55	1.67%	0.59%	6.60%

The investment returns (after charges and transaction costs have been deducted) for the self-select funds available to members are shown below:

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Fund Name	Investment return p.a. over 5 years (to 31 December 2024)	Investment return p.a. over 3 years (to 31 December 2024)	Investment return over 1 year (to 31 December 2024)
International Equity Investment Fund*	9.0%	5.7%	14.7%
Diversified Investment Fund*	3.5%	1.2%	6.6%
Pre-retirement Fund*	-5.2%	-10.0%	-3.8%
Cash Fund*	2.0%	3.5%	5.0%
Emerging Markets Fund	2.2%	0.5%	11.5%
Shariah Equity Fund	16.5%	11.4%	29.7%
YBS Inflation-Linked Annuity Target Fund	-8.0%	-17.3%	-8.8%
YBS Short Dated Corporate Bond Fund	N/A	N/A	N/A

***Also default arrangements under Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005**

The figures for net investment returns used in the tables above are based on those provided by the Plan Administrator over the past five years.

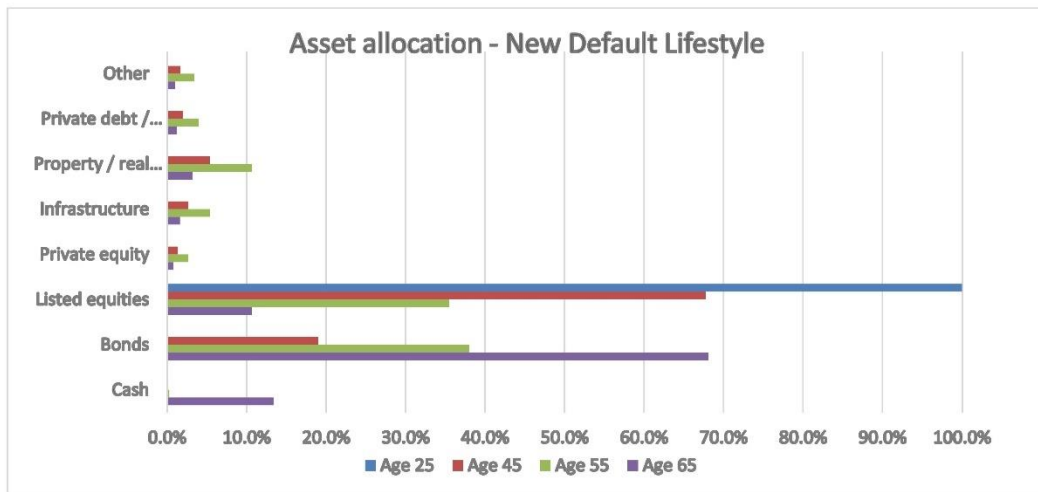
Investment asset allocation

The Trustee has calculated the asset allocations for example members invested in the default arrangements, in line with the guidance issued by the Department for Work and Pensions. The assets allocations vary for different aged members due the lifestyle strategies outlined previously in this Statement.

Flexible Lifestyle

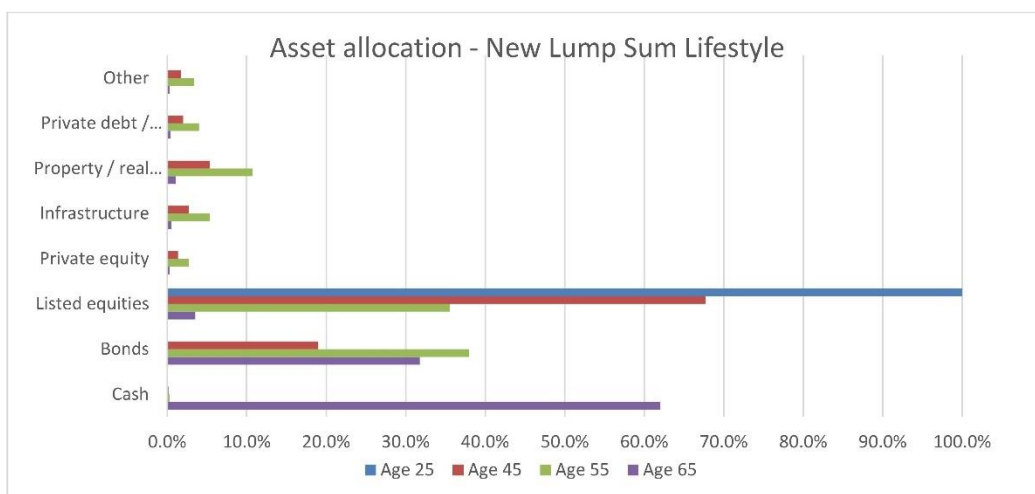
Asset class	Percentage allocation			
	25-year-old	45-year-old	55-year-old	65-year-old
Cash	0.0%	0.2%	0.3%	13.4%
Bonds	0.0%	19.0%	38.0%	68.1%
Listed equities	100.0%	67.8%	35.5%	10.7%
Private equity	0.0%	1.4%	2.7%	0.8%
Infrastructure	0.0%	2.7%	5.4%	1.6%
Property / real estate	0.0%	5.4%	10.7%	3.2%
Private debt / credit	0.0%	2.0%	4.0%	1.2%
Other	0.0%	1.7%	3.4%	1.0%
Totals	100.0%	100.0%	100.0%	100.0%

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Lump-sum Lifestyle

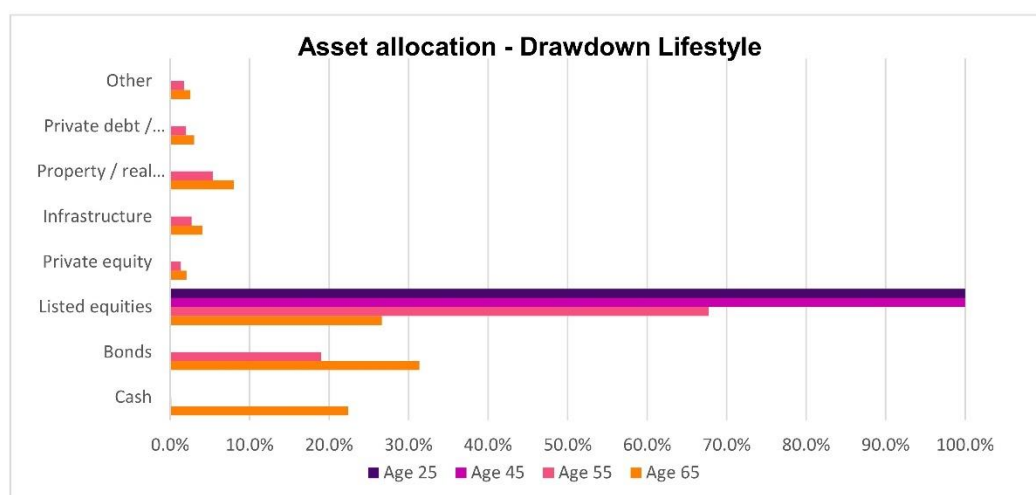
Asset class	Percentage allocation			
	25-year-old	45-year-old	55-year-old	65-year-old
Cash	0.0%	0.2%	0.3%	62.1%
Bonds	0.0%	19.0%	38.0%	31.8%
Listed equities	100.0%	67.8%	35.5%	3.6%
Private equity	0.0%	1.4%	2.7%	0.3%
Infrastructure	0.0%	2.7%	5.4%	0.5%
Property / real estate	0.0%	5.4%	10.7%	1.1%
Private debt / credit	0.0%	2.0%	4.0%	0.4%
Other	0.0%	1.7%	3.4%	0.3%
Totals	100.0%	100.0%	100.0%	100.0%



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Drawdown Lifestyle

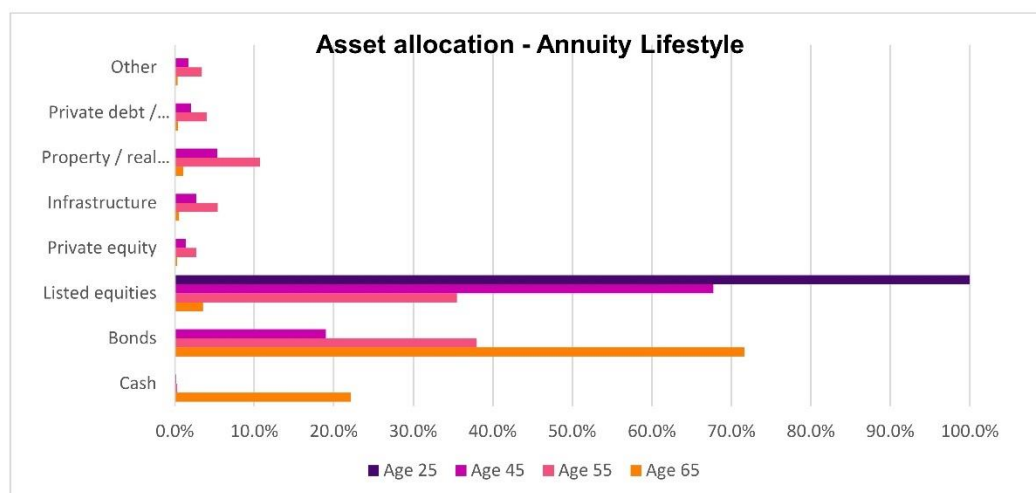
Asset class	Percentage allocation			
	25-year-old	45-year-old	55-year-old	65-year-old
Cash	0.0%	0.0%	0.2%	22.4%
Bonds	0.0%	0.0%	19.0%	31.4%
Listed equities	100.0%	100.0%	67.8%	26.6%
Private equity	0.0%	0.0%	1.4%	2.0%
Infrastructure	0.0%	0.0%	2.7%	4.1%
Property / real estate	0.0%	0.0%	5.4%	8.0%
Private debt / credit	0.0%	0.0%	2.0%	3.0%
Other	0.0%	0.0%	1.7%	2.6%
Totals	100.0%	100.0	100.0%	100.0%



Annuity Lifestyle

Asset class	Percentage allocation			
	25-year-old	45-year-old	55-year-old	65-year-old
Cash	0.0%	0.2%	0.3%	22.2%
Bonds	0.0%	19.0%	38.0%	71.7%
Listed equities	100.0%	67.8%	35.5%	3.6%
Private equity	0.0%	1.4%	2.7%	0.3%
Infrastructure	0.0%	2.7%	5.4%	0.5%
Property / real estate	0.0%	5.4%	10.7%	1.1%
Private debt / credit	0.0%	2.0%	4.0%	0.4%
Other	0.0%	1.7%	3.4%	0.3%
Totals	100.0%	100.0%	100.0%	100.0%

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Legacy AVC arrangements

Most unit-linked AVC assets in the Scheme are invested in a separate Fidelity arrangement which mirrors the funds, terms and conditions of the Scheme's DC Section. However, there are also members who have assets invested in legacy AVC arrangements within the Scheme. These are held with Clerical Medical (unit-linked and with profits), Standard Life (with profits only) and Chelsea Building Society (unit-linked). The Trustee and its advisors have used best endeavors to obtain net investment return information for this Chair's Governance Statement. The net investment returns, where available, are provided in the tables below.

Unit linked funds

Fund Name	Investment return p.a. over 5 years (to 31 December 2024)	Investment return p.a. over 3 years (to 31 December 2024)	Investment return over 1 year (to 31 December 2024)
Clerical Medical Halifax Fund*	0.00%	0.00%	0.00%
Standard Life Managed Pension Fund	4.05%	Not available	8.62%

With Profits Funds

Fund Name	Investment return p.a. over 5 years (to 31 December 2024)	Investment return p.a. over 3 years (to 31 December 2024)	Investment return over 1 year (to 31 December 2024)
Clerical Medical With Profits Fund	1.77%	0.92%	2.75%
Standard Life With-Profits	Not available	Not available	Not available
Standard Life Millennium With-Profits	Not available	Not available	Not available

Standard Life has confirmed it cannot provide Net Investment Return information for With-Profit Funds.

The Trustee also holds a Deposit Account policy with Chelsea Building Society. The annual interest rate applied after costs and charges have been deducted decreased from 3.45% to 3.25% in September 2024 and then to 3.0% in December 2024.

During 2024, the Trustee carried out a review of the legacy AVC arrangements in conjunction with its advisers. It was concluded that they were not offering members good value. As such, a project has now commenced to transfer all savings in the legacy AVC arrangements into the main Fidelity fund range. This is expected to be completed in the first half of 2025.

Processing of core financial transactions

Scheme administration for the DC Section, including the processing of financial transactions, is undertaken by the Plan Administrator, Fidelity. Processes adopted by the Plan Administrator to help meet the agreed service levels for processing financial transactions include:

- Full integration between their administration platform and dealing system.
- Electronic checking of financial transactions.
- Straight through processing for the majority of administrative functions.
- "Second set of eyes" checking for manual tasks.

The Trustee has received assurance from the Plan Administrator that core financial transactions have been processed promptly and accurately during the Scheme Year by requiring the Plan Administrator to comply with a service level agreement ("SLA"). Agreed SLAs cover the accuracy and timeliness of all core financial transactions and the Trustee receives quarterly management reports from Fidelity outlining performance against these service standards. In summary, each member case is assigned a service level target for completion of responses to members. The following timescales have been agreed with Fidelity for completion of work items.

Work item	SLA - days
Processing contributions	2 days
New accounts	5 days
Non vested leavers	10 days
Retirement cases - All	5 days
Transfers – In and out	5 days
Vested leavers	5 days
Special Communications	30 days

The Trustee regularly monitors the Scheme's core financial transactions against the agreed SLAs. These core financial transactions include the investment of contributions, transfers of assets into and out of the Scheme, fund switches and payments out of the Scheme in respect of members/beneficiaries.

The Trustee, having considered the reports received from the Plan Administrator on a quarterly basis throughout the year, has concluded that there have been no material administration errors in relation to processing core financial transactions (including investment of contributions, transfers in/out, investment switches and payments in and out of the Scheme) and that they have been processed promptly and accurately during the Scheme Year. Assurance has been obtained from the Plan Administrator that adequate internal controls are in place. The Society undertakes a programme of risk-based internal audits which includes the Scheme in their remit and the Trustee works closely with the Society to implement any recommendations for change. As such, the Trustee is satisfied that the Scheme's "core financial transactions" have been processed promptly and accurately during the Scheme year.

Charges and transaction costs

The Trustee has agreed that the charges year for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 shall be the same as the Scheme Year. Charges are negotiated by the Trustee with advice from the Investment Adviser.

Within the Scheme, members pay annual management charges plus any additional fund expenses. This is known as the total expense ratio ("TER"). These charges include administration and investment costs which are met by the members.

The current annual investment charges for the DC Section funds available for selection by members during the year to 31 December 2024 are set out below:

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Fund name	TER %/£ cost per £1,000 invested	2024 Transaction Costs
International Equity Investment Fund*	0.35% / £3.46	0.04%
Diversified Investment Fund*	0.42% / £4.20	0.03%
Pre-retirement Fund*	0.35% / £3.50	0.00%
Cash Fund*	0.35% / £3.50	0.00%
Emerging Markets Fund	0.35% / £3.50	0.00%
Shariah Equity Fund	0.53% / £5.30	0.00%
YBS Inflation-Linked Annuity Target Fund	0.34% / £3.43	0.02%
YBS Short Dated Corporate Bond Fund*	0.37% / £3.70	0.08%

Source: Fidelity

* The default lifestyle invests in these five funds. Four of these funds are also default arrangements in their own right.

The TER provides investors with details of the total annual costs involved in running an investment fund. This includes the annual management charge, plus other explicit charges incurred in administering the fund (these include share registration fees, legal fees, auditor, custodian fees etc.). Transaction costs are not included as they are not explicit costs and so these are shown in a separate column.

Transaction costs and gains are those incurred by fund managers as a result of buying, selling, lending or borrowing; and the underlying transaction costs are reflected in the unit price of each fund. This information has been provided by Fidelity on a basis prescribed by the Financial Conduct Authority and is set out in the table above. Sometimes, due to the calculation methodology, transaction costs can be negative. Where this is the case, zero has been used. The Trustee has obtained all transaction cost information for the main DC fund range from Fidelity.

The default lifestyle strategies automatically switch the funds where members are invested as they approach their target (or the default) retirement age, meaning the level of charges and transaction costs will vary depending on how close members are to this age. The TER applied to the default arrangement, the Scheme's current default lifestyle strategy, ranged from 0.345% to 0.42% per annum depending on how far a member is from retirement.

The TER applied to all other funds offered by Fidelity (including non-default arrangements) used by Scheme members ranged from 0.343% to 0.53% per annum. This is shown in more detail here: www.fidelitypensions.co.uk/costs-charges/YORK.

Legacy AVC arrangements

The Trustee and its advisors have used best endeavors to obtain transaction costs information for the legacy AVC policies for this Chair's Governance Statement. The charges and transactions costs, where available, are provided in the tables below.

Unit linked funds

Fund	Total annual charge (% pa)	2024 Transaction cost
Clerical Medical Halifax Fund	1.00%	0.00%
Standard Life Managed Pension Fund	0.675%	0.112%

With Profits Funds

Fund	Total annual charge (% pa)	2024 Transaction cost
Clerical Medical With Profits Fund	Implicit in bonuses provided	0.18%
Standard Life With Profits Fund	1.00%*	0.0268%
Standard Life Millennium With Profits Fund	1.00%*	0.032%

*Deducted from bonuses before they are paid so an implicit charge. This is the nominal declared charge.

The Trustee also holds a Deposit Account policy with Chelsea Building Society. The interest rates paid to members annually are paid after any implicit costs and charges have been deducted so no charge information was available. There were no transaction costs applied during the Scheme year.

Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Department for Work and Pensions has introduced legislation on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" to members of trust-based pension schemes that provide money purchase benefits. The Trustee has included a DC Costs and Charges illustration in **Appendix A**, which sets out the cumulative effect over time of the charges and transaction costs on the value of a range of realistic and broadly representative funds (within the default arrangement), fund sizes and contribution rates. As each member has a different amount of savings 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 several assumptions about what these might be.

The link below includes cost and charges information for the full range of available funds within the Scheme's DC section. These illustrations have taken account of the statutory guidance on disclosure charges and are updated quarterly by Fidelity: www.fidelitypensions.co.uk/costs-charges/YORK.

Assessment of Value for Members ("VFM")

The Trustee is committed to ensuring that members receive value for their Scheme membership (i.e. the costs and charges deducted from members' funds and contributions paid provide good value in relation to the benefits and services provided by or on behalf of the Scheme, when compared to the market as evidenced by the findings of the annual VFM report).

In line with the requirements of the Pensions Regulator's DC Code of Practice, this assessment considers the extent to which services paid for by members offer good value relative to those costs. It also considers more generally the range and quality of services and benefits associated with Scheme membership, including those benefits provided by the Society. The Trustee notes that it is difficult to give a precise legal definition of 'good value'.

The Trustee undertook a VFM assessment in April 2025, with support from the Investment Adviser. The assessment looked at three core 'pillars' including:

1. Investment returns - 50% weighting
2. Services – 30% weighting, and
3. Cost and charges – 20% weighting.

When assessing each of the three areas, the Trustee considered:

Investment returns – When assessing the default fund, the Trustee considered the performance compared to 'off-the-shelf' default investment strategies used by master trust providers. The assessment was split this into three key periods in the approach to retirement for members:

- Growth phase (35 years or more before retirement)
- Decumulation phase (10 years before retirement)
- Retirement phase (From retirement date)

Services– The Trustee identified 77 key features to assess the Scheme against. In order to make the process align with the Scheme's position and priorities, each key feature was allocated a rating based on the following weighting system: Fundamental (3 points), Beneficial (2 points) and Helpful (1 point). Based on the percentage of key features demonstrated and their respective weightings, a weighted average was calculated for Services.

Costs and charges - The benchmarking focused on comparing the Scheme against other WTW own trust-based clients and covers the charges of the growth fund used within the main default strategy. A percentage score was then applied.

An overall rating was then applied, based on the aggregated weighted scores across these three areas. The weighted

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score was then assessed as follows:

	Investment returns	Services	Costs and charges
Poor value	Poorly performing investments	Limited and/or poorly performing services	Top quartile costs and charges
Fair value	Broadly meeting investment benchmarks	Moderate level of services in line with the market	Broadly market average costs and charges
Good value	Meeting/exceeding investment benchmarks	Comprehensive and well performing services	Below market average costs and charges

It should be noted that when assessing value, this does not necessarily mean the lowest cost or fee. The Trustee considers the overall quality of the services members receive and considers whether the cost of this provides value for money.

The Trustee has concluded that overall, the Scheme provides ‘good value’, i.e. the value provided is better than the value offered by many other pension schemes in the market. The Trustee is now working through the suggestions to further improve member value. The assessment is shown in more detail below:

Area	Rating	
Net investment returns	Fair	<p>Investment performance – The investment returns were assessed as follows:</p> <ul style="list-style-type: none"> • Growth phase (over 35 years from retirement): ‘Higher range’ • 10 years to retirement: ‘Lower range’ • At retirement: ‘Lower range’ • Self-select funds: ‘Medium range.’ <p>Net investment returns: overall assessment – Looking holistically at the performance of pillar one, the overall view is that the investment returns fall in the medium range. The majority of the membership are in the growth phase of the default strategy, and will spend the most time in this phase, so the results of the growth phase are more heavily weighted than the returns provided close to retirement.</p>
Services	Good	<p>Services: overall assessment - The Scheme is currently assessed as demonstrating 68 out of a possible 76 relevant key features, with a weighted average score of 89%. This includes demonstrating 93% of the key areas of governance, administration and member services.</p>
Costs and charges	Fair	<p>Total Expense Ratios – The costs and charges for the Scheme’s default growth phase DC fund are 0.346% and assessed as “fair value” when compared to other bundled schemes.</p> <p>Transaction costs – Based on the analysis, the majority of the Scheme’s transaction costs over the reporting period are lower than the market averages within each sector. The transaction costs have not been considered in providing an overall value rating for the Scheme as transaction costs make up a relatively small proportion of the overall costs.</p> <p>Costs and charges: overall assessment – Considering the assessment of the total expense ratio of the default fund, the Scheme was assessed as in the mid-range.</p>

The Trustee will continue to work with its advisers to ensure that the Scheme continues to provide value and stays abreast of market developments where appropriate.

Trustee Knowledge and Understanding (“TKU”)

The Scheme’s Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee Director must have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to the investment of the assets of occupational pension schemes and the identification, assessment and management of risks and opportunities associated with climate change. Each Trustee Director is also required to be conversant with the Trust Deed and Rules of the Scheme, the Scheme’s SIP and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.

The Trustee Board has a broad range of skills and experience in both financial services and in the management of pension schemes. The Trustee has a succession plan in place for Trustee Directors, which considers the need to maintain a wide range of experience and skills on the Board as well as the need to consider diversity in any decision to appoint a new Trustee.

The Trustee has an established TKU process in place, which, together with the advice available to the Trustee from the Scheme’s actuaries, investment advisers, lawyers, and auditors, enables the Trustee Directors to properly exercise their functions as Trustee Directors of the Scheme.

The Trustee’s approach to meeting the TKU requirements includes (but is not limited to):

- Agreeing training that needs to be undertaken, which is delivered at Trustee meetings, or Sub Committee meetings, where appropriate. Specific Trustee Training events may also be organized by our advisers.
- Assessing legislation and general updates / current pension issues at Trustee meetings with professional advisers (including legal).
- Periodically, reviewing the training needs of the Trustee, with the latest full assessment undertaken in January 2023 and a shorter assessment during 2024.
- Carrying out a Trustee effectiveness survey with the latest results discussed at the meeting in January 2023 and a shorter assessment during 2024.
- For new Trustee Directors, completion of an induction programme, which includes completing tPR’s online trustee toolkit within six months of their appointment.
- Attend conferences, seminars and other trustee training events organised by the advisors, investment managers and the professional pensions bodies.

Relevant training undertaken by Trustee Directors is recorded in the Trustee Training Log. This Log is reviewed and updated regularly by all Trustee Directors.

During the period covered by this Statement, DC training received by the Trustee Board included the following:

Topic	Date	Provider	Duration
Quarterly Legal Update – General Code, cyber security, pensions tax changes	February 2024	Sackers	1 hr
ESG Training	March 2024	WTW	1.5 hrs
GDPR, Fiduciary duties refresher, General Code update	March 2024	DLA	1.5 hrs
Pensions Hot Topics - General Code	March 2024	WTW	15 mins
Trustee effectiveness, balance of powers, data protection and cyber security	March 2024	Seminar	4 hrs
General Code and impact of Autumn Statement	March 2024	YCBPS	3 hrs
Legal Updates DB and DC, investments, reviewing advisers	May 2024	SAUL	2 hrs
Pension Hot Topics – General Code	June 2024	WTW	15 mins
DC Section Strategy	July 2024	SAUL	2.25
Pension Hot Topics – General Code	September 2024	WTW	15 mins
Trustee behaviours, IT and Digital Strategy (admin systems),	September 2024	SAUL	3.5

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latest developments in DC			
DC Chair's Statement, Implementation Statement, VfM assessment	September 2024	SAUL	0,5
General Code & Cyber Security	November 2024	WTW	5 hours
Pension Hot Topics – General Code	November 2024	WTW	15 mins
DB and DC Investment Training – strategies and risk considerations	November 2024	WTW	2.5 hours
General Code and cyber security training	November 2024	WTW	4
Cyber Security Refresher	November 2024	VM UK Cyber Response Team	3.5 Hours
Small Lump sums and Trivial Commutation		WTW	0.75

During the period covered by this Statement, training received/attended by individual Trustees also included the following:

- Demystifying ESG for Trustees, ESG what it is and does it even matter?
- Biodiversity Loss & Development - What can and should Trustees be doing?
- PMI Award in Pension Trusteeship,
- Market and economic updates,
- Attendance at Pensions Conference including Better DC Pensions,
- DC and Master Trust symposiums,
- The Pensions Regulator General Code review, active vs passive investment funds, pension scheme governance, navigating DE&I, pension scheme consolidation options,
- Attendance at PLSA Conference - covering pensions adequacy, data, ESG, retirement income gap, value for members, General Code, member communications, pension dashboards,
- Attendance at DC Pensions Forum Seminar, Budget and Mansion House updates and practical steps in DC consolidation,
- Attendance at WTW pension and savings conference,
- Attendance at Roundtable discussion with L&G CEO.

In addition, the Chair of Trustees is a professional pension scheme trustee and therefore is an accredited member of the Association of Pension Trustees which requires regular training and adherence to continued professional development of the APPT and any other professional bodies of which he is a member.

For the period covered by this Statement, the TKU requirements were met through a combination of the above and the Trustee is therefore compliant with tPR's DC Codes of Practice 7 and 13. The Trustee is satisfied that it has met the relevant legislative requirements enabling the Board to properly exercise its duties.

Trustee Directors undertook an aggregate of c. 209 hours of training during the period covered by this Statement. All training is documented in the Trustee's training log.

All the Trustee Directors are familiar with and have access to the current Scheme governing documentation, including the Trust Deed and Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases. Examples of the Trustee reviewing the Trust Deed and Rules includes making decisions in relation to individual member cases such as death benefit discretions with consideration to the Trustee's powers under the Trust Deed and Rules. This has helped the Trustee demonstrate compliance with tPR's requirement to have a working knowledge of the Trust Deed and Rules. The review of Trustee documents and policies throughout the Scheme year included: the Scheme's Operational Risk Register (quarterly), and conflicts of interest register (considered at each Trustee meeting) This helped the Trustee with meeting the Pension Regulator's requirement to have a working knowledge of all documents setting out the Trustee's current policies.

The Trustee Directors have also taken advice from specialist pensions, investment, and actuarial advisers (WTW), legal advisers (DLA Piper) and communications advisers (Gallagher), to help them to achieve their objectives and requirements

and have used their knowledge and understanding to challenge that advice where appropriate. Adviser appointments are reviewed periodically by the Trustee.

The Trustee Directors are satisfied that their combined knowledge and understanding, coupled with advice from specialist pensions, legal and communications advisers, has enabled them to carry out their functions as trustees of the Scheme properly, and to achieve their goals effectively for the year.

The Scheme has in place a conflicts of interest policy. Trustee Directors record potential conflicts of interest at each Trustee meeting and take appropriate steps to manage these.

Defined Benefit Section

The DB section is closed to new employees and closed to all future benefit accrual with effect from 1 January 2016; however, those who were active members of the Scheme when the Scheme closed retained a 'final salary link' in respect of their final salary benefits.

The Trustee has established governance processes within the DB section of the Scheme across six key areas:

- Risk management;
- Funding and investment;
- Sponsor's (YBS Group) covenant;
- Administration and data processing;
- Member communications; and
- Conflicts, relationships and responsibilities.

The Trustee places good governance and oversight at the core of the DB section's management:

- The Trustee monitors the governance of the DB section of the Scheme at quarterly Governance and Operational Risk Committee meetings and is committed to achieving and retaining the high standards which members would expect. The current sub-committees are in the process of being re-structured with the introduction of the 'Audit and Risk Committee' and 'Communication and Administration Committee', but this process is not yet complete.
- The Trustee regularly monitors the key risks at Trustee meetings, taking into consideration tPR's guidance on Integrated Risk Management. Reports are produced and any action required is discussed and noted at subsequent meetings. A formal review of the Integrated Risk Management Report is undertaken on an annual basis to ensure that the key risks and the risk mitigation plan reflect evolving requirements.

The Trustee has been reviewing its governance processes and procedures in light of the legislative and regulatory changes that form part of the Pensions Regulator's General Code of Practice. As well as considering the impact on Trustee policies, the Trustee has been working to refine its approach to risk management, to more closely align with the requirements of the General Code.

There has been an increased focus and training around improving standards of trusteeship following tPR's developments in this area.

- Administration – the Trustee continues to work with its third-party administrators on overseeing administrative practices, member services and improving member data. Current and recent initiatives include:
 - An annual member existence and tracing exercise.
 - The GMP rectification exercise has been completed.
 - Ongoing monitoring and refinement of current processes for efficient processing of DB transfer requests and improved communications for members considering a transfer. This follows "A Guide to Good Practice" published by the Pensions Administration Standards Association (PASA).
 - Launch of a secure online service which enables members to request quotes online and access their scheme documents in a secure portal.
- In October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined

benefit pension schemes. The judgment concluded schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. In November 2021 the High Court also ruled that pension schemes will need to revisit individual transfer payments made since May 1990. Under the rulings, schemes are required to backdate benefit and transfer out adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

In 2024 the Trustee completed the GMP equalisation calculations for the majority of current scheme members and, where applicable, back payments and/or pension adjustments were made. The remainder of the GMP equalisation project, including the remaining current members and past transfer payments, is expected to be completed in 2025 although it is expected that due to the need to trace a number of members some work is likely to continue beyond this date – this will become part of ongoing scheme administration. Members should be aware that completion of this exercise may not lead to a change in benefits payable.

- Preparation for the new requirements from the Pensions Regulator and as a result of the Pensions Act 2021, including work to define the long-term funding and investment plans for the Scheme.

As described on page 2, the Trustee continues to monitor Global events and their impact on both the assets and the liabilities within the Scheme, particularly focusing on the impact on members.

The Trustee works closely with its advisers to understand how ESG factors influence the decisions that it takes. The Trustee is subject to the requirement to produce disclosures in line with the recommendations of the Task Force on Climate related Disclosures (“TCFD”), as transposed into UK law in 2021. The Scheme published its first report in July 2023 (a project for which the Trustee initially established a Working Party but is now monitored by the Investment Sub-Committee) and an updated report is now available to view at the link below.

https://ybspensionscheme.co.uk/documents/YBS_TCFD_Report_Jul2025.pdf

As part of the report, the Trustee carries out analysis to understand potential impacts of climate change on the Scheme and its members and will continue to monitor this area as part of its management of the Scheme’s risks. The latest analysis was carried out at the end of 2024 and will be published as part of the 2025 iteration of the TCFD report.

In November 2018, the Trustee entered into an arrangement with Pension Insurance Corporation whereby a portion of the benefits for current pensioners are covered by an insurance contract (known as a “buy-in”). This exercise helped the Trustee increase the security of members’ benefits, whilst also helping manage the risks within the Scheme. Under the buy-in contract, the responsibility for the pension benefits remains with the Scheme.

Following the completion of the 2019 triennial actuarial valuation, the Trustee progressed with a review of the Scheme’s DB investments, with the support of its investment adviser, in order to more closely match the Scheme’s liabilities and assets, and to protect the improvements in the Scheme’s funding position. The Trustee considered the appropriateness of carrying out a further buy-in during the review period and concluded that this was not the right time to do so. This will be considered again as the Scheme matures.

The Trustee remains comfortable with the investment strategy and maintaining a lower level of investment risk and took some strategic actions in 2022 to manage the risks to the Scheme’s investments from rising interest rates. The Trustee continues to review the strategy on an ongoing basis. Alongside this, the Trustee also regularly monitors the performance of the funds in which the Scheme is invested, with support from the Investment Adviser, and meets the Scheme’s investment managers on an annual basis as part of ongoing due diligence.

The Scheme’s most recent actuarial valuation was carried out with an effective date of 31 December 2022 and revealed that there was a surplus of assets of £12.1 million.

DB Member Additional Voluntary Contributions (“AVCs”)

As set out above, most unit-linked AVC assets of the Scheme are invested in a separate Fidelity arrangement which mirrors the funds, terms and conditions of the Scheme’s DC Section. The Scheme also has a small amount of AVC assets with several legacy providers. Further details can be found as set out above in the DC Section of this report.

The Trustee has concluded that the Fidelity AVC arrangements represent fair value for members, particularly given the lower charges available from Fidelity and the ability to use AVCs as the first port of call for the Pension Commencement Lump Sum.

Signed by the Chair on behalf of the Trustee of the Yorkshire Building Society Pension Scheme

Inder Dhingra

Inder Dhingra

Date: 23 June 2025

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

Appendix A

Fidelity's DC Cost and Charges Illustrations

The following tables give a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. Projected fund values are rounded to the nearest hundred. The illustrations are based on data to 31 December 2024 and provided by Fidelity.

Example of the effect of costs on an average member's investments

Effect for a member 50 years prior to target retirement date

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£8,040	£8,020	£40,100	£40,000	£34,100	£33,900
3	£18,700	£18,600	£55,200	£54,700	£36,400	£36,000
5	£32,300	£32,000	£71,300	£70,200	£39,000	£38,200
10	£70,600	£69,100	£116,000	£113,000	£46,100	£44,400
20	£169,000	£162,000	£233,000	£221,000	£64,500	£59,700
30	£300,000	£281,000	£389,000	£359,000	£88,300	£78,500
40	£420,000	£382,000	£525,000	£471,000	£104,000	£89,300
50	£546,000	£483,000	£666,000	£582,000	£120,000	£98,400
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

Effect for a member 40 years prior to target retirement date

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£8,040	£8,020	£40,100	£40,000	£34,100	£33,900
3	£18,700	£18,600	£55,200	£54,700	£36,400	£36,000
5	£32,300	£32,000	£71,300	£70,200	£39,000	£38,200
10	£70,600	£69,100	£116,000	£113,000	£46,100	£44,400
20	£165,000	£158,000	£228,000	£217,000	£63,100	£58,300
30	£260,000	£243,000	£335,000	£309,000	£74,800	£66,400
40	£362,000	£330,000	£448,000	£403,000	£85,900	£73,100
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

Other defaults

The table of fund costs shows the charges that apply to the various investment options available to you through the pension Scheme and the illustrations shows how they could affect the growth of a pension plan.

Further information on your investment options can be found within the Scheme literature and fund factsheets. These can be found online at www.planviewer.co.uk. Further notes and assumptions used for these illustrations can be found further down the page.

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

International Equity Investment Fund

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,040	£6,020	£40,100	£40,000	£34,100	£33,900
3	£18,700	£18,600	£55,200	£54,700	£36,400	£36,000
5	£32,300	£32,000	£71,300	£70,200	£39,000	£38,200
10	£70,600	£69,100	£116,000	£113,000	£46,100	£44,400
20	£169,000	£162,000	£233,000	£221,000	£64,500	£59,700
30	£307,000	£287,000	£397,000	£367,000	£90,300	£80,300
40	£500,000	£455,000	£627,000	£564,000	£126,000	£108,000
50	£771,000	£682,000	£948,000	£828,000	£176,000	£145,000
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

Diversified Investment Fund

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£5,970	£5,960	£39,400	£39,300	£33,400	£33,300
3	£18,200	£18,000	£52,600	£52,100	£34,400	£34,000
5	£30,700	£30,400	£66,200	£65,200	£35,400	£34,700
10	£63,800	£62,500	£102,000	£99,100	£38,100	£36,500
20	£137,000	£131,000	£181,000	£172,000	£44,100	£40,500
30	£223,000	£208,000	£274,000	£253,000	£51,000	£44,900
40	£322,000	£293,000	£381,000	£343,000	£59,000	£49,800
50	£436,000	£388,000	£504,000	£443,000	£68,200	£55,300
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

Pre-Retirement Fund

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,040	£6,030	£40,100	£40,000	£34,100	£34,000
3	£18,700	£18,600	£55,200	£54,700	£36,400	£36,100
5	£32,300	£32,000	£71,300	£70,400	£39,000	£38,300
10	£70,600	£69,300	£116,000	£113,000	£46,100	£44,500
20	£169,000	£162,000	£233,000	£223,000	£64,500	£60,200
30	£307,000	£289,000	£397,000	£370,000	£90,300	£81,300
40	£500,000	£460,000	£627,000	£570,000	£126,000	£109,000
50	£771,000	£691,000	£948,000	£839,000	£176,000	£148,000
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

Cash Fund

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£5,910	£5,900	£38,700	£38,600	£32,800	£32,700
3	£17,800	£17,500	£50,100	£49,700	£32,500	£32,100
5	£29,200	£29,000	£61,500	£60,600	£32,200	£31,600
10	£57,800	£56,800	£89,300	£87,100	£31,400	£30,200
20	£113,000	£109,000	£142,000	£136,000	£29,900	£27,800
30	£165,000	£156,000	£194,000	£182,000	£28,400	£25,500
40	£215,000	£200,000	£242,000	£224,000	£27,100	£23,400
50	£263,000	£241,000	£288,000	£262,000	£25,800	£21,500
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

Other funds

Shariah Equity Fund

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,040	£6,020	£40,100	£39,900	£34,100	£33,900
3	£18,700	£18,500	£55,200	£54,500	£36,400	£35,900
5	£32,300	£31,800	£71,300	£69,900	£39,000	£38,000
10	£70,600	£68,600	£116,000	£112,000	£46,100	£43,700
20	£169,000	£159,000	£233,000	£217,000	£64,500	£58,000
30	£307,000	£280,000	£397,000	£357,000	£90,300	£76,900
40	£500,000	£440,000	£627,000	£542,000	£126,000	£102,000
50	£771,000	£652,000	£948,000	£788,000	£176,000	£135,000
	Reduction in yield: 0.6%		Reduction in yield: 0.6%		Reduction in yield: 0.6%	

YBS Inflation-linked Annuity Target Fund

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,070	£6,060	£40,500	£40,300	£34,400	£34,300
3	£19,000	£18,900	£56,500	£56,000	£37,500	£37,100
5	£33,100	£32,800	£74,000	£73,000	£40,900	£40,200
10	£74,200	£72,800	£124,000	£121,000	£50,700	£49,000
20	£188,000	£181,000	£266,000	£253,000	£77,900	£72,700
30	£363,000	£341,000	£483,000	£449,000	£119,000	£108,000
40	£633,000	£580,000	£817,000	£740,000	£184,000	£160,000
50	£1,040,000	£934,000	£1,330,000	£1,170,000	£282,000	£238,000
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

YORKSHIRE BUILDING SOCIETY PENSION SCHEME

Lump Sum Lifestyle Strategy New

Effect for a member 50 years prior to target retirement date

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,040	£6,020	£40,100	£40,000	£34,100	£33,900
3	£18,700	£18,600	£55,200	£54,700	£36,400	£36,000
5	£32,300	£32,000	£71,300	£70,200	£39,000	£38,200
10	£70,600	£69,100	£116,000	£113,000	£46,100	£44,400
20	£169,000	£162,000	£233,000	£221,000	£64,500	£59,700
30	£300,000	£281,000	£389,000	£359,000	£88,300	£78,500
40	£420,000	£382,000	£525,000	£471,000	£104,000	£89,300
50	£533,000	£472,000	£650,000	£568,000	£117,000	£96,000
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

Effect for a member 40 years prior to target retirement date

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £500pm		Starting fund: £33,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,040	£6,020	£40,100	£40,000	£34,100	£33,900
3	£18,700	£18,600	£55,200	£54,700	£36,400	£36,000
5	£32,300	£32,000	£71,300	£70,200	£39,000	£38,200
10	£70,600	£69,100	£116,000	£113,000	£46,100	£44,400
20	£165,000	£158,000	£228,000	£217,000	£63,100	£58,300
30	£260,000	£243,000	£335,000	£309,000	£74,800	£66,400
40	£353,000	£322,000	£437,000	£393,000	£83,700	£71,400
	Reduction in yield: 0.4%		Reduction in yield: 0.4%		Reduction in yield: 0.4%	

From 1 October 2023 the regulations changed to improve the calculation method of the assumptions we use to calculate estimated growth. All pension schemes, including Fidelity, now use growth rates that are based on how fast the value of a fund goes up and down over the previous five years, this is known as volatility. Where fund data is not available for the past 5 years, we have used another fund. The above estimated rates show how different funds might grow, (before adjustments for inflation). The growth rate assumptions to be used are either 2%, 4%, 6% or 7% depending on the investment funds' volatility. Inflation is assumed to be 2.5 % each year, and the figures in the illustrations above are shown in real terms. This means we work out what the estimated growth rate of the fund will be allowing for the impact of inflation.

Fidelity's further notes and assumptions

1. Projected pension fund values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to be 2.5 % each year.
3. For Lifestyle Strategies and Target Date Funds the projections take into account the changing proportion invested in the different underlying funds over time and the growth rates may be a blend of those shown above.
4. Any data used within the illustrations is the data held as at the last quarter end.

5. Where on-going contributions are assumed, these increase in line with inflation each year.
6. Illustrations have been shown using a range of starting fund values and future contribution levels.
7. The starting fund value used in the projections is representative of the average for this Scheme based on all members having holdings in the scheme (subject to a minimum of £1 000).
8. The future contribution used in the projections is representative of the average for this Scheme based on the number of members currently contributing into the Scheme (subject to a minimum of £100).
9. Funds and Strategies displayed are those that were available within the Scheme as at the end of the last quarter (please note these may not be available for selection). Any new fund(s) introduced during the quarter will only be displayed as from the start of the next quarter.
10. There may be more than one lifestyle strategy or fund defined as a default arrangement by law but only one is shown as the default investment choice. Where there are different strategies in place for different contribution types, unless specified by the Scheme, the default will be determined by the company contribution in the first instance.
11. If the underlying fund provider(s) has not provided transaction costs, then projections have been made using just the available Total Expense Ratio figure.
12. The projections assume that no withdrawals are made prior to Scheme Pension Age.

Yorkshire Building Society
Pension Scheme

Implementation Statement

**For year ending 31
December 2024**

May 2025

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Section 1: Introduction

This document is the Annual Implementation Statement (the "Statement") prepared by the Trustee of the Yorkshire Building Society Pension Scheme (the "Scheme") covering the "Scheme Year" from 1 January 2024 to 31 December 2024 in relation to the Statement of Investment Principles ("SIP").

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Scheme's Statement of Investment Principles ("SIP") required under section 35 of the Pensions Act 1995 has been followed during the year
- detail any reviews of the SIP the Trustee has undertaken and any changes made to the SIP over the Scheme year as a result of the review
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this implementation statement is made available on the following website:

<https://www.ybspensionscheme.co.uk/>

Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated once during the Scheme Year, which was drafted and issued in November 2024. Material changes to the SIP included:

- Updates to the investment strategy of the DB section to reflect the decision to focus on managing the portfolio excluding the buy-in and to allow the asset allocation to vary with market conditions. The target return was thus updated to a target of Gilts + 0.9% to 1.2% pa for the ex-buy portfolio.
- Exclusion of Secure Income Assets from the Section's liability hedging position, due to a reduced allocation to the asset class.
- New wording regarding currency risk management under the Risk and Regulation section for the DB section. The new wording reflects the monitoring of the Section's currency exposure at the portfolio level by the Trustee.
- Addition of the new Short Dated Corporate Bond Fund as a default fund within the investment strategy section for the DC section.
- Other minor wording and formatting changes

The November 2024 SIP is the version referenced in the following Sections of this document, where we set out how the principles have been implemented. Where new Trustee policies have been added to the SIP that was in place at the start of the Scheme year, we have referenced how these have been implemented from the period of adoption to the end of the Scheme year.

Section 3: Adherence to the SIP

In this section, we comment on each of these sections and how the Trustee has implemented the principles within each one.

DB Investment Policy Objectives

The Statement of Investment Principles sets out the principal responsibilities and investment policy objectives of the Trustee for the DB section of the Scheme. The Trustee is satisfied that the objectives, as set out in this section of the SIP, have been followed during the Scheme year. During the year the Trustee reviewed the DB investment strategy as part of the continued strategy transition post the gilts crisis in 2022. An increase in the allocation to synthetic equities was agreed in order to increase the expected return on the portfolio following a reduction in allocation to Secure Income Assets.

DC Investment Policy Objectives

With regard to the DC section, the Trustee is satisfied as of the date of this statement:

- a) A range of lifestyle options (including a default lifestyle option) and self-select funds across different asset classes are available for members to invest in, enabling them to mitigate a range of risks and to meet different pension objectives
- b) The trustee last reviewed a Value for Money (VfM) assessment in May 2024, as provided by WTW. As part of the assessment, WTW reviewed whether the charges, Scheme governance and management, Investment services, Admin services, and Communications services were being provided at fair value to DC members. Following the review, the Trustee deemed that no action was required, and the next VfM assessment is due to be reviewed in Q2 2025.

Through 2024, the following strategic changes were implemented within the DC section, as agreed upon as part of the investment strategy review in 2023.

- To switch 50% of the allocation to the YBS Pre-Retirement Fund, within the Flexible and Lump Sum Lifecycle strategies, to a new fund – the YBS Short Dated Corporate Bond Fund – in order to better manage risk for members as they progress towards their retirement date
- To switch the assets in the Over 5 Year Index Linked Gilt Fund to the LGIM Inflation-Linked Annuity Aware Fund so as to provide a better match for members intending to purchase an inflation-linked annuity at retirement

Other investment policies

The Trustees take the considerations below into account when selecting and monitoring the performance of investment managers.

Policy area	Approach and actions taken over the Scheme Year
Section 13 – DB section	The Trustee reviews the expected return on the Scheme's assets in conjunction with reviewing its long-term objectives for the Scheme as part of regular IRM reporting at each Investment Sub-committee and Trustee meeting. The Trustees agreed to update key reporting metrics within this document through 2024 as a result of the DC
The expected return of an investment will be monitored regularly and will be directly related	

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to the Scheme's investment objective.	investment strategy review in 2023 and the DB investment strategy review in 2024.
Section 15 - DB section There will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances.	The Trustee undertakes several measures to ensure there is sufficient liquidity within the Scheme's assets. Firstly, the Trustee holds liquidity within the Trustee bank account to manage day-to-day ongoing cashflow requirements. Secondly, the Trustee holds liquidity accounts managed by Insight, which invest in short-term money market securities. The majority of the Scheme's investment managers also distribute income to the Scheme periodically and the Trustee review the cashflow position of the Scheme on an ongoing basis.
Section 26 – DC Section Monitor the range of options regularly and at least every 3 years to ensure that the investment options are sufficiently diverse and consistent with the risk profile of DC members.	The Trustee reviews the DC investment strategy on a three-yearly basis or when considered necessary. The most recent review concluded in 2023, with changes (outlined earlier in this Statement) implemented through 2024. The review included consideration of the self-select fund options, and the Trustee is satisfied that these offer sufficiently diverse choices for members.
Section 30 – DB and DC Take advice from the investment consultant to ensure the investment strategy and selected investment managers are suitable for the Scheme and review the suitability of the funds offered from time to time. Undertake due diligence on investment managers prior to appointment and subject to any concerns about the investment manager or change to the fund structure.	The Trustee reviews the DB and DC investment strategies on a three-yearly basis or when considered necessary. The most recent review of the DC Section concluded in 2023 and included consideration of the suitability of funds and fund managers. The Trustee reviewed the strategy for the DB Section through 2024, and this resulted in an increased allocation to synthetic equities in order to maintain return expectations following the completion of disinvestment from the BlackRock SAIF (illiquid fund). The decision was also made to allow the asset allocation to vary over time in response to market conditions rather than rebalancing to a defined Strategic Asset Allocation. Instead, the Trustee focuses on maintaining a range of portfolio risk and liquidity metrics within tolerance.
Section 31 – DB and DC Set general investment policy and delegate the responsibility for selection of specific investments to appointed investment managers.	The Trustee, upon advice from its investment consultant, sets the asset allocation in line with the Scheme's overall objectives. This allocation is allowed to vary with market conditions, with the Trustee monitoring overall exposure to key asset classes and portfolio level risk and liquidity metrics. The selection of specific investments remains delegated to the Scheme's investment managers, and the Trustee reviews the performance of the managers against appropriate benchmarks on a quarterly basis.
Section 32 – DB and DC	The Trustee, upon advice from its investment advisor, has set measurable objectives for each of the Scheme's funds to monitor

Maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long-term objectives, at an acceptable level of risk.

performance against and reviews this performance on a quarterly basis.

To undertake additional monitoring of the Scheme's investments, the Trustee invites its managers to attend annual operational due diligence meetings. As part of these meetings, the Trustee reviews any portfolio changes over the year or changes at the manager, as well as reviews performance and the manager's sustainability practices. The Trustee last met with managers in Q1 2025 and noted no particular concerns. The Trustee used these meetings to understand each manager's approach to climate risk and ESG and to encourage further progress in this area. The Trustee also receives regular updates from the investment managers either directly or via its investment advisor and has noted no concerns or action at this time.

**Section 33 – DB and DC
Review the policies of each of the investment managers from time to time.**

The Trustee has not reviewed the investment policies of the Scheme's investment managers over the scheme year. However, the Trustee met with the Scheme's investment managers in Q1 2025 as part of the annual operational due diligence meetings, where no significant changes in the managers' policies were noted since the last review at the previous year's meetings.

**Section 35 – DB and DC
Monitor both sections' investment performance and adherence to respective mandates and review the nature of the investments held periodically.**

The Trustee reviews and discusses quarterly monitoring reports provided by the Scheme's investment advisor at each ISC and Trustee meetings. These reports cover both the DB and DC sections of the Scheme and utilise information provided by the investment managers to provide detailed insights into a range of qualitative and quantitative factors. As part of reviewing these reports, the Trustee considers whether the level of diversification within the Scheme's assets is sufficient to mitigate the risks faced by the Scheme and whether the DC lifestyle and self-select options remain aligned with the Scheme's objectives.

The Trustee has also appointed an independent performance measurer who collates and calculates performance for the DB section of the Scheme. This was previously provided by the Scheme's pensions team. The Trustee considers this performance data as part of its review process.

**Section 36 – DC
Review the extent to which the return on investments relating to the default arrangement is consistent with the aims and objectives of the Trustee in respect of the default arrangement.**

Please see Section 35.

In 2024, the Trustee reviewed the performance of the default and alternative lifestyle options through a "strategy monitoring report" provided by the investment adviser. This report considered the expected outcomes for members and how these are impacted by actual performance and future expected returns.

Section 37 – DB and DC

Appoint investment managers with an expectation of a long-term partnership in order to encourage active ownership of the Scheme's assets.

When reviewing the performance of the Scheme's investment managers on a quarterly basis, the Trustee assesses performance over 3 and 5 years, as well as on a shorter-term basis, to ensure it focuses on long-term outcomes. The Trustee also considers the active ownership of the Scheme's assets by reviewing its investment managers as part of annual due diligence meetings and the Scheme's annual Sustainable Investment review.

During the Scheme year, the Trustee noted no factors or concerns that would warrant the termination of any of the Scheme's investment managers. However, a reduction in holdings in the BlackRock SAIF was completed to increase portfolio liquidity.

Section 38 – DB and DC

Ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with the Trustee's policies.

Set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

The Trustee, as part of its quarterly monitoring, considers and reviews each of the investment objectives of the Scheme's DB and DC fund ranges to ensure that the funds are performing in line with their stated objectives. The Trustee has set guidelines for its segregated mandates after taking advice from its investment consultant that these guidelines are appropriate for the policies and objectives of the Scheme.

Section 39 – DB and DC

Maintain alignment by providing managers with the most recent version of the Scheme's Statement of Investment Principles on a regular basis and confirm with the managers that the management of the assets are consistent with those policies relevant to the mandate in question.

Confirm with managers whether they believe there is any misalignment between the objectives and guidelines of the fund(s) they manage on behalf of the Scheme, or the

During 2024, the Trustee shared the Scheme's SIP with the investment managers, who confirmed that they manage the Scheme's assets in line with the investment guidelines. The majority confirmed that they believe these guidelines to be consistent with the Scheme's SIP. In some instances, the managers were not able to confirm compliance with the SIP, but overall, following advice from the investment advisor, the Trustee noted no concerns.

manager's approach to sustainable investment, and the Trustee's policies.

Section 40 – DB and DC

Engage with the investment manager to ascertain the reasons if, for pooled funds, a fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, and determine whether closer alignment can be achieved.

Include specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities as part of this monitoring process.

Terminate and replace a manager if, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory.

Alongside reviewing performance reporting on the Scheme's investments, the Trustee also receives a Sustainable Investment report from its investment advisor on an annual basis (with the last review being undertaken in November 2024). This report assists the Trustee in reviewing its investment managers' sustainable investment practices, reporting and engagement levels to understand whether the manager and strategy's approach to sustainability is aligned with the Trustee's policy.

Over the scheme year, the Trustee did not find any circumstances of misalignment to warrant further engagement with any of the Scheme's investment managers.

Section 42 – DB and DC

Review the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover.

The Trustee undertakes regular reviews of the costs of managing the Scheme's assets including the costs incurred with Fidelity (the DC scheme provider) and WTW (investment advisors). During the scheme year, the Trustee has reviewed investment manager fees incurred including transaction costs and noted no concerns. The Trustee also reviewed the DB Section's investment manager fees relative to comparable mandates. The Trustee has also reviewed portfolio turnover levels and noted no concerns. The Trustee also reviewed the overall costs of the DC Section's default strategies and, with the support of WTW, produced an annual value for money assessment as part of the Scheme's Chairs statement. The Trustee noted no concerns, and no action was deemed necessary from the review.

Section 48 – DB and DC

Take into account ESG factors, including climate change, when reviewing current and new investment opportunities.

The Trustee reviewed how ESG factors are incorporated into the Scheme's current investments through the annual Sustainable Investment review in November 2024. No action was deemed necessary as a result of the review.

In the DB Section, the Trustee did not consider any new investment opportunities during the scheme year.

In the DC Section, the Trustee considered ESG factors and climate change as part of the process for selecting the new Short Dated Corporate Bond Fund with BlackRock. The fund scored well under the sustainability criteria considered.

Section 50 – DB and DC

Delegate the responsibility to take ESG principles into account to its investment managers, and periodically review these policies through reporting or direct engagement with investment managers as appropriate.

The Trustee recognises that there is a variety of Environmental, Social and Governance (ESG) risks and, to understand these risks further, undertook a Sustainable Investment review in November 2024.

As part of this, the Trustee reviewed information on its managers' approaches to sustainability integration, as well as voting and engagement activities where appropriate. The Trustee also ensures that it remains up to date with any regulatory requirements regarding sustainability as part of these reviews and more frequently if required. The Trustee does not undertake feedback on member views on sustainability over the scheme Year as they do not believe it is appropriate or practical for the Scheme at this time.

No specific action was deemed necessary as a result of the Trustee's review.

Section 52 – DB and DC

Delegate the exercise of voting rights to the investment managers.

Encourage managers to vote in line with their guidelines in respect of all resolutions.

Expect managers to report regularly on votes cast and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.

The Trustee receives and reviews information on its investment managers' voting activity and the ESG impact of its investments, and this is carried out annually as part of writing the Trustee's implementation statement and the annual Sustainable Investment review provided by its investment consultant. More details on this can be found in Section 4 of this statement.

Overall, where applicable, the Trustee is comfortable with the managers' voting behaviour over the scheme Year and took no action as a result of the information provided.

Section 53 – DB and DC

Expect the investment managers to invest with a medium to long time horizon and use voting activity to drive improvements in performance.

As part of the Scheme's annual Sustainable Investment Review, the Trustee reviews the engagement activity of the Scheme's investment managers, where appropriate.

Over the scheme year, the Trustee was comfortable with the high level of engagement and voting undertaken by the investment managers, where appropriate. No action was taken as a result.

Section 54 – DB and DC

Recognise the UK Stewardship Code as best practice and encourage their Investment Managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy

As part of the Scheme's 2024 Sustainable Investment review the Trustee received confirmation that their investment managers comply with the UK stewardship code, with the exception of Nephila, who manages the Scheme's investment in reinsurance. As the strategy invests in over-the-counter non-tradeable contracts without voting rights attached, certain aspects of stewardship are less applicable for this strategy relative to other assets the Scheme invests in. The Scheme is also in the process of disinvesting from this fund.

Section 55 and 56 – DC

Policy on investing in illiquid investments in relation to the DC default arrangements.

The DC default arrangements do not invest directly in illiquids but may access indirectly (at the discretion of the investment manager) through the holding in the Diversified Investments Fund. The Trustee discussed this with LGIM as part of the 2025 due diligence day meetings and will continue to monitor this in the future.

Section 4: Voting and engagement

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its investment managers. However, to monitor how the Scheme's investment managers integrate ESG and undertake stewardship activities on the Trustee's behalf, the Trustee undertakes an Annual Sustainable Investment review via analysis provided by its Investment Advisor. These reports contain information on ESG integration and a traffic light rating for the investment managers' capabilities in this area, as well as data on voting and engagement where applicable. As part of this report, the Trustee also reviewed, where applicable, an analysis of the ESG scoring of the underlying holdings of the Scheme's listed investments.

Overall, following the review carried out this year, the Trustee remained comfortable with the investment managers' approach to ESG integration and noted no cause for concern.

As part of monitoring the stewardship of the Scheme's investments, the table below sets out the voting activities of the Scheme's investment managers. This includes any votes cast on the Trustee's behalf, details on the Scheme's investment manager's use of proxy voting and examples of votes cast that they deem to be significant. Some of the Scheme's underlying investment strategies, such as fixed income (where these holdings do not have voting rights attached) or property (where voting is not applicable due to the high level of ownership and control), have been excluded from the table below.

The table below reflects the voting data as provided by the Scheme's investment managers. The Trustee has also set out further detail in a Supplementary Voting Activity Report on voting activities that the Scheme's investment managers have carried out on behalf of the Scheme throughout the scheme Year. At the beginning of 2024, the Trustee undertook a training session on ESG in which the stewardship priorities of climate change and DEI (diversity, equity and inclusion) were chosen. The choice of most significant votes reflects these stewardship priorities.

Scheme section	Manager and strategy	Portfolio structure	Voting activity	Most significant votes cast	Use of proxy voting
DC	BlackRock Emerging Markets Fund	Pooled Equity Fund	22,910 (voted on 99.2% of eligible resolutions) 11.8% of votes against management / 3.4% abstained	Accton Technology Corp (DEI) Agriculture Bank of China Limited (Climate Change) Air China Limited (Climate Change)	BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis. BlackRock have outlined that they do not follow any single proxy research firm's voting recommendations but use Institutional Shareholder Services' (ISS) electronic platform to execute its vote instructions.
DC	HSBC Islamic Global Equity Index Fund	Pooled Equity Fund	1,677 (voted on 94.0% of eligible resolutions) 22.0% of votes against management / 0.0% abstained	Apple Inc. (DEI) Amazon.com, Inc. (Climate Change) Broadcom, Inc. (DEI)	HSBC uses the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their own bespoke voting guidelines.

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DC	LGIM Diversified Fund	Pooled Multi-Asset Fund	108,048 (voted on 99.8% of eligible votes) 23.4% of votes against management / 0.9% abstained	Shell Plc. (Climate Change) National Grid Pls (Climate Change) Unilever Plc (Climate Change)	Uses proxy voting recommendations to augment its own research, but ultimately all voting decisions are made by LGIM
DC	LGIM World ex UK GBP Hedged Equity Index Fund	Pooled Equity Fund	33,453 (voted on 99.7% of eligible votes) 21.6% of votes against management / 0.3% abstained	Meta Platforms, Inc. (DEI) Exxon Mobil Corporation (Climate Change) United Health Group Incorporated (DEI)	
DC	LGIM MSCI Adaptive Capped ESG Index Fund	Pooled Equity Fund	35,924 (voted on 99.7% of eligible votes) 20.2% of votes against management / 1.39% abstained	HCA Healthcare, Inc. (DEI) United Rentals, Inc. (DEI) Holcim Ltd. (Climate Change)	
DC	LGIM UK Equity Index Fund	Pooled Equity Fund	10,188 (voted on 100.0% of eligible votes) 6.1% of votes against management / 0% abstained	Shell Plc (Climate Change) Unilever Plc (Climate Change) Glencore Plc (Climate Change)	

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Section 5: Summary and conclusions

The Trustee consider that all SIP policies and principles were adhered to over the Scheme Year.

Statement of Investment Principles

Yorkshire Building Society Pension Scheme (November 2024)

Introduction

- 1 This document is the Statement of Investment Principles (the "SIP") made by the Trustee of the Yorkshire Building Society Pension Scheme (the "Scheme") in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).
- 2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee took written advice from the Scheme's Investment Consultant (Towers Watson Limited) and consulted the Principal Employer, Yorkshire Building Society (the "Society"). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.
- 3 The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries. The Scheme provides both a Defined Benefit ("DB") and Defined Contribution ("DC") pension arrangement. These two arrangements are considered both separately and together in different areas of this Statement.

Scheme objectives – DB Section objectives

- 4 The Trustee's policy is to seek to achieve the objectives through investing in a suitable mixture of real and monetary assets. It recognises that the returns on return seeking assets, while expected to be greater over the long term than those on liability matching assets, are likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the DB Section of the Scheme to meet its liabilities at an acceptable level of risk for the Trustee and an acceptable level of cost to the Society.
- 5 A full triennial valuation of the Scheme was carried out as at 31 December 2022, using asset return assumptions developed by the Scheme Actuary, and considering many diversified asset classes for possible investment. The Trustee reconsidered the asset allocation of the Scheme in light of this valuation, and will continue to do so at other times where it is deemed necessary.
- 6 The principal duty of the Trustee is to act in the best interests of the members of the Scheme. In light of this duty, the Trustee's objectives for the DB Section are:
 - a. To achieve a return on the Scheme's assets that is consistent with the long-term assumptions of the Scheme Actuary in determining the funding of the Scheme, whilst also balancing risk.
 - b. To aim for the assets to exceed the liabilities as determined in the event of the Scheme winding up on the basis of cash equivalent transfer values.
 - c. To minimise the requirement for the Society to make further deficit recovery plan contributions.

Investment strategy – DB Section

- 7 The Trustee's investment strategy (excluding the buy-in) seeks to generate returns between 0.90% pa and 1.20% pa above liability growth (measured on a gilts basis) in the long term (i.e. gilts + 0.90%-1.20% pa).
- 8 The investment strategy makes use of three key types of investments:

- a range of instruments that provide a better match both to changes in liability values and expected liability cashflows, including (but not limited to) gilts, corporate bonds and derivatives.
 - a diversified range of return-seeking assets, including (but not limited to) equities (implemented physically and/or through equity futures), corporate bonds, and secure income assets.
 - passively and actively managed portfolios as appropriate, following consideration of efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the investment managers' fees on future expected returns.
- 9 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Scheme's investment objectives.
- 10 The Scheme will hold assets in cash and other money market instruments from time to time as deemed appropriate.
- 11 The Scheme holds a legacy reinsurance asset that is in the process of being redeemed.
- 12 The Trustee will monitor the liability profile of the Scheme and will regularly review, in conjunction with the Investment Consultant and the Scheme Actuary, the appropriateness of its investment strategy.
- 13 The expected return of an investment will be monitored regularly and will be directly related to the Scheme's investment objectives.
- 14 A buy-in policy to the value of c.£250.4m has been implemented, as at 19 November 2018, and excluded in the context of the Scheme's investment objective.
- 15 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments, where possible. The Trustee, together with the Scheme's administrators, will hold sufficient cash to meet benefit and other payment obligations.

Risks & Regulations – DB Section

- 16 The Trustee recognise a number of risks involved in the investment of the Scheme's assets. These risks include but are not limited to:
 - a. Solvency risk and mismatching risk is a qualitative and quantitative assessment of the expected development of the liabilities relative to the prevailing investment policies. It is managed through assessing the progress of the actual growth of the assets relative to liabilities under the current investment policy.
 - b. Manager risk is the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy. It is managed through diversification across investment managers and by the ongoing monitoring of the performance of the investment managers as well as a number of qualitative factors supporting the managers' investment process.
 - c. Liquidity risk is measured by the ability to achieve the level of cash flow required by the Scheme over a specified period. It is managed by regular communication between the Trustee and the Administrator through estimates of the monthly benefit outflow, ensuring sufficient cash balances are available.
 - d. Political risk is the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention. It is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

- e. Sponsor risk is the risk that the level of ability and willingness of the Sponsor to support the continuation of the Scheme and to make good any current or future deficit deteriorates. It is managed by assessing the interaction between the Scheme and the Sponsor's business, as measured by a number of factors, including the creditworthiness of the Sponsor and the size of the pension liability relative to a number of metrics reflecting the financial strength of the Sponsor.
 - f. Credit risk is the risk that the issuer of a bond will default in repayment of principal and/or interest. It is managed by investing in UK Government bonds where the credit risk is significantly lower, and by investment mandates requiring limits around the amount of non-investment grade credit held. Credit risk also applies to the buy-in policy referring to the risk that the insurer could fall insolvent. This is mitigated by industry protections (FSCS) and the due diligence carried out by the Trustee in selecting an appropriate insurer.
 - g. Currency risk is the level of concentration in the currency of any one country/region leading to an adverse influence on investment values arising from unfavourable currency movements. A proportion of the currency risk is managed by currency hedging programmes operated by the investment managers within their mandates. The Scheme leaves a proportion of the currency exposure unhedged and the level of unhedged exposure is monitored through time. .
 - h. Market risk is the risk that the investment vehicles in which monies are invested underperform expectations. It is managed by constructing a diverse portfolio of investments across various markets.
 - i. Operational risk is the risk associated with the safe-keeping of the Scheme's assets and is managed through a custody arrangement with a third party custodian for the segregated assets.
 - j. Custodian risk is the risk that the creditworthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safe-keeping of the Scheme's segregated assets under custody.
 - k. Derivative risk refers to counterparty risk, basis risk, liability risk, and legal and operational risk. Counterparty risk is managed through collateral management, diversifying exposure across counterparties, and the use of robust ISDA or other relevant documentation. Basis risk is addressed through the investment policy adopted by the Trustee for the backing assets and the investment managers' asset management capabilities. Liability risk is managed by updating the liability hedging benchmark at appropriate regular intervals. Legal and operational risk is managed by the Trustee taking appropriate advice when putting in place legal documents, reviewing legal documents already in place and appointing and monitoring providers capable of carrying out the required operational tasks.
- 17 The agreements with the investment managers include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the DB Section.

Scheme objectives – DC Section

- 18 The Trustee policy is to seek to provide lifestyle strategies and self-select funds to support individual preferences and their retirement planning. The Trustee recognises that members' needs may have changed following the introduction of pension freedoms in 2015 and the Trustee have considered the range of options available as the market has developed. In addition, they recognise that the returns on equities, while expected to be greater over the long-term than those on bonds, cash and other investment classes are likely to be more volatile. For those members who are willing to accept a greater level of volatility in pursuit of achieving a higher value of their investment account, a limited number of all-equity funds are available.
- 19 For the DC Section, the objectives are:

- a. To offer a suitable range of options, including a default lifestyle strategy, three additional lifestyle strategies and a range of self-select funds.
- b. To recognise and limit the risk of a member's account failing to satisfy the member's reasonable expectations over the long term.
- c. To optimise the long-term benefits from the Scheme by allowing members to benefit from good long-term growth on their assets whilst having regard to the objectives shown under the previous paragraph.
- d. The Trustee monitors the value for money received by members of the DC section from their membership of the Scheme and commission WTW to undertake an annual review and make recommendations for improvements. The Trustee aim to ensure that the members receive good value for money but recognise that this does not necessarily equate to paying lower fees or costs for services.

Investment strategy – DC Section

- 20 The Trustee invests in a range of index-tracking funds, selected by the members and managed by a range of investment managers, subject to due diligence. They are satisfied that the requirement for diversification can be achieved through the range of funds made available to the members. The following types of funds are available for members to select:
 - Global and emerging market equity funds
 - Diversified growth fund
 - Bond funds
 - Cash fund
 - Shariah Fund
- 21 The Trustee believes that, with these funds, the members can minimise the risks identified in Section 32. The Trustee offers members the option to invest in the range of funds entirely at their discretion. If a member does not specify a choice, the default lifestyle strategy will apply.
- 22 The Trustee reviewed its DC fund range in October 2023 and currently offers the following approaches for members to invest their DC benefits:
 - a. **Default: the “Flexible Lifestyle” strategy** - this strategy has been made available for those members who wish to have a less active role in managing their investments. Under this approach, members' investments are automatically switched from equities into a broader mix of assets, and part of the members' investments are then switched into bonds and cash as they near normal retirement age. The default option is aimed at members who haven't yet decided how they will take their retirement benefits, or who may wish to retain a greater degree of flexibility in how their savings are invested.
 - b. **Lump Sum Lifestyle Strategy** – this strategy is targeted at those members specifically aiming to take their benefits from the Scheme as a single cash lump sum, or a small number of lumps sums over a short period of time. It includes a higher weighting to cash investments at a member's normal retirement age.
 - c. **Annuity Lifestyle Strategy** – this strategy is targeted at those members who intend to use the majority (or all) of their retirement savings to purchase an annuity – that is a guaranteed income for life. It includes a higher weighting to bond investments at a member's normal retirement age.
 - d. **Drawdown Lifestyle Strategy** - this strategy is targeted at those members wishing to utilise income drawdown in retirement. Under this approach members' benefits are automatically switched from equities to a broader mix of assets including cash as they near normal retirement age.
 - e. **Self-select** - this strategy has been made available for those members who would like to manage the investment of their account.

- 23 In addition to the default lifestyle strategy described above, for the purposes of regulation 2A of the Investment Regulations, due to their history and development, the following funds are classified as "default arrangements":
 - International Equity Investment Fund
 - Diversified Investment Fund
 - Pre-Retirement Fund
 - Cash Fund
 - Lump Sum Lifestyle Strategy
- 24 Members are able to make changes to their investment choices at any time and at no fee (although the DC administrator reserves the right to limit the number of free switches allowed).
- 25 The Trustee has taken into regard the historical rates of return earned on the various classes of asset available for investment of the DC Section's assets in assessing the choices offered to members.
- 26 The Trustee believes that the range of funds offers adequate diversification and is appropriate for the DC Section. The Trustee monitors the range of options regularly and at least every 3 years to ensure that the investment options are sufficiently diverse and consistent with the risk profile of DC members.
- 27 The members' accounts are held in funds are sufficiently liquid to be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

Risks & Regulations – DC Section

- 28 The Trustee recognises that, in a defined contribution arrangement, members assume the investment risks. The Trustee further recognises that members are exposed to different types of risk at different stages of their working lifetimes. Investment risks inherent within the DC Section include:
 - a. Inflation risk is the risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension. It is managed by providing investment options that are expected to provide a long-term rate of return that exceeds inflation, such as equity funds and diversified growth funds.
 - b. Conversion risk is the risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of pension or cash lump sum benefit. It is managed by providing a range of investment options that allow members sufficient flexibility to meet their varying objectives.
 - c. Liquidity risk is the risk that members may experience a delay when moving or redeeming their investments. It is managed by investing in liquid assets.
 - d. Market risk is the risk that the investment vehicles in which monies are invested underperform expectations. It is managed by investing in a range of diversified assets and in different countries/regions.
 - e. Manager risk is the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy. It is managed by the ongoing monitoring of the performance of the investment managers.
 - f. Political risk is the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention. It is managed by making available investment options which are diversified across many countries.
 - g. Credit risk is in relation to Fidelity and the third-party fund managers through its holding in unit-linked funds. In the event of default by Fidelity the Scheme is protected by the Financial Services Compensation Scheme (FSCS). In the event of the default of the third-

party managers, the Scheme may not be covered by the FSCS and may not be able to recover all assets, however mitigations are in place to minimise this risk.

- h. Currency risk is the level of concentration in any one country/region leading to an adverse influence on investment values arising from unfavourable currency movements. The Trustee periodically reviews the appropriateness of the level of currency exposure in the default strategy.

- 29 The Trustee considers the same regulatory aspects for the DC Section, as for the DB Section.

Investment managers – DB and DC Sections

- 30 The Trustee has taken advice from the investment consultant to ensure the investment strategy and investments are suitable for the Scheme and will review the suitability of the investments from time to time. In addition, all investment managers are subject to due diligence prior to appointment and subject to any concerns about the investment manager or change to the fund structure.
- 31 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.
- 32 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long-term objectives, and an acceptable level of risk.
- 33 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions). The Trustee will review the policies of each of their managers from time to time.
- 34 When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad Environmental, Social and Governance ("ESG") considerations. The Trustee assesses that ESG risks, including a wide range of big picture themes such as climate change, pose a financial risk to the Scheme and that focussing on these issues is ultimately consistent with the Trustee's fiduciary duties and the financial security of its members. The Trustee incorporates an assessment of how well the investment managers exercise these responsibilities as part of its overall assessment of their performance.

Investment monitoring – DB and DC Sections

- 35 The Trustee will monitor both Schemes' investment performance, adherence to respective mandates and review the nature of the investments held periodically. In doing so the Trustee will consider all relevant factors in determining whether this Statement remains appropriate with any updates made on a timely basis, with a full review of this statement at least every three years and after any significant change to the investment policy, or demographic profile of relevant members in the DC Section.
- 36 While the Trustee is not involved in each investment managers' day to day operation, they will regularly assess individual manager performance and adherence to their respective mandates. In particular, the Trustee will review the extent to which the return on investments relating to the default arrangement is consistent with the aims and objectives of the Trustee in respect of the default arrangement.
- 37 Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to

terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

- 38 The Scheme uses many different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.
- 39 To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on a regular basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question. For pooled funds, managers are asked to confirm whether they believe there is any misalignment between the objectives and guidelines of the fund(s) they manage on behalf of the Scheme, or the manager's approach to sustainable investment, and the Trustee's policies.
- 40 Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. For pooled funds, if a fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, the Trustee will engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager (or pooled fund) will be terminated and replaced.

Fee structures – DB and DC Sections

- 41 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.
- 42 The Trustee reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Other matters

- 43 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.
- 44 DB assets in respect of members' AVCs are invested with a range of asset managers. No additional contributions can be made into these AVC arrangements.
- 45 The Scheme also holds annuity policies with Aviva (formerly Commercial Union), with the income supporting pensions in payment.
- 46 DC assets in respect of members' AVCs are invested in the same way as normal contributions.

Environmental, Social and Governance ("ESG") considerations

- 47 The Trustee recognises that long-term sustainability issues have a material impact on risk and outcomes, both financial and non-financial, though the Trustee's fundamental mission is to meet its financial obligations and act in the best financial interests of the Scheme and its members.
- 48 The Trustee believes that ESG factors, including climate change, affect risk and return in the medium to long-term, and as such should be taken into account throughout the investment process when reviewing current and new investment opportunities.
- 49 The Trustee actively reflects ESG factors in both the DB Section, through investments held in the Scheme's Secure Income Assets, and the DC section, through investing in an Adaptive capped weighted passive equity fund with an ESG overlay as part of the international equity fund which is a component part of the default investment option.
- 50 To the extent possible, the Trustee will delegate the responsibility to take ESG principles into account to its investment managers, and will periodically review these policies with the assistance of its investment adviser through reporting or direct engagement with its investment managers as appropriate. The managers have produced statements setting out their policy in this regard. The Trustee acknowledges that it acts on behalf of the Scheme's members in relation to ESG principles, and whilst they may not specifically ask for member views, they may re-visit this statement from time-to-time as deemed appropriate.
- 51 The Trustee holds a set of specific sustainable investment beliefs which are considered alongside the Trustee's investment policies. These beliefs are reviewed periodically.

Exercise of Voting Rights

- 52 The Trustee has delegated the exercise of voting rights attached to the Scheme's investments to its investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies. The Trustee expects managers to report regularly on votes cast and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.
- 53 For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.
- 54 The Trustee recognises the UK Stewardship Code as best practice and encourage their Investment Managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy. The Code aims to protect and enhance shareholder value by enhancing the quality of engagement between investors and companies by setting out good practice.

Illiquid investments – DC Section (default arrangement)

- 55 Currently, the default arrangements do not invest directly in illiquid assets. However, illiquids may be held indirectly, through the investments in the Diversified Investments Fund, an underlying fund of the default Lifestyle strategy. Any investment in illiquids in this fund will be at the discretion of LGIM as investment manager, with decisions taken in the context of the fund's overall risk and return objectives. Members in the default Lifestyle strategy will start to invest in the Diversified Investments Fund when they are 25 years from their target retirement age, and will continue to hold a portion of their total investments in this fund through to retirement.
- 56 The Trustee considers its current investment strategy for the default arrangements to be appropriate to achieve its investment objectives for members. The Trustee will keep this policy under review and, in future, may consider investing in illiquid assets more explicitly if it believes this would improve the risk and return profile and result in better expected retirement outcomes for members.

Signed: I Dhingra

Name: Inderpreet S Dhingra - Chair of YBS Pension Trustees Ltd

Date: 28 November 2024

Authorised for and on behalf of the Trustee of the Yorkshire Building Society Pension Scheme