

THE HSBC CHILDCARE SCHEME RULES

This documents sets out the HSBC Childcare Scheme (the “Scheme”) Rules, under which you may receive payment towards your childcare costs (known as “Nursery Payments “and “Childcare Vouchers”), where you have accepted a reduction in your basic salary. This Scheme does not therefore offer you cash or provide direct cash payment for your childcare costs.

This type of scheme is often known as a ‘Salary Sacrifice’ scheme and the Nursery Payments and Childcare Vouchers are not subject to income tax and national insurance (“NI”) payments, unlike your basic salary. This means that there will be a saving to you of income tax and NI payments on the amount by which you choose to reduce your basic salary by under the Scheme.

The reduction in salary will be effected by a change to your contract of employment. If you withdraw from the Scheme or if HSBC bank plc (the “bank”) or your employing company withdraws your membership of the Scheme your terms and conditions will change to those which would have been in place had you not joined the Scheme.

This document sets out the Scheme's Rules, but does not form part of your contract of employment. You agree to be bound by the Rules, which may be amended from time to time, as part of your membership of the Scheme. You should always ensure that you refer to the latest version of the Rules, which will be available on the bank's intranet or from your line manager.

The Scheme is currently administered by **kidsunlimited**, a company specialising in the provision of childcare schemes and facilities for individual and corporate clients. The bank or your employing company can change the service provider at any time.

1. ELIGIBILITY FOR THE SCHEME

Unless otherwise stated, the Scheme is open to all UK-based employees across the HSBC Group² who are subject to UK tax and NI schemes.

Employees who work on the offshore islands (Jersey, Guernsey or the Isle of Man) are not eligible for this Scheme.

first direct will operate its own scheme, therefore **first direct** employees are not eligible for membership of this Scheme.

To be a member of the Scheme you must be:

- an employee of HSBC Group, be UK based and subject to UK tax and NI schemes;and

² HSBC Group means, for the purpose of these Rules, HSBC Holdings plc and any company that for the time being is a holding company of HSBC Holdings plc or a subsidiary of HSBC Holdings plc or a subsidiary of a holding company of HSBC Holdings plc, (and the terms subsidiary and holding company shall have the meanings ascribed thereto by sections 736 and 736A Companies Act 1985) and/or an associated employer of the Company as defined in section 231 of the Employment Rights Act 1996.

- a parent, or have parental responsibility for, a child or children up to the 1st September following their 15th birthday, in registered or approved childcare (see 5).

If your partner also fulfils the eligibility criteria above, you can both participate in the Scheme. The tax and NI savings are available per employee, **not** per child. You can therefore share the childcare costs between you and in proportions of your choosing.

It is your responsibility to notify **kidsunlimited** or any successor service provider of any changes in your circumstances which may mean you are no longer eligible for the Scheme (see 7.1).

If you are found to be receiving payments when you are not eligible for the Scheme or acting in any other dishonest way in respect of the Scheme, in addition to revocation of membership of the Scheme, you may also be subject to disciplinary action which could result in dismissal from your job.

2. MEMBERSHIP OF THE SCHEME

Following receipt of the signed Contract Change letter your membership will commence on the first day of the following month, unless this is not practical due to the date on which your salary payments are made, in which case you will be informed of the start date separately. The first payment through the Scheme will be taken on the next available pay day, and will relate to the following month's childcare (as payment is always made in advance).

You will only be able to remain a member of the Scheme if at all times you are eligible for the Scheme as set out above, and you have not otherwise had your membership terminated by the bank or your employer or **kidsunlimited**.

3. QUALIFYING CHILDCARE

Only **registered** or **approved** childcare may be paid for through the Scheme.

Whether a childcare provider is 'registered' or 'approved' depends on current government rules. It is your responsibility to ensure that your childcare provider is (and remains) appropriately registered or approved. Failure to do this will mean that you are liable for any income tax and NI contributions on any payments made to unregistered or unapproved persons. It may also mean that you are subject to disciplinary action under your employing company's disciplinary procedure.

A summary of the principal ways in which a childcare provider may be registered or approved is set out below, for reference only. Contact details are also given for the bodies responsible for such authorisation, and you should consult them in all cases to ensure that your chosen childcare provider is (and remains) registered or approved.

The bank and your employing company accept no responsibility whatsoever for the assessment of any childcare provider (including any HSBC Designated Nurseries) in any registration or approval process and no representations are made as to the adequacy of any such registration or approval process.

It remains wholly your responsibility to ensure that any childcare provider which you select is (and remains) a suitable, safe and appropriate carer for your child/ren and the bank and your employing company will not accept responsibility in any way for any loss, damage, injury, death or damages whatsoever, direct or indirect, caused wholly or in part by any HSBC Designated Nursery (as listed by the bank from time to time), any persons in receipt of childcare vouchers or additional payments under the Scheme, or any employees or agents of such persons or entities, or any other person or entity engaged in the administration or provision of your childcare services. Further details on liability are set out in your change of contract letter.

Registered or Approved Care

Registered or approved childcare includes:

- registered childminders, nurseries and play schemes*
- out-of-hours clubs on school premises run by a school or local authority
- childcare schemes run by school governing bodies under the 'extended schools' scheme
- childcare schemes run by pre-approved providers, for example, an out-of-school hours scheme or a provider approved under a Ministry of Defence accreditation scheme;
- in England only, childcare given in the child's own home* by a domiciliary worker or nurse from a registered agency who cares for the child or children;
- in England only, childcare given in the child's own home** by a person approved to care for that child or children;
- in Scotland only, any childcare including out-of-school hours care, regulated by the Care Commission;
- in Scotland only, childcare given in the child's own home* by (or introduced through) childcare agencies, including sitter services and nanny agencies, which must be registered;
- approved foster carers (the care must be for a child who is not the foster carer's foster child);

* Childcare provided away from the child's own home is required to be registered in England and Wales for children up to and including 7 years, in Scotland for children up to age 16 and in Northern Ireland for children up to and including age 12.

** Childcare provided in the child's own home will not qualify if the person approved to give that childcare is a relative of the child. Relative means a parent, grandparent, aunt or uncle, brother or sister (whether by blood, half-blood, marriage or affinity), and includes step-parents.

A registered childminder, nursery or childcare scheme is one that is registered

- in England, by OFSTED Tel: 0845 601 4771, website: www.ofsted.gov.uk
- in Wales, by the National Assembly for Wales (through the Care Standards Inspectorate for Wales) Tel: 01443 848450, website: www.wales.gov.uk/csiw
- in Scotland, by the Scottish Commission for the Regulation for Care, Tel: 01382 207 200, website: www.carecommission.com and;
- in Northern Ireland, by your local Health and Social Services Trust, website: www.dhsspsni.gov.uk/hss/index.asp

Approved care is administered by the Department for Education and Skills (DfES) through the Sure Start Unit. It is a voluntary scheme for approving childcare providers

and enabling parents and employers to check if a carer is approved. This scheme provides recognised national status for individuals providing childcare that is not otherwise required to register and is provided in the child's own home or, for children aged over 7, on other domestic premises. This process will apply in particular to nannies or au pairs caring for children in their own home.

Relatives of the child will not be able to apply. A relative of the child means a parent, grandparent, aunt, uncle, brother or sister whether by blood, half-blood, marriage or affinity.

A national helpline is available during business hours on 0845 767 8111. The Sure Start Approval Scheme can be accessed at the following website: <http://www.childcareapprovalscheme.co.uk/index.asp>

4. AMOUNT OF THE NURSERY PAYMENTS, CHILDCARE VOUCHERS AND ADDITIONAL PAYMENTS

The maximum reduction you may make for Childcare Vouchers is currently £217 per month and this amount will be income tax and NI exempt.

There is no limit to the amount of money that you can sacrifice for Nursery Payments to a HSBC Designated Nursery provided that the salary payable to you does not fall below certain limits (see 10)

If your childcare expenses are greater than the amount by which you may reduce your salary any additional childcare expenses can be deducted from your net salary (the "Additional Payment"). Your net salary is what you receive after income tax, NI and other deductions have been made. There will be no financial advantage to you paying your additional childcare costs this way. However, it will mean that the payment will be taken directly from your salary and your childcare provider will receive one payment.

You may choose to receive a combination of Nursery Payments, Childcare Vouchers and Additional Payments, which will be paid into your HSBC Childcare Scheme account with **kidsunlimited**.

5. YOUR CHILDCARE PROVIDER AND THE PAYMENTS MADE TO THEM

Under the Scheme, you have the freedom to select your own registered or approved childcarer provider and you should book this well in advance. The bank or your employing company will not pre-book or arrange childcare on your behalf.

A list of HSBC Designated Nurseries is available from **kidsunlimited** via the HSBC Childcare Scheme Helpline 0845 606 6935 or website www.kidsunlimited.co.uk/HSBCChildcare

HSBC Designated Nurseries are nurseries which have been specifically selected by the bank for this Scheme and which have agreed to give HSBC group employees certain discounts for their membership. However, it remains wholly your responsibility to ensure that any nursery which you select is a suitable, safe and

appropriate environment for your child/ren and the bank and your employing company will not accept responsibility in any way for any loss, damage, injury, death or damages whatsoever, direct or indirect, caused wholly or in part by any HSBC Designated Nursery or any employees or agents of such persons or entities, or any other person or entity engaged in the administration or provision of your childcare services. Further details on liability are set out in your change of contract letter.

You may either choose to have Nursery Payments if your child/ren attends one of the HSBC Designated Nurseries and/or you may choose to receive Childcare Vouchers, which can be paid to your registered or approved childcare provider. You may also make Additional Payments from your net salary if the amount by which you can reduce your salary does not meet your childcare costs in full (**see 5**).

Nursery Payments will be paid to the HSBC Designated Nursery, which your child attends. The Childcare Vouchers and any Additional Payments can then be used either to pay your regular childcare expenses, or can be saved for future expenses, such as school holiday schemes.

You cannot withdraw Nursery Payments, Childcare Vouchers or any Additional Payments from your HSBC Childcare Scheme account, as they should only be used to pay your childcare expenses, for approved and registered childcare and all payments must be made directly by **kidsunlimited**.

In order to receive payment your childcare provider must agree to be paid by **kidsunlimited** on behalf of the Scheme directly into a bank account and provide bank account details. You will be asked to provide these details to **kidsunlimited**. Payment will then be made directly to your childcare provider, by **kidsunlimited**.

Any excess contribution left at the end of the contribution year will roll over to the following year. For those wishing to leave the Scheme, any amount left in your **kidsunlimited** childcare account will remain there until it is spent at which point the account will close. In exceptional circumstances, unused Nursery Payments, Childcare Vouchers or Additional Payments may be refunded at the bank's or your employing company's discretion but Nursery Payments and Childcare Vouchers will be subjected to income tax and NI contributions. Further advice on doing this should be sought from **kidsunlimited**.

6. PAYSLIPS AND PAY STATEMENTS

You should note that due to restrictions in the payroll process your monthly payslip or pay statement will show your pre-sacrificed salary as your 'gross basic salary' and your salary sacrifice reduction will be listed as a deduction. This has no effect on the Scheme; you have still committed to a permanent salary reduction (subject to withdrawal or suspension in certain circumstances **see 7 and 10**) in exchange for membership of the Scheme.

7. WITHDRAWAL FROM THE SCHEME

You may only withdraw from the Scheme if you experience a Life Change Event (**see 7.3**), cease to be eligible for membership of the Scheme or if you withdraw on the anniversary of your membership.

Provided that you notify **kidsunlimited** of your wishes on or prior to the pay day in the month before you wish to withdraw (for employees of HSBC bank plc this will be the 20th of the month, but for employees of other companies this will vary according to your pay date), your withdrawal from the Scheme will be effective in the following month.

The bank, **kidsunlimited** or your employing company may withdraw your membership of the Scheme at any time, subject to the terms of your contract.

If your membership of the Scheme is withdrawn your terms and conditions of employment will automatically change to those which would have been in place had you not joined the Scheme.

7.1 Withdrawal if you are no longer eligible for the Scheme

It is your responsibility to notify **kidsunlimited** of any changes in your circumstances which may mean that you are no longer eligible for the Scheme.

If you notify **kidsunlimited** that you are no longer eligible for the Scheme, your membership of the Scheme will be withdrawn.

7.2 Withdrawal on the anniversary of your membership of the Scheme

You may choose to leave the Scheme for any reason on the anniversary of your membership each year. To withdraw you must notify **kidsunlimited** directly giving the required noted above.

7.3 Withdrawal due to a Life Change Event

For the purposes of the Scheme a “Life Change Event” is:

- maternity leave, parental leave, paternity leave or adoption leave;
- termination of your or your partner’s employment;
- change of your or your partner’s employment or hours of work;
- relocation (your home or your or your partner’s place of work);
- death of a family member or dependant which effects your use of the Scheme;
- marriage, divorce or legal separation;
- significant change in childcare arrangements / circumstances, eg, child starts school;
- long term sickness, or starting receipt of long-term disability benefit;
- returning from long-term disability;
- long term sickness of a child; or
- the ending of a Life Change Event.

When you are on maternity, paternity, adoption or sick leave you may be eligible for payments such as statutory maternity pay, statutory adoption pay, statutory paternity pay or statutory sick pay (together this Scheme refers to the payments as “Statutory Payments”).

Statutory Payments cannot be taken as Nursery Payments or Childcare Vouchers. This means that when you are receiving a Statutory Payment, if you do not withdraw your membership of the Scheme, it will automatically be withdrawn, unless you are in receipt of other payments from the bank or your employing company (such as sick pay or maternity pay in excess of the statutory amount which the bank is obliged to provide you with) which mean that your basic salary remains sufficient for the salary sacrifice to take place.

8. CHANGING THE AMOUNT OF YOUR NURSERY PAYMENT OR CHILDCARE VOUCHER

Subject to certain maximum limits you may change the amount of your Nursery Payment or Childcare Voucher if you experience a Life Change Event (**see 7.3** for a list of these events).

If you wish to change the amount you should contact **kidsunlimited**. Provided that you notify **kidsunlimited** of the Life Change Event on or prior to the pay day in the month before you wish the change to take effect in your salary (for employees of HSBC bank plc this will be the 20th of the month, but for employees of other companies this will vary according to your pay date), the change in amount will be effective in the following month.

You may change the amount of any Additional Payments, at any time, provided that you advise **kidsunlimited** of this, no later than the pay day in the month before you wish the change to take effect in your salary (for employees of HSBC bank plc this will be the 20th of the month, but for employees of other companies this will vary according to your pay date), for implementation in the following month.

9. REJOINING THE SCHEME

Normally you will not be able to apply to rejoin the Scheme for a period of 12 months after you have withdrawn. However, you may apply to rejoin the Scheme at any time if you wish to rejoin because of a Life Change Event (**see 7.3** for a list of these events).

Rejoining the Scheme will always be subject to eligibility, the terms and conditions of the Scheme, your acceptance of a change to your contract of employment and the Scheme continuing in existence.

10. SUSPENSION OF MEMBERSHIP IN THE SCHEME

Whilst the bank or your employing company may withdraw your membership of the Scheme at any time, there are certain circumstances where it will suspend your membership of the Scheme. These are:

1. Where the level of salary (and any relevant allowances) due to you would fall below the National Minimum Wage if the reduction for the Nursery Payment or Childcare Voucher was applied (for example as a result of a temporary or permanent change in your hours or position).

2. Where the level of salary and allowances due to you in any month is insufficient to allow the reduction for the Nursery Payment, Childcare Voucher or Additional Payment to be made (for example as a result of taking unpaid time off of work).
3. Where the level of salary and allowances due to in any month would be insufficient to cover any occupation pension payments made by you, any other payments due under any other salary sacrifice scheme, if the reduction for the Nursery Payment, Childcare Voucher or Additional Payment was made.

You must also make sure that your salary covers all other deductions which are due to be made from your salary, including any student loan deductions, attachments of earnings payments and any other payments that are normally deducted from your salary. If you do not do this the bank reserves the right to suspend or withdraw your membership of the Scheme and will hold you responsible for any costs or expenses it incurs as a result of such deductions not being made. Failure to ensure there are sufficient funds for all such deductions may also result in some or all of the payments not being made.

You should note that if there are sufficient funds for the salary sacrifice to occur, but insufficient funds for any Additional Payments to be made from your net salary, the salary sacrifice will be made, but the Additional Payment will not be made. You will be notified of this by the Scheme Provider. You will need to contact your childcare provider to make arrangements for you to pay any missing payments directly to that childcare provider.

If your membership of the Scheme is suspended, it will automatically recommence on the terms set out in the letter confirming your contract change, in the event that your basic salary increase above the minimum levels set out above.

Wrongly Paid Nursery Payments or Childcare Vouchers

kidsunlimited will make payments of Nursery Payments or Childcare Vouchers and Additional Payments directly to your childcare provider(s). Sometimes it will not be possible to stop your Nursery Payment, Childcare Voucher or Additional Payment being made, when your membership should be suspended or withdrawn.

This is because sufficient notice is needed to stop the Nursery Payments, Childcare Vouchers and or Additional Payments being automatically sent out. In particular, this will not be possible where the change in basic salary or normal hours occurs close to or after the date on which basic salary is paid.

In these circumstances the bank and your employing company reserve the right to recover an amount equivalent to the value of the Childcare Payment, Childcare Voucher and/ or Additional Payment which should not have been paid. This will be deducted from your next salary payment, or, if appropriate, and in agreement with you, the amount will be spread from the salary paid to you over a number of months.

It will normally be appropriate to spread the deduction over a number of salary payments, if deducting the sum owed in full from one salary payment would cause

your basic salary to drop below the National Minimum Wage or where such a deduction would cause particular hardship.

If your employment has terminated the bank or your employing company will deduct any sums owed from any bank account you hold with the bank, within one month of your last pay day. The bank or your employing company will write to you if we intend to make such a deduction.

11. ENDING OF EMPLOYMENT

You must advise **kidsunlimited** immediately you decide to leave your employment. **kidsunlimited** will then discuss with you the appropriate date for your membership of the Scheme to end (which will be no later than the day on which you also receive your last payment of salary from your employing company). This will depend on the length of your notice period and the date in the month when your employment will end.

Your final salary payment will include any Nursery Payment, Childcare Voucher or Additional Payment under the Scheme, provided there are sufficient funds to do so.

You should note that Nursery Payments, Childcare Vouchers and Additional Payments will not be paid on a pro rata basis if your employment terminates part way through a month.

Any monies remaining in your HSBC Childcare Scheme account, after your employment has ended, can continue to be used to authorise payments to your registered or approved childcarer/s.

12. SALARY RELATED PAYMENTS AND BENEFITS

Any employee payments or benefits which uses your salary to calculate the level of your payments, for example pay rises, bonus arrangements, pension or redundancy payments, the bank or your employing company will calculate your salary as being your basic salary before the reduction made under this Scheme, but taking into account any pay rises or reductions which have subsequently been applied to your salary. This is known as the “Nominal Pre-Sacrificed Salary”.

One area of benefits which is particularly affected by this issue is the HSBC Defined Contribution Pension Scheme. This is because contributions, made by either you or your employing company, are normally based on a percentage of basic salary. To avoid your pension contributions automatically reducing and to make sure you are able to receive the maximum pension contributions from the bank or your employing company, pension contributions will be based on your Nominal Pre-Sacrificed Salary.

Any pay rise will also be based on your Nominal Pre- Sacrificed Salary.

13. STATUTORY BENEFITS

By reducing your basic salary you may lose or reduce your entitlement to certain statutory payments paid or funded by the Government. This is because your

entitlement to the statutory benefits (and level of, payments in the case of some benefits) is based on your basic salary after the salary sacrifice reduction.

Such statutory benefits include, but are not limited to, statutory maternity, paternity and adoption pay, incapacity benefit, job seekers allowance, state pension, maternity allowance, state second pension, statutory sick pay, tax credits, and reduced rate NI Contributions. Some of these payments are paid to you through the bank.

Any payments in respect of statutory maternity pay, statutory adoption pay and any equivalent maternity or adoption leave payments paid by your employing company, will be based on your Notional Pre-Sacrificed Salary.

If you receive working family tax credits, participating in this Scheme could reduce the childcare element of these credits. Further information can be obtained from this leaflet produced by the HM Revenue & Customs:

<http://www.hmrc.gov.uk/leaflets/ir115.htm#i>