

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION
RETIREMENT BENEFITS SCHEME**

**TRUSTEE REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2023**

Scheme Registration Number: 10274786

**Trustee:
Independent Trustee Services Limited**

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**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

TRUSTEE AND ADVISERS

PRINCIPAL COMPANY

HSBC Asia Holdings BV
8 Canada Square
London E14 5HQ

TRUSTEE, SCHEME SECRETARY AND ADMINISTRATOR

Independent Trustee Services Limited
Westgate House
9 Holborn
London EC1N 2LL

ADMINISTRATIVE AND ACCOUNTS SUPPORT Boal & Co (Pensions) Limited

Marquis House,
Isle of Man Business Park,
Douglas
Isle of Man IM2 2QZ

ADMINISTRATIVE PRACTITIONER & INVESTMENT PLATFORM PROVIDER

Zurich International Life Limited
Zurich House
Isle of Man Business Park
Douglas
Isle of Man IM2 2QZ

INDEPENDENT AUDITOR

Greystone LLC
15 St Georges Street
Douglas
Isle of Man IM1 1AJ

LEGAL ADVISER

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

TAX ADVISER

Deloitte LLP
2 New Street Square
London, EC4A 3BZ

INVESTMENT ADVISERS

Towers Watson Limited
51 Lime Street,
London, EC3M 7DQ

COMMUNICATIONS ADVISERS

Wordshop
Tilton Court
Digby Road
Sherborne
Dorset, DT9 3NL

THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

TRUSTEE REPORT

The Trustee of The HSBC International Managers Defined Contribution Retirement Benefits Scheme (“the Scheme”) is pleased to present the Annual Report to the members for the year ended 31 December 2023. The main purpose of this report is to provide general information about the Scheme. It is not meant to provide details of the way the Scheme works, nor specific personal data, as such information is contained in the Scheme booklet and members' Individual Annual Statement, respectively.

THE SCHEME

The HSBC International Managers Defined Contribution Retirement Benefits Scheme has been established under a Definitive Trust Deed dated 17 August 2000.

The Principal Company is HSBC Asia Holdings B.V. The Scheme is designed to provide a choice of retirement benefits for International Managers employed by the Principal and/or participating employers. The Scheme was closed to new members from 1 September 2009 and to future contributions from 6 April 2017.

The Scheme has been accepted by HMRC as satisfying the conditions of section 615(6) of the Income and Corporation Taxes Act 1988.

TRUSTEE OF THE SCHEME

The Trustee of the Scheme is Independent Trustee Services Limited and the Directors who served during that period are shown below;

Andrew David Bradshaw (appointed 2 February 2023)
Rachel Croft
Mark Evans
Helen Anne Frisby
Catherine Eleanor Hardingham (appointed 17 June 2024)
Jonathan Kempster (resigned 2 February 2023)
Hetal Kotecha
Anthony Livingstone (appointed 2 February 2023)
John Sinclair Lovell (resigned 21 December 2023)
Christopher Paul Vincent Martin
Brian Charles Smith (resigned 27 May 2024)
Dinesh Chimania Jivan Visavadia
Janine Paula Wood

The power of appointing and removing the Trustee is vested in the Principal Company.

FINANCIAL REVIEW

The Scheme's financial statements on pages 31 to 36 have been prepared and audited in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Fund Account on page 31 shows that the net deductions arising from dealings with members for the year totalled £Nil (2022: £Nil). The net returns on investments during the year resulted in a gain of £5,309,680 (2022: loss of £3,406,097). The Scheme's net assets for the same period therefore increased to £46,968,201 (2022: £41,658,701).

MEMBERSHIP STATISTICS

The number of members in the Scheme as at 31 December 2023 was as follows:

	Active	Deferred	Total
Members at 1 January 2023	-	138	138
Status changes	-	-	-
Entrants during year	-	-	-
Leavers	-	-	-
Members at 31 December 2023	<u>-</u>	<u>138</u>	<u>13</u>

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

TRUSTEE REPORT (CONTINUED)

INDEPENDENT ADVISERS

A full list of the Scheme's current independent advisers can be found on page 2 of this report. There were no changes to service providers or advisers during the Scheme Year.

INVESTMENT REPORT

The investment assets of the Scheme are provided under an insurance contract with Zurich International Life Limited (the "Zurich").

Members can invest their retirement account in one or more of a range of funds made available in the life insurance contract by Zurich at the direction of the Trustee. The Trustee, under advice from the Investment Adviser, reviews the performance of the investment managers and the specific funds from time to time, but at least 6-monthly.

There were no employer related investments as at 31 December 2023.

The Trustee is required to produce a Statement of Investment Principles (SIP) as required by Section 35 of the Pensions Act 1995. This Statement forms the basis of investment decisions made on behalf of the Scheme and is used to monitor the performance of the investment managers. A copy of the Statement of Investment Principles (SIP) is attached to these financial statements.

PERFORMANCE

The investment portfolio, as detailed in Note 4 to the Financial Statements, is made up of holdings in the insurance contract available to the members of the Scheme. As at the year-end the investment portfolio is stated at fair value, which is based on the price of underlying investments, sourced from Zurich. The fair value of the portfolio at 31 December 2023 is £46,968,201 (2022: £41,658,701).

The gain on investments, resulting from the net increase in the value of the investment portfolio and the net returns of investments, in the year to 31 December 2023 was £5,309,680 (2022: loss £3,406,097).

The holdings over 5% of total assets of the Scheme are as follows:

Holding:	31/12/2023		31/12/2022	
	Market Value		Market Value	
	£	%	£	%
iShares US Equity (UK) GBP	13,682,406	29.10%	11,177,276	26.83%
iShares Pacific ex Japan Equity Index (UK) GBP	6,326,528	13.47%	6,013,747	14.44%
iShares Developed World Index GBP	5,672,214	12.08%	4,700,222	11.28%
iShares Continental European Equity Index (UK)	4,835,587	10.30%	4,188,218	10.04%
Vanguard FTSE UK All Share Index Unit Trust GBP	3,876,103	8.25%	3,584,754	8.61%
Vanguard Emerging Markets Stock Index GBP	2,810,669	5.98%	2,837,946	6.81%
L&G Diversified GBP	<u>2,571,723</u>	<u>5.48%</u>	<u>2,598,314</u>	<u>6.24%</u>
	<u>39,775,230</u>	<u>84.66%</u>	<u>35,100,477</u>	<u>84.26%</u>

INDIVIDUAL FUND PERFORMANCE

The investment portfolio performance is varied and sourced from several independent fund managers by Zurich and Financial Express. Each fund manager will report on the objectives of the fund, its underlying holdings, and the fund performance over different periods. The varying nature of the content and inconsistent format of the individual fund fact sheets makes it impractical to report in detail on each fund within this Report. Detailed information in respect of the performance of each fund can be obtained directly from the Financial Express published fund fact sheet available to members via Zurich International Online ("ZIO").

SUMMARY OF CONTRIBUTIONS

The Scheme was closed to contributions by the Employer as of 6 April 2017. There were no contributions payable to the Scheme by the Employer during the year ended 31 December 2023.

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

TRUSTEE REPORT (CONTINUED)

STATEMENT OF TRUSTEE RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The financial statements which are to be prepared in accordance with UK Accounting Standards, are the responsibility of the Trustee. The Trustee has elected to prepare the financial statements in accordance with Section 1A of FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Accounting Standards applicable to Smaller Entities). Pension Scheme regulations require the Trustee to make available audited financial statements for each Scheme's year which:

- show a true and fair view, in accordance with applicable law and United Kingdom Accounting Standards including Section 1A of FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Accounting Standard Applicable to Smaller Entities), 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 the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis. The Trustee makes available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by the applicable law and regulations, which the Trustee should ensure is consistent with the financial statements it accompanies.

The Trustee is also responsible under the applicable laws and regulations for ensuring that there is prepared, maintained and from time-to-time revised payment schedule showing the rates of contributions payable towards the Scheme and the dates on or before which such contributions to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with payment schedule.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them 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.

For and on behalf of the Trustee

Jennifer Adams
TRUSTEE DIRECTOR
Chair of Trustees

Date: 25.07.2024

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

TRUSTEE REPORT (CONTINUED)

STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the Schedule.

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 December 2023

This Summary of Contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the Employer and member contributions payable to the Scheme under the Schedule of Contributions in respect of the Scheme year ended 31 December 2023. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

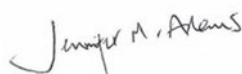
Contributions payable under the Schedule in respect of the Scheme year

	£
Employer	
Normal contributions	-
Member	
Normal contributions	-
Contributions payable under the Schedule (as reported on by the Scheme Auditor)	-

Reconciliation of Contributions Payable under the Schedule of Contributions to Total Contributions reported in the Financial Statements

	£
Contributions payable under the Schedule (as above)	-
Employer additional voluntary contributions	-
Member additional voluntary contributions	-
Total contributions reported in the Financial Statements	-

Signed on behalf of the Trustee of The HSBC International Managers Defined Contribution Retirement Benefits Scheme
on



Jennifer Adams
TRUSTEE DIRECTOR
Chair of Trustees

Date: 25.07.2024

THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

TRUSTEE GOVERNANCE REPORT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2023

INTRODUCTION

The Scheme is a defined contribution pension scheme specifically designed to assist HSBC International Managers to invest their retirement savings. It was established under section 615(6) of the Income & Corporation Taxes Act 1988 and offers special tax treatment for members, but its tax treatment has been modified over recent years. The Scheme was closed to new members from 1 September 2009 and closed to new contributions from existing members from 6 April 2017. The Trustee confirms that the Scheme is not being used as a qualifying scheme for automatic enrolment purposes.

The Trustee is responsible for looking after the money members have invested in this Scheme. This annual statement from the Trustee for the period from 1 January 2023 to 31 December 2023 (the "Scheme Year") confirms that:

1. Returns on investments (net of charges and transaction costs) for all investment arrangements have performed broadly in line with expectations;
2. core member financial transactions were processed promptly and accurately;
3. charges and transaction costs borne by members are disclosed;
4. the Trustee has kept its knowledge and understanding of the Scheme and pensions matters up-to-date and, together with advice received from its advisers, this enables the Trustee to properly exercise its functions.

The rest of this statement outlines in more detail the Trustee's management of the Scheme and the basis for the above statements.

FOR THE RECORD

Some occupational pension schemes are required to prepare an annual governance statement pursuant to regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715).

However, the Trustee is not required to prepare an annual governance statement in respect of the Scheme because it is no longer considered a "relevant scheme" for the purposes of the statutory requirements,

Notwithstanding this, the Trustee has decided to prepare and publish a governance report to ensure that members are kept informed of certain governance matters.

NOTIFICATION TO MEMBERS REGARDING THE PUBLICATION OF THIS STATEMENT

The Trustee has published relevant parts of this Trustee Governance Report online. A full copy of this report for the Scheme Year, including the full Statement of Investment Principles (SIP) is available at: <https://www.zioinfosite.com/en/hsbc2020>

In the annual benefit statements for the year ending 31 December 2023, issued on 25 March 2024, Scheme members were directed to the above online microsite for this purpose.

Jennifer Adams
TRUSTEE DIRECTOR
Chair of Trustees

Date: 25.07.2024

THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

TRUSTEE GOVERNANCE REPORT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2023 (CONTINUED)

1. **INVESTMENT ARRANGEMENTS**

Details of the Scheme's investment arrangements are set out in the Scheme's current Statement of Investment Principles ("SIP") approved by the Trustee at a meeting on 8 November 2021 and signed by Directors of the Trustee on 9 November 2021. The full SIP is included as part of this report as Appendix 1. A copy of the SIP can also be accessed via this link: <https://www.zioinfosite.com/en/hsbc2020>

Where the term "default arrangement" is used in this report, it is intended to refer to default arrangements as defined in regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

Willis Towers Watson ("WTW") was the appointed investment adviser for the Scheme Year and provided the Trustee with advice and analysis on the investment funds and their ongoing suitability for members. The Trustee may from time to time replace, add or remove funds from the options available to members, based on advice from its advisers. The SIP outlines the decision-making process followed in respect of any such changes.

Members have a wide range of investment funds to choose from (currently 19 in total), offering a mix of currencies, asset classes and investment styles (active and passive), managed by a variety of specialist investment managers. This allows members, who are spread across many countries across the world, to build customised retirement investment strategies to suit their circumstances.

Investment arrangements

The Trustee takes advice from its professional adviser, WTW (the "Investment Consultant") when reviewing the investment arrangements. Based on the Trustee's investment beliefs, the Trustee asked its Investment Consultant to consider Environmental, Social and Governance (ESG) financial factors and stewardship (including voting rights and engagement activities for underlying holdings) in the Scheme's lifestyle strategy option design and fund selection. These are important financial and risk factors for future member outcomes.

Most members of the Scheme currently select their investment options from a range of self-select fund but a Lifestyle Strategy option is also available.

Members can either invest in the Lifestyle Strategy option or the self-select fund range but cannot invest in both at the same time within the same policy (contribution type). However, members can hold the Legal & General Diversified Fund alongside other self-select fund range options at the same time.

1.1 Self-select funds

The Trustee's policy is to seek to achieve the above objectives by providing a range of funds which together offer a suitable mix of assets. A range of equity funds is available for those members willing to accept a greater level of volatility in pursuit of higher expected returns in the longer term. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the equity funds. Where members do not wish to 'blend' the fund choice themselves, a more diversified multi-asset fund choice is also available. Funds are available in the range of core global currencies: USD, GBP and Euro. The range of self-select funds available is set out in the Statement of Investment Principles in Appendix 1.

1.2 Lifestyle Strategy option

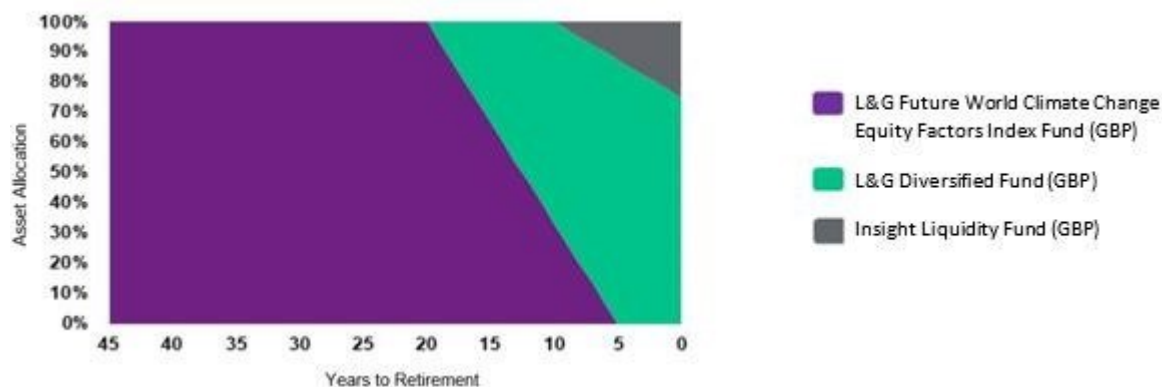
The Lifestyle Strategy option is intended to ensure that assets are invested in the best interests of members, providing members with exposure to an appropriate balance of investment risk and return which is adjusted over time, as retirement approaches.

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**TRUSTEE GOVERNANCE REPORT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2023
(CONTINUED)**

- The Lifestyle Strategy option is designed so that members who do not choose to actively manage their own investments are not unduly exposed to risk, including inflation risk, conversion risk or capital risk. The SIP sets out the Trustee's policies in relation to the kinds of investments that should be held, risks (including how these are measured and managed) and the expected return on investments.

The changes in fund mix as retirement approaches is set out in the diagram below, and the precise mix of funds shown in the table that follows:



Years to Selected Retirement Age	L&G Future World Climate Change Equity Factors Index Fund (GBP) (%)	L&G Diversified Fund (GBP) (%)	Insight Liquidity Fund (GBP) (%)
Greater or equal to 20 years	100.0	0.0	0.0
19 years	93.3	6.7	0.0
18 years	86.7	13.3	0.0
17 years	80.0	20.0	0.0
16 years	73.3	26.7	0.0
15 years	66.7	33.3	0.0
14 years	60.0	40.0	0.0
13 years	53.3	46.7	0.0
12 years	46.7	53.3	0.0
11 years	40.0	60.0	0.0
10 years	33.3	66.7	0.0
9 years	26.7	70.8	2.5
8 years	20.0	75.0	5.0
7 years	13.3	79.2	7.5
6 years	6.7	83.3	10.0
5 years	0.0	87.5	12.5
4 years	0.0	85.0	15.0
3 years	0.0	82.5	17.5
2 years	0.0	80.0	20.0
1 year	0.0	77.5	22.5
0 years	0.0	75.0	25.0

THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

TRUSTEE GOVERNANCE REPORT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2023 (CONTINUED)

1.3 Legal & General Diversified Fund (GBP) – default fund

A default fund – the Legal & General Diversified Fund (GBP) – was created in December 2021 through the mapping of member balances from a legacy diversified growth fund. The objective of the LGIM Diversified Fund (GBP) is to achieve long-term capital growth with lower risk than investing in global equities.

The Trustee is satisfied that this fund is a suitable arrangement for members, forming part of the overall self-select fund range which provides members access to assets with a range of risk and expected return characteristics.

1.4 Review of investment performance

The performance of all investment arrangements available in the Scheme is monitored by the Trustee using six-monthly investment reports provided by the Scheme's appointed Investment Consultant, WTW. The investment reports provide details of the funds used within the Scheme, covering past performance, and providing comparisons to the appropriate benchmarks of the individual funds. A benchmark is an index (e.g. the FTSE 100 index) against which the performance of a fund may be measured.

The key areas covered in the reports are:

- Investment market background;
- Analysis of the funds used by the Scheme's members;
- Fund performance and risks/volatility over a standard set of time periods, both short and longer term; and
- Report of funds underperforming their benchmark and their comparable peers.

WTW provides its opinion on the performance of the investment arrangements and their continued suitability to the Scheme for the consideration of the Trustee, based on the SIP.

During the Scheme Year, the Trustee has taken into account the reports received from WTW and the impact of performance on different groups of members and is satisfied that performance is in line with the aims and objectives of the investment arrangements offered by the Scheme, as set out in the SIP dated 9 November 2021 and summarised above, for all groups.

A review of the Scheme's Lifestyle Strategy option, as well as the range of self-select funds available to members, is currently underway, and the Trustee will include details of this review in next year's Statement.

2. PROCESSING OF CORE FINANCIAL TRANSACTIONS

Zurich International Life Limited ("Zurich") is the Scheme's administrative practitioner and investment platform provider.

Member record keeping duties are delegated to Zurich by the Trustee. The Trustee has service level agreements ("SLA") in place with Zurich which cover the required accuracy and timeliness of the processing of all core member financial transactions and queries. The SLAs are outlined below.

Service description	Target for completion (days)
General Servicing	3
Lifestyle Strategy Changes	10
Leaver notification	3
Withdrawals	5-7
Complaints	2-5
Zurich International online site queries	3-5

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**TRUSTEE GOVERNANCE REPORT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2023
(CONTINUED)**

The SLAs over the period across all the above items are shown below, and the Trustee was pleased to see the continued strong performance throughout 2023. Zurich continues to work closely with the Trustee to better understand the Scheme through training and ongoing communications, as well as providing a stable servicing team assigned to the Scheme. Zurich provides feedback received from members via their quarterly governance/stewardship reports to the Trustee. They also have a quality assurance and controls team in place which checks the work carried out by the servicing team.

Q1 2023	Q2 2023	Q3 2023	Q4 2023
100%	100%	100%	100%

Within the overall service SLAs set out above, the Trustee specifically and closely monitors the processing of core financial transactions of the Scheme via Zurich's quarterly administration reports. Since the Scheme is closed to new members and contributions, these transactions include fund switches, transfers out of the Scheme, lifestyle strategy adjustments and other payments from the Scheme to, or in respect of, members or beneficiaries.

Based on the evidence above and ongoing reporting received and reviewed throughout the Scheme year, the Trustee is satisfied that core financial transactions have been processed promptly and accurately during the reporting period.

3. MEMBER CHARGES AND TRANSACTION COSTS

Charges in relation to the administration of the Scheme are incurred by the Scheme administrator and are borne solely by the employer, together with any applicable statutory levies. In addition, all costs associated with the Trustee's exercise of its duties, including fees payable to their legal, investment, taxation and other advisers consulted in governing the Scheme are also borne solely by the employer.

Investment management fees deducted from the funds by the investment managers are borne by the Scheme members. These are the explicit charges of the funds and they vary depending on the type of investments held.

Transaction costs are the costs incurred at the investment level by the investment managers within the funds on the Scheme's investment menu.

In order to meet each fund's investment objective, it will sometimes be necessary to buy and sell underlying investments. In doing so, the fund may need to pay broker commissions and transfer taxes (such as stamp duty reserve tax (SDRT)). In the case of shares, broker commissions and transfer taxes are paid by the fund on each transaction. In the case of fixed income securities such as bonds, transaction costs are incurred indirectly through what is known as the dealing spread – the difference between the prices paid to buy and sell the underlying investments in the fund.

Comparing the portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the manager's investment decisions in improving returns and the associated costs of investment.
- Historic transaction costs are not an effective indicator of the future impact on performance.
- Transaction costs for buying and selling investments due to other investors joining or leaving the fund may be recovered by investors over time.

Transaction costs are a necessary part of buying and selling a fund's underlying investments, to achieve their investment objective. More detail on the costs and charges relating to the funds are set out in Appendix 2 of this report.

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
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**TRUSTEE GOVERNANCE REPORT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2023
(CONTINUED)**

4. TRUSTEE KNOWLEDGE AND UNDERSTANDING

The Pensions Act 2004 requires trustees and trustee directors to:

(a) have sufficient knowledge and understanding of pensions and trust law and the principles relating to the funding and investment of occupational schemes; and

(b) be conversant with their scheme's documentation (including the trust deed and rules, the SIP and other documents setting out the trustees' current policies).

The Pensions Regulator published a Code of Practice on Trustee Knowledge and Understanding to assist trustees and trustee directors on this matter which became effective from 28 July 2017. (This Code of Practice has now been superseded by the Pensions Regulator's General Code of Practice (the "General Code") effective 28 March 2024, but was in place for the Scheme Year.) This section of the statement sets out how the requirements for knowledge and understanding have been met during the Scheme Year.

On 1 February 2023 ITS Limited merged with Ross Trustees Services Limited to create Independent Governance Group. As part of a bigger organisation, ITS Limited, which remains the Trustee entity, benefits from the wider and more comprehensive varied expertise available within the Independent Governance Group.

The lead and second trustee directors of ITS Limited who work on the Scheme are accredited with the Association of Professional Pension Trustees (APPT) as professional trustees. Accreditation is renewed annually pending evidence of adherence to the APPT professional requirements, including codes of conduct, training, and adherence to fit and proper standards. Of note is the requirement to follow the Code of Practice for Professional Corporate Sole Trustee appointments.

The Trustee maintains a working knowledge of the trust deed and rules, SIP and policies that guide the operation of the Scheme, and consults the relevant documents regarding their specific application as the need arises.

The Trustee stays updated with developments relating to the investment of occupational schemes and pensions and trust law more generally. It receives regular training from its advisers, in particular in relation to investments. Due to the nature of the Scheme and its operation under section 615(6) of the Income & Corporation Taxes Act 1988, the Trustee takes legal advice to determine the application of general regulatory changes in relation to this Scheme.

5. LOOKING AHEAD

New issues come along continually, from additional regulatory compliance requirements to external factors, and the Trustee's calendar must be sufficiently flexible to respond to contingencies. The Trustee continues to follow guidance provided by the Pensions Regulator and remains in continuous dialogue with the Scheme's sponsor, administrators and advisers to monitor members' investments, particularly in light of the wars in Ukraine and Israel, and associated investment market volatility and inflation. Members have been provided with relevant and updated information on their online pension account, where they can review their investment strategy at their convenience.

In addition, the Trustee has been discussing the introduction by the Pensions Regulator of the new General Code. Trustees are expected to complete an assessment of how their pension arrangements compares to the legal requirements and expectations set out in this Code. The final Code came into effect on 28 March 2024. The Trustee is working with its advisers to undertake a review of the Scheme against the Code.

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**TRUSTEE GOVERNANCE REPORT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2023
(CONTINUED)**

APPENDIX 1

**HSBC International Managers Defined Contribution Retirement
Benefits Scheme Statement of Investment Principles
November 2021**

Introduction

1. This document is the Statement of Investment Principles (“Statement” or “SIP”) prepared by the Trustee of the HSBC International Managers Defined Contribution Retirement Benefits Scheme (“the Scheme”) in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This Statement is intended to set out the investment strategy, including the investment objectives and investment policies, which the Trustee adopts when selecting investments for Scheme members. It outlines the Trustee’s processes for the selection, monitoring and evaluation of the investment options offered by the Scheme.
2. The sole corporate Trustee of the Scheme, Independent Trustee Services Limited (the “Trustee”), will review this Statement at least once every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee has consulted with the Sponsoring Employer, HSBC Asia Holdings BV (“Employer”), and obtained and considered written professional advice from Willis Towers Watson, the Scheme’s Investment Consultant. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
3. The Scheme’s assets are held in Trust. The Trustee is responsible for the investment of the Scheme’s assets and its investment powers are set out in the Scheme’s Trust Deed. Whilst the Trustee may consult with the Employer on its decisions regarding the Scheme’s assets and investment strategy, there is no scope for the Employer to limit the Trustee’s power of investment.
4. The Trustee invests the assets of the Scheme through a series of pooled investment vehicles offered through a bundled defined contribution pension policy with Zurich International Life. Life policies based in the Isle of Man are held with Zurich International Life, which in turn invest in these pooled investment vehicles.

Scheme Governance

Trustee

5. The Trustee is responsible for the investment of the Scheme’s assets. The Trustee is responsible for some decisions and delegates the balance, within the framework documented in the SIP.

The Trustee has overall responsibility for the Scheme’s investments which includes the following duties and responsibilities:

- Ensuring the Scheme complies with legislation and regulation including reviewing the Scheme’s compliance with the SIP on an annual basis, or immediately after any change in strategy
- Considering proposed changes and agreeing final changes to the SIP. Consulting with the Employer before amending the SIP
- Appointing and providing oversight of third party advisors to the Scheme including the Investment Consultant, Fund Provider and investment managers
- Determining and reviewing the Scheme’s investment strategy on an ongoing basis, including reviewing at least every three years, or without delay following any meaningful change to the investment policy, the Scheme, the membership, or the default strategy
- Preparing member communications relating to investment matters

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Investment Consultant

6. The Investment Consultant advises the Trustee in the following areas:
- Reviewing any amendments to the SIP
 - Undertaking project work, as required, including review of investment strategy and policy (including the range of funds)
 - Reviewing the ongoing suitability of the Scheme's default arrangements
 - Ongoing monitoring and selection of the Scheme's investment managers
 - Monitoring investment market outlook and potential implications for the Scheme's investments

Fund Provider and Investment Managers

7. The Trustee delegates the day-to-day administration and management of the Scheme's investments to the fund platform provider (the "Fund Provider"), Zurich International Life Limited, and the investment managers. The Trustee invests the assets through a series of pooled investment vehicles offered through a bundled policy with the Fund Provider and accessed by holding life policies with the Fund Provider.

The investment managers' roles in practice include the responsibility to:

- Manage the assets for each investment fund within the investment guidelines, objectives and restrictions set out for that pooled fund but, subject to that, exercising discretion as appropriate when investing in the portfolio
- Have regard to the need for diversification of investments so far as appropriate and to the suitability of investments
- Inform the Fund Provider of any planned changes in the performance objective and guidelines of any pooled fund used by the Scheme before they occur
- Appoint custodians for the assets managed in the underlying pooled funds.

The Fund Providers' responsibilities include:

- Providing the Trustee with a quarterly statement of the assets and cash flows and a quarterly report on the results of past actions
- Informing the Trustee of any changes in the performance objective or guidelines of any underlying pooled funds used by the Scheme as soon as practicable
- Making the Trustee aware of any developments within the investment proposition.

Given that the Scheme invests in pooled funds, the safekeeping of the underlying assets is undertaken by parties selected by the fiduciary managers of the pooled funds.

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Investment Objectives, Risk and Investment Strategy

Investment Objectives

8. The Trustee recognises that members have differing investment needs which may change during members' working lives and that individual members have different attitudes to risk. As such, the Trustee aims to provide a range of investment options to allow members to make their own investment decisions based on their individual circumstances.
9. The following encapsulates the Trustee's objectives:
 - To provide a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual retirement needs and risk and return requirements.
 - To offer funds which facilitate diversification and long-term capital growth.
 - To offer funds that enable members to reduce risk in their investments as they approach retirement.
 - To provide an investment option for members who do not wish to make regular investment decisions throughout their working life or would prefer using an investment strategy designed by the Trustee rather than setting their own investment strategy from the self-select menu. A lifestyle option has therefore been designed to consider membership demographics and risk tolerance as this changes throughout a member's time in the Scheme. The objectives of the lifestyle option are to provide members with:
 - a) the opportunity for growth when they are over 20 years from retirement (**Growth Phase**);
 - b) between 20 and 10 years ahead of retirement, an investment strategy that is gradually weighted towards to a diversified growth fund. This will help to reduce investment risk, while still offering potential for growth, as this is a period when members' capacity to take risk is decreasing (**Accumulation Phase**); and
 - c) capital preservation in the **Pre-retirement Phase**, over the final 10 years before retirement and at the ending asset allocation of the lifestyle strategy, by introducing an allocation to cash, while aiming to deliver growth above inflation at lower levels of volatility than equities through an allocation to a diversified growth fund. At retirement, a member is invested in 75% diversified growth fund and 25% cash, recognising that members' life expectancy means some investment risk is appropriate at retirement and as there is flexibility to withdraw savings as and when they wish.
 - A default fund – the LGIM Diversified Fund (GBP) – was created in December 2021 through the mapping of member balances from a legacy diversified growth fund. The objective of the LGIM Diversified Fund (GBP) is to achieve long-term capital growth with lower risk than investing in global equities. More detail on this default fund is set out at paragraph 16 below.

Risk

10. The Trustee recognises that, in a defined contribution arrangement, members assume the investment risks and that members are exposed to different types of risks at different stages of their working life. Investment risks inherent within the Scheme include:
 - **Inflation risk** - the risk that investments do not provide a return at least in line with inflation such that the real (i.e. post inflation) value of the members' contributions, and ultimately, benefits erode over time. This is managed by the provision of growth seeking investment options with higher expected returns than inflation.

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- **Pension conversion risk** - When a member retires, they may use their account to secure a pension. The cost of buying a pension varies from time to time and depends partly on the price of bonds. By switching their investments into a fund that invests in bonds when they are close to retirement, members can help to protect against this risk.
- **Capital risk** – the risk that the value of the investment will fall in value over any period of time. The Trustee has made available cash funds denominated in three major world currencies for the purpose of managing this risk. In addition, this risk is managed by ensuring the investment options are sufficiently diversified and members are able to construct a diversified portfolio using a number of different asset classes.
- **Manager risk** - the risk that the chosen investment managers underperform their respective benchmarks which will ultimately result in lower returns for members. This is managed by offering passively managed investment funds and through consideration of the appropriate number of actively managed funds, as well as ongoing monitoring of the investment managers.
- **Market risk** - the risk that the funds made available to members may be sensitive to market movements which can lead to losses (as well as gains) in the value of a member's investment/benefit. This is managed by allowing members to invest in a range of diversified assets in different countries/regions such that risk is not excessively concentrated to any market.
- **Operational risk** – the Trustee regularly considers and monitors risks inherent in the Scheme's operations.
- **Concentration risk** - the risk of holding a large proportion of assets in a single investment manager, strategy, asset class or geography. This is managed through the selection of broad-based funds that show internal diversification, as well as by offering the members a fund range which provides for reasonable diversification.
- **Liquidity risk** – the risk that assets are not easily realisable such that cash is not readily available to meet cash flow requirements. The Trustee has had regard to this in selecting appropriate funds and in designing the lifestyle strategy. This is managed through investing in daily dealt funds which ensure holdings can be sold quickly.
- **Opportunity cost risk** – the risk that members fail to take enough investment risk when appropriate to do so and thereby are left with a lower level of retirement benefit than they might otherwise have achieved. The Trustee has made available a range of growth seeking funds which provide opportunities for capital growth in both the individual fund range and the growth phase of the lifestyle strategy.
- **Currency risk** - funds made available to members may have the ability to invest in overseas assets which are denominated in currencies other than Sterling, which is the Scheme's currency. Therefore, there is a risk that the relative movements in Sterling and other currencies leads to losses (or gains) in the value of a member's investment. This is managed by providing members with fund options that invest in both Sterling and non-sterling assets and by offering currency-hedged bond funds in the self-select range that hedge the overseas currency risk. In addition, as members are globally mobile, the country in which they retire and the currency in which they may wish their retirement benefits to be paid is unknown. To manage this risk, the Trustee has analysed the membership demographics and surveyed the membership and based on this has also made available US Dollar and Euro denominated fund options within the self-select range.
- **Retirement objective mismatch risk** – the risk that members' investment allocation in the years prior to retirement does not match their retirement objectives, exposing members to inefficient or uncertain outcomes. The Trustee has made available one lifestyle strategy with an ending asset allocation that provides both potential for growth above inflation at lower levels of volatility than equities and an element of capital preservation through some exposure to cash. Additionally, a range of fund options is offered in the self-select range to help members manage this risk.

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- **Environmental, Social and Governance (ESG) risk:** Management of investments with regard to ESG factors, including but not limited to climate change, can impact performance and member outcomes. ESG factors are currently explicitly integrated in the investment fund used for the growth phase of the lifestyle and that is also available within the self-select fund range.

The Trustee seeks to offer a lifestyle strategy and self-select options which allow members to mitigate the above investment-related risks. However, the Trustee acknowledges that it is not possible to mitigate all of these risks at the same time. The Trustee continues to monitor these risks as part of the ongoing monitoring of investment managers and the investment review activities outlined in this SIP.

Investment Strategy

11. The Trustee aims to provide members with a reasonable degree of freedom over the investment policy of their account. This allows members to tailor their own investment strategy in line with their own preferences and/or individual needs. The range of funds is across the major asset classes, and the differing characteristics of the asset classes ensures that members have broad access to market returns which cater for the evolving risks members face, including both active and passively managed options.
12. The Trustee will determine the range of funds to be made available to meet a range of member needs considering the risks set out above.
13. The Trustee believes that the range of funds offers adequate diversification and is appropriate for the Scheme given there is a wide range of fund options that show internal diversification and meet different member needs (e.g. by offering a range of growth seeking, mixed-asset and capital protection asset classes). The Trustee has taken advice from its Investment Consultant to ensure the investment options are suitable and will regularly review the suitability of the funds. From time to time the Trustee may change the investment managers or investment options, where appropriate.
14. The funds available are expected to provide an investment return relative to an appropriate level of risk. The Trustee believes that the range of funds offered should provide the range of returns suitable for the membership as a whole. The investment options include the following assets and have the following risk and expected return characteristics:
 - **Equities** – expected to produce returns in excess of rates of salary and price inflation in the medium to long-term. Capital values may be highly volatile in the short-term.
 - **Diversified assets** – expected to produce returns in excess of rates of salary and price inflation in the medium to long-term. Capital values may be volatile in the short-term although this is expected to be less than for equities.
 - **Bonds** – capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long-term that may not exceed rates of salary and price inflation. The value of bonds is expected to move broadly in line with the price of annuities, providing some protection to the ‘purchasing power’ of a member’s account near retirement when used to provide a pension income (annuity).
 - **Cash** – low risk to capital and asset values are easily realisable with limited investment returns associated with the low risk nature of the assets. There is a risk that the lower expected returns on cash may not exceed rates of salary and price inflation in the medium to long-term.
15. Within the Scheme, members’ accounts are held in funds which can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

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Default Option

16. As part of the investment changes implemented in December 2021, changes were made to the self-select fund range, and some funds that had previously been available to members were closed and replaced with new funds. These changes meant that members' investments in a legacy diversified growth fund (BNY Mellon Multi-Asset Diversified Return Fund (GBP)) were transferred to the LGIM Diversified Fund (GBP) without members needing to give their consent. As a result, this new fund is therefore deemed a default option. This change to the self-select fund range was based on the Trustee's review of the Scheme's investment strategy and fund range, as well as advice from the Scheme's Investment Consultant. The Trustee is satisfied that this fund is a suitable option for members, forming part of the overall self-select fund range which provides members access to assets with a range of risk and expected return characteristics.
17. Members can either invest into the lifestyle strategy or the self-select fund range but cannot invest in both at the same time within the same policy (contribution type). However, members can hold the LGIM Diversified Fund (the default option) alongside other self-select fund range options at the same time.

Relationship with Investment Managers and Scheme Provider

18. 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 investment managers accessed via the Fund Provider, including the acquisition and realisation of investments. The investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.
19. The Trustee delegates the day-to-day management of the assets to the Fund Provider and the investment managers. The Trustee is not involved in the investment managers' and the Fund Provider's day-to-day investment decisions and day-to-day management of the Scheme's assets and does not directly seek to influence attainment of their performance targets.
20. The Trustee will, in considering advice from the Investment Consultant, review the suitability of the Scheme's investments on an ongoing basis including the suitability of the appointed Fund Provider and the funds utilised. Following such review, the Scheme's investments may be amended from time to time.
21. The Trustee monitors fund investment performance every six months through the receipt of reporting provided by the Investment Consultant.
22. The Trustee will select or deselect investment managers (via the Fund Provider's investment platform) based on the Trustee's view of the investment managers' ability to achieve performance objectives. In making this assessment, the Trustee will consider a number of qualitative and quantitative factors, as well as the views of the Investment Consultant.

Environment, Social and Governance (ESG) factors and stewardship

23. The Trustee recognises that sustainable investment factors, such as (but not limited to) environmental (including climate change related risks) social and governance (ESG) matters are financially material over the long-term. The Trustee has delegated the responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions as applicable to the investment objectives and guidelines of each of the investment funds available to Scheme members). This includes consideration of all financially material factors, including ESG factors where permissible within applicable guidelines and restrictions. ESG factors are currently explicitly integrated in the investment fund used for the growth phase of the lifestyle, considering in particular the time horizon of this strategy. This same fund is also available within the self-select fund range.
24. Non-financial ESG considerations are also reflected in the investment strategy. Through surveying the membership, it is clear the members view these matters as important. These views are taken into consideration in the self-select fund range.

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25. The Trustee expects the Scheme's investment managers to have effective stewardship, both through voting and engagement. The Trustee delegates the responsibility for the stewardship activities attaching to the investments (including voting rights and engagement activities with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings) to the Scheme's investment managers. Annually, the Scheme's investment managers are requested to provide information to the Trustee including voting policies, voting statistics and most significant votes on behalf of the Trustee. Investment managers are asked to define which criteria has been assessed to choose the most significant votes.
26. For the investments advised on by the Scheme's Investment Consultant, the Trustee receives regular research and updates as part of its monitoring process. Sustainable investing, stewardship and ESG considerations are implicit in such research alongside other criteria. When considering the appointment of a new investment manager (via the Fund Provider), the Trustee, with input from the Scheme's Investment Consultant, will consider the manager's approach to stewardship as one of the selection criteria, where relevant.
27. The investment strategy of the default arrangement has regard to the policies outlined in this section of the SIP.

Alignment with Investment Managers

28. The Scheme uses many different investment managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, the investment options are 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.
29. To maintain alignment, investment managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and the Trustee, with support from the Investment Consultant, will ask the investment managers on an annual basis to confirm if the management of the assets is consistent with those policies set out in this Statement, and as relevant to the mandate in question. To the extent there is any misalignment between the management of assets and the relevant policies in the Statement of Investment Principles, the Trustee will engage with the investment managers as part of this process.
30. Should the Trustee's monitoring process reveal that an investment manager's fund is not aligned with the Trustee's policies set out in this Statement (and as relevant to the mandate in question), in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005), the Trustee will engage with the investment manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the fund and the investment manager's engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be considered for termination.
31. For most of the Scheme's investment options, 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 has selected certain investment funds where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making (for example, cash funds).
32. The Trustee appoints its investment managers (via an investment platform) with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing an investment manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an investment manager's appointment based purely on short term performance. However, an investment 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.

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33. Investment 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.
34. The Trustee reviews the costs incurred in managing the Scheme's assets on at least an annual basis, which includes the costs associated with portfolio turnover. There is no broad targeted portfolio turnover (how frequently assets within a fund are bought and sold by Investment managers) which the Trustee adheres to. The Trustee, with the help of the investment Consultants, will monitor that the level of portfolio turnover remains appropriate in the context of the investment managers' strategy and the Scheme's investment strategy.

Investment Arrangements

35. The Trustee provides one lifestyle strategy which works as follows:

In the **growth phase** of the lifestyle, a member's pension pot will be invested 100% in a growth fund until 20 years before a member's selected retirement age. The fund for this growth phase is the LGIM Future World Climate Change Equity Factors Index Fund (GBP) (further details on this fund are shown later in this document).

In the **accumulation phase**, which starts from 20 years to a member's selected retirement date, the lifestyle automatically switches into a diversified fund, that is expected to deliver long-term capital growth but with lower risk than the global equities in the growth phase. In this accumulation phase, the investments are switching into the LGIM Diversified Fund (GBP) (further details on this fund are shown later in this document).

In the **pre-retirement phase**, which starts from 10 years to a member's selected retirement age, the lifestyle also automatically starts switching into a cash fund that aims to maintain capital value. By the member's selected retirement age, the **at-retirement asset allocation** will be 75% LGIM Diversified Fund (GBP) and 25% Insight Liquidity Fund (GBP).

The lifestyle strategy has been designed based upon analysis of the demographics and risk profile of the Scheme's membership and the expected retirement objectives of the membership. The availability of a lifestyle strategy to DC members does not constitute advice for any individual DC member. The table below shows how the asset allocation of the lifestyle strategy changes over the time to a member's selected retirement age:

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Years to Selected Retirement Age	LGIM Future World Climate Change Equity Factors Index Fund (GBP) (%)	LGIM Diversified Fund (GBP) (%)	Insight Liquidity Fund (GBP) (%)
Greater or equal to 20 years	100.0	0.0	0.0
19 years	93.3	6.7	0.0
18 years	86.7	13.3	0.0
17 years	80.0	20.0	0.0
16 years	73.3	26.7	0.0
15 years	66.7	33.3	0.0
14 years	60.0	40.0	0.0
13 years	53.3	46.7	0.0
12 years	46.7	53.3	0.0
11 years	40.0	60.0	0.0
10 years	33.3	66.7	0.0
9 years	26.7	70.8	2.5
8 years	20.0	75.0	5.0
7 years	13.3	79.2	7.5
6 years	6.7	83.3	10.0
5 years	0.0	87.5	12.5
4 years	0.0	85.0	15.0
3 years	0.0	82.5	17.5
2 years	0.0	80.0	20.0
1 year	0.0	77.5	22.5
0 years	0.0	75.0	25.0

37. The fund benchmark and performance objectives of the current fund range are set out below. The funds listed below can be self-selected by members who wish to make their own decisions with respect to how their account is invested.

Fund	Current Mandate Benchmark	Performance Objective
LGIM Future World Climate Change Equity Factors Index (GBP) *	FTSE All-World ex CW Climate Balanced Factor Index	To match benchmark performance (gross of fees)
iShares Developed World Index (GBP)	MSCI World Index (GBP)	To match benchmark performance (gross of fees)
HSBC Islamic Global Equity Index (USD)	Dow Jones Islamic Market Titans 100 Index (USD)	To match benchmark performance (gross of fees)
Vanguard Emerging Markets Stock Index (GBP)	MSCI Emerging Markets Index (GBP)	To match benchmark performance (gross of fees)

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Fund	Current Mandate Benchmark	Performance Objective
iShares US Equity (GBP)	FTSE USA Index (GBP)	To match benchmark performance (gross of fees)
iShares Pacific Ex-Japan (GBP)	FTSE Developed Asia Pacific ex Japan Index (GBP)	To match benchmark performance (gross of fees)
Vanguard Japan Stock (GBP)	MSCI Japan Index (GBP)	To match benchmark performance (net of fees)
iShares Continental European Equity (GBP)	FTSE World Europe Ex UK Index (GBP)	To match benchmark performance (net of fees)
Vanguard FTSE UK All Share Index Unit Trust (GBP)	FTSE All-Share Index (GBP)	To match benchmark performance (gross of fees)
LGIM Diversified (GBP) * This is a default fund (see 'Default Options' section)	Performance objective: Bank of England base rate + 3.75% p.a. before fees	To achieve long-term capital growth with lower risk than investing in global equities in the long-term
LGIM Diversified (USD)	Performance objective: Secured Overnight Financing Rate + 3.75% p.a. before fees	To achieve long-term capital growth with lower risk than investing in global equities in the long-term
Vanguard Global Bond Index (GBP Hedged)	Spliced BB Global Aggregate Float-Adjusted and Scaled Index (GBP Hedged)	To match benchmark performance (gross of fees)
Vanguard Global Bond Index (EUR Hedged)	Spliced BB Global Aggregate Float-Adjusted and Scaled Index (EUR Hedged)	To match benchmark performance (gross of fees)
Vanguard Global Bond Index (USD Hedged)	Spliced BB Global Aggregate Float-Adjusted and Scaled Index (USD Hedged)	To match benchmark performance (gross of fees)
PIMCO GIS IG Credit Fund (GBP Hedged)	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	To outperform benchmark performance (net of fees)
PIMCO GIS IG Credit Fund (EUR Hedged)	Bloomberg Barclays Global Aggregate Credit Index (EUR Hedged)	To outperform benchmark performance (net of fees)

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Fund	Current Mandate Benchmark	Performance Objective
PIMCO GIS IG Credit Fund (USD Hedged)	Bloomberg Barclays Global Aggregate Credit Index (USD Hedged)	To outperform benchmark performance (net of fees)
PIMCO Global Bond (EUR Hedged) **	Bloomberg Barclays Global Aggregate Index (EUR Hedged)	To outperform benchmark performance (net of fees)
PIMCO Global Bond (USD Hedged) **	Bloomberg Barclays Global Aggregate Index (USD Hedged)	To outperform benchmark performance (net of fees)
JPM Global Natural Resources (GBP) **	EMIX Global Mining & Energy Index (GBP)	To achieve long-term capital growth by investing primarily in natural resources companies, globally.
iShares GiltTrak Fund (GBP)	FTSE Actuaries UK Conventional Gilts All Stocks Index (GBP)	To match benchmark performance (gross of fees)
Insight Liquidity (GBP) *	Sterling Overnight Interbank Average Rate (SONIA)	To maintain capital value whilst producing income
Insight Liquidity (EUR)	7 Day EUR LIBID	To maintain capital value whilst producing income
Insight Liquidity (USD)	Effective Federal Funds Rate (EFFR)	To maintain capital value whilst producing income

**These funds are used as underlying building blocks of the lifestyle strategy*

***These funds are closed to additional investment from December 2021.*

Approved by ITS Limited, acting as trustee for the HSBC International Managers Defined Contribution Retirement Benefits Scheme as at 9 November 2021.

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APPENDIX 2

The Total Expense Ratio (“TER”) is the charges borne by members expressed as a percentage of the fund value. The TERs and the transaction costs currently applicable to the Scheme’s Lifestyle Strategy are as follows:

Member borne charges and transaction costs LIFESTYLE STRATEGY		
Age / Years from retirement	TER (% pa)	Transaction costs (% pa)
30 year old member (35 years from retirement)	0.23	0.03
45 year old member (20 years from retirement)	0.23	0.03
50 year old member (15 years from retirement)	0.22	0.02
55 year old member (10 years from retirement)	0.22	0.01
60 year old member (5 years from retirement)	0.20	0.00

The TERs and the transaction costs borne by members in the default arrangement, the Diversified Growth Fund, were as follows in the Scheme Year:

Fund name	2023 TER (%)	2022 TER (%)	2023 Transaction Costs (%)
L&G Diversified Fund (GBP)	0.21	0.21	0.00

The TERs and the transaction costs currently applicable to the Scheme’s full investment fund menu available to members are as follows.

Investment Charges:

Fund name	2023 TER (%)	2022 TER (%)	2023 Transaction Costs (%)
L&G Diversified Fund (GBP)	0.21	0.21	0.00**
L&G Diversified Fund (USD)	0.30	0.31	0.02
HSBC Islamic Global Equity Index (USD)	0.48	0.58	0.02
iShares Continental European Equity Index (GBP)	0.11	0.10	0.08
iShares Developed World Index (GBP)	0.05	0.05	0.00
iShares Pacific ex Japan Equity Index (GBP)	0.12	0.12	0.10
iShares US Equity Index (GBP)	0.10	0.10	0.01
L&G Future World Climate Change Equity Factors Index (GBP)	0.23	0.23	0.03
Vanguard FTSE UK All Share Index Unit Trust (GBP)	0.05	0.05	0.05
Vanguard Emerging Markets Stock Index (GBP)	0.11	0.11	0.04
Vanguard Japan Stock Index Fund (GBP)	0.05	0.05	0.01

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

JPM Global Natural Resources (GBP)*	1.02	1.02	0.65
PIMCO GIS Global Investment Grade Credit USD Hedged (USD)	0.49	0.49	0.06
PIMCO GIS Global Investment Grade Credit EUR Hedged (EUR)	0.49	0.49	0.14
PIMCO GIS Global Investment Grade Credit GBP Hedged (GBP)	0.49	0.49	0.12
PIMCO Global Bond (USD)*	0.49	0.49	0.11
PIMCO Global Bond (EUR)*	0.49	0.49	0.19
Vanguard Global Bond Index (GBP)	0.05	0.05	0.15
Vanguard Global Bond Index (EUR)	0.05	0.05	0.15
Vanguard Global Bond Index (USD)	0.05	0.05	0.15
iShares GiltTrak (GBP)	0.07	0.07	0.00**
Insight Liquidity (EUR)	0.10	0.10	0.00
Insight Liquidity (GBP)	0.10	0.10	0.01
Insight Liquidity (USD)	0.10	0.10	0.00

Notes:

The funds highlighted in blue are those used in the Lifestyle Strategy.

** These funds were closed to additional investments from December 2021.*

*** A zero cost has been used where there are negative transaction costs.*

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**REPORT OF THE INDEPENDENT AUDITORS, GREYSTONE LLC, TO THE TRUSTEE OF THE HSBC
INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME**

Opinion

We have audited the financial statements of The HSBC International Managers Defined Contribution Retirement Benefits Scheme (the 'scheme') for the year ended 31 December 2023 which comprise the fund account, the net assets statement and the related notes 1 to 7, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 Section 1A The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the scheme during the scheme year ended 31 December 2023 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**REPORT OF THE INDEPENDENT AUDITORS, GREYSTONE LLC, TO THE TRUSTEE OF THE HSBC
INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
(CONTINUED)**

Opinions on other matters

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustee's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustee's report has been prepared in accordance with applicable legal requirements.

Matters on which we report by exception

In the light of the knowledge and understanding of the scheme and its environment obtained in the course of the audit, we have not identified material misstatements in the trustee's report. We have nothing to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from offices of the trustee not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustee's responsibilities statement set out on page 6, the trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing 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 intend to liquidate the scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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:

We identify and assess the risks of material misstatement contained within the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**REPORT OF THE INDEPENDENT AUDITORS, GREYSTONE LLC, TO THE TRUSTEE OF THE
HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS
SCHEME (CONTINUED)**

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Scheme's documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of noncompliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation to misvalue the scheme's insurance contract, either through fraud or error. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Scheme operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Schedule to the Occupational Pension Schemes Regulations 1996 and local tax legislation.

Audit response to risks identified

As a result of identifying the valuation of the scheme's insurance contract as being at potential risk of fraud or error, the specific procedures we performed in response to this risk included obtaining a valuation report from the Investment Platform Provider and reviewing the performance of the represented funds against publicly available sources.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- obtained an understanding of provisions and held discussions with management to understand the basis of recognition or non-recognition of tax provisions; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or noncompliance with laws and regulations throughout the audit.

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**REPORT OF THE INDEPENDENT AUDITORS, GREYSTONE LLC, TO THE TRUSTEE OF THE
HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS
SCHEME (CONTINUED)**

Audit response to risks identified (continued)

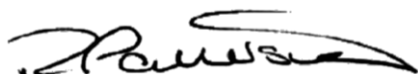
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>

This description forms part of our auditor's report.

Use of our report

This report is made solely to the scheme's trustee, in accordance with Pensions Act 1995 and regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme's trustee those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustee, for our audit work, for this report, or for the opinion we have formed.



**Rob Patterson (Senior Statutory Auditor)
For and on behalf of Greystone LLC
Chartered Accountants & Registered Auditors
Douglas, Isle of Man**

Date 25 July 2024

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF
THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS
SCHEME**

We have examined the Summary of Contributions payable under the Schedule of Contributions to The HSBC International Managers Defined Contribution Retirement Benefits Scheme in respect of the Scheme year ended 31 December 2023 which is set out on page 6.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 6, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Scheme and to report our opinion to you.

Scope of work on statement about contributions


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 at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Statement about contributions payable under the Schedule of Contributions

In our opinion contributions for the Scheme year ended 31 December 2023 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions.

Use of our report

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.



Greystone LLC
Chartered Accountants
15 St Georges Street
Douglas
Isle of Man
IM1 1AJ

25 July 2024

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

FUND ACCOUNT

	Note	2023	2022
		£	£
CONTRIBUTIONS AND BENEFITS			
Full withdrawals		-	-
Net deductions arising from dealings with members		<u>-</u>	<u>-</u>
RETURNS ON INVESTMENTS			
Change in market value of investments	4	5,309,680	(3,406,097)
Forex gain/(loss)		<u>(180)</u>	<u>(1,033)</u>
Net returns on investments		<u>5,309,500</u>	<u>(3,407,130)</u>
Net increase in fund for year		5,309,500	(3,407,130)
Net assets of the Scheme at 1 January as previously reported		41,658,701	45,065,831
NET ASSETS OF THE SCHEME AT 31 DECEMBER		<u><u>46,968,201</u></u>	<u><u>41,658,701</u></u>

The notes on pages 33 to 36 form part of these financial statements.

THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NET ASSETS STATEMENT

	Note	2023 £	2022 £
INVESTMENT ASSETS			
Insurance contract*		<u>46,968,201</u>	<u>41,658,701</u>
		<u>46,968,201</u>	<u>41,658,701</u>
Net Assets as at 31 December		<u>46,968,201</u>	<u>41,658,701</u>

*The insurance contract with Zurich utilises the agreed price on 31 December 2023.

The notes on pages 33 to 36 form part of these financial statements.

The financial statements summarise transactions of the Scheme and the net assets at the disposal of the Trustee. They do not take account of the future liability to pay pensions and other benefits. The Scheme is a money purchase type arrangement and consequently the question of an actuarial liability does not exist.

The financial statements on pages 31 to 36 were approved by the Trustee:

For and on behalf of the Trustee

Jennifer Adams
TRUSTEE DIRECTOR
Chair of Trustees

Date: 25.07.2024

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared on an accruals basis, in accordance with Financial Standard (FRS) Section 1A of 102 - Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Accounting Standards Applicable to Smaller Entities, issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (2018) ("the SORP").

The financial statements have been prepared on the going concern basis.

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

Based on Section 1A of FRS 102, pension schemes are exempt from the requirement to include a statement of cash flows in the financial statements (FRS 102:7.1A).

Benefits and payments to and on account of leavers

Member terminations are processed upon the receipt of the signed termination form and identification documents from the member. The member's account is encashed, and the value paid to the member.

Scheme fees

All fees in relation to the Scheme are paid by the Principal Company unless otherwise agreed.

Currency

The Scheme's functional and presentational currency is Sterling.

Transactions in foreign currencies have been translated to base currency at the rate ruling on the transaction date. Monetary assets, liabilities and investments existing at the net assets statement date have been translated at the rate ruling on the reporting date.

Gains and losses arising on conversion or translation are dealt with as part of the change in the market value of investments.

Cash and cash equivalents

Cash comprises cash in hand and short-term deposits held with financial institutions.

Investment income (dividends)

Income from equities and any pooled investment vehicles which distribute income, is accounted for on an accruals basis. These amounts are never received in cash and immediately reinvested.

Investments

Investments included at fair value and are stated at bid prices, which are based on prices of underlying investments, sourced from reputable providers or directly from third-party administrators. Investment transaction costs are added to purchase costs and netted against sale proceeds, as appropriate.

Investment transaction costs

Investment transaction costs are added to purchase costs and netted off against sale proceeds, as appropriate.

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. FAIR VALUE OF INVESTMENTS

The fair value of investments has been determined using the following 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

Category	Level 1	Level 2	Level 3	Total
	£	£	£	31/12/2023 £
Insurance contract	46,968,201			46,968,201

Category	Level 1	Level 2	Level 3	Total
	£	£	£	31/12/2022 £
Insurance contract	41,658,701	-	-	41,658,701

Additional analysis of investments

The holding of investments is made of and an insurance contract for 2022 and 2023 which are analysed below:

	2023	2022
	£	£
Equities	41,523,616	36,172,145
Bonds	3,978,085	3,100,903
Fixed Interest	-	1,039,326
Money Market	1,466,500	1,346,327
	<u>46,986,201</u>	<u>41,658,701</u>

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENTS

The annual management fees of the underlying funds are taken into account in calculation of the unit price of these investments. The investment portfolio is made up of holdings in an insurance contract available to the members of the Scheme.

The change in market value of underlying investments comprises all increases and decreases in the market value of underlying investments held at any time during the year, including profits and losses realised on the sales of underlying investments during the year.

The insurance contract held with Zurich was:

Type of investment	Opening Balance	Purchases	Sales	Change in Market Value	Closing Balance
	£	£	£	£	£
Insurance Contract	41,658,701	1,000,148	(1,000,328)	5,309,680	46,968,201
	41,658,701	1,000,148	(1,000,328)	5,309,680	46,968,201

4. INVESTMENT RISKS

As a result of the entity holding investments, it is exposed to the following risks:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme is indirectly exposed to credit risk arising on the financial instruments held by the pooled investments within the insurance contract. To mitigate this risk only investments in regulated jurisdictions with reputable investment managers are utilised.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. The Scheme is subject to currency exposure as the functional and presentational currency is Sterling and some funds are denominated in EUR and USD, the investments are placed worldwide, and it is the decision of individual members as to amount of currency exposure they wish to take through their investment selection.

The following sets out a sensitivity analysis in relation to foreign currency risk on investments denominated in EUR and USD. At 31 December 2023, if EUR and USD had strengthened by 5% against Sterling with all other variables held constant, value of investments denominated in EUR and USD would appreciate and the increase for the year would have been £160,112 (2022: £150,421) higher, as a result of foreign exchange gains on translation of EUR and USD. A 5% depreciation of the EUR and USD against the Sterling at 31 December 2023 with all other variables held constant, would have an equal and opposite effect on the value of investments denominated in EUR and USD.

Investment type	Currency	Closing 31/12/2022	Closing 31/12/2023	Sensitivity	Effect 31/12/2022	Effect 31/12/2023
		£	£	%	£	£
Fixed Interest	EUR	Nil	Nil	5%	Nil	Nil
Bonds	EUR	697,037	719,068	5%	34,852	35,953
Cash	EUR	5,595	5,658	5%	280	283
Equities	USD	247,425	402,000	5%	12,371	20,100
Fixed Interest	USD	Nil	Nil	5%	Nil	Nil
Bonds	USD	1,166,050	1,189,358	5%	58,303	59,468
Cash	USD	892,311	886,167	5%	44,615	44,308
					<u>150,421</u>	<u>160,112</u>

**THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENT RISKS (CONTINUED)

- 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. Some members within the scheme invest in bonds and cash, so are subject to interest rate risk. It is the decision of individual members as to amount of interest rate exposure they wish to take through their investment selection.
- 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.

As at 31 December 2023, had the prices of investments increased by 5%, with all other variables remaining constant, the value of investments would have been higher by £2,348,410 (2022: £2,082,935). A 5% decrease in the price of the investments with all other variables held constant, would have an equal and opposite effect on the value of investments.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Trustee manage investment risks, including credit risk and market risk, by monitoring the fund performance to its benchmark considering the Scheme's strategic investment objectives.

These investment objectives are set in the schemes Statement of Investment Principles (SIP) and monitored by the Trustee by regular reviews of the investment portfolio.

5. CONTINGENT LIABILITIES

These financial statements do not take account of liabilities to pay pensions and other benefits in the future. On this basis, in the opinion of the Trustee, the Scheme has no contingent liabilities at the year end.

6. RELATED PARTY TRANSACTIONS

The administrative expenses for the year of £101,413 (2022: £90,015) for the Scheme are borne by the Principal Company and are payable directly to Zurich.

7. SUBSEQUENT EVENTS

The Trustee is not aware of any material subsequent events that require disclosure within the financial statements.