

TRUSTEE GOVERNANCE REPORT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2024

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 2024 to 31 December 2024 (the "Scheme Year") confirms that:

1. Returns on investments (net of charges and transaction costs) for the investment arrangements of the Scheme have broadly performed in line with expectations but some funds have underperformed against their benchmark and the Trustee is monitoring these closely.
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 not 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 current 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 2024 issued on 27 March 2025, Scheme members were directed to the above online microsite for this purpose.

Jennifer Adams
DIRECTOR
Chair of Trustee

Date 30.07.2025

1. INVESTMENT ARRANGEMENTS

Details of the Scheme's investment arrangements are set out in the Scheme's Statement of Investment Principles ("SIP"). The SIP in force at the start of the Scheme Year was approved by the Trustee in November 2021. However, this SIP was updated by the Trustee during this Scheme Year and the current SIP was approved by the Trustee on 30 September 2024. The current SIP is included as part of this report as Appendix 1. A copy of the current SIP can also be accessed via this link: <https://www.ziinfosite.com/en/hsbc2020> Any reference to the SIP in this report is referring to the latest SIP dated 30 September 2024.

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, 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.

Post Scheme Year end (i.e. after 31st December 2024), the Trustee added some additional funds to the Scheme fund range – see section 1.5 below for more detail.

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 funds 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 SIP in Appendix 1.

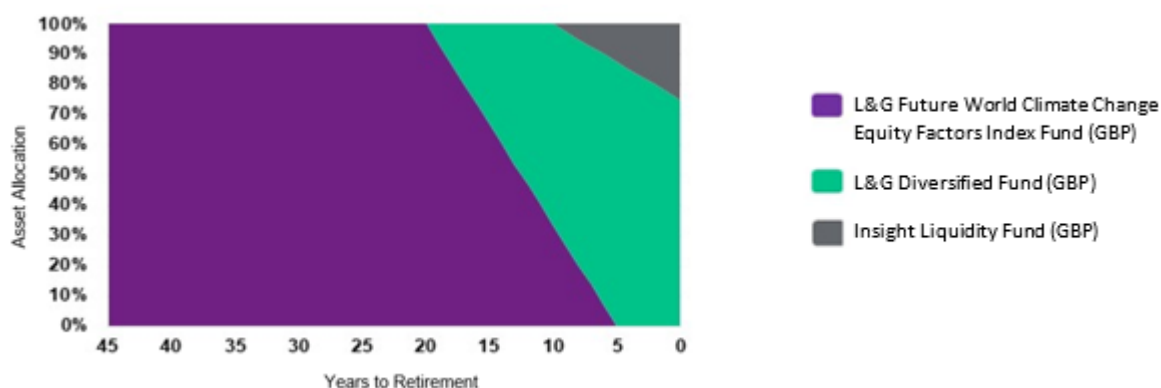
1.2 Lifestyle Strategy option

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.

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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

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 content that performance is broadly in line with the aims and objectives of the investment arrangements offered by the Scheme, as set out in the SIP and summarised above, for all groups. However, the performance of some funds against their benchmark during the Scheme Year has been negative and the Trustee continues to keep investment performance under review.

1.5 Review of investment fund range

A detailed review of the Scheme's investment fund range, including the Lifestyle Strategy fund, was carried out during the Scheme Year. The review concluded that the Lifestyle Strategy fund remained appropriate for members' needs and was therefore not changed.

Post Scheme Year end, a new fund was added to the self-select range to provide members with the ability to invest in real assets. The new fund is the BlackRock iShares Developed Real Estate Index Fund (GPB).

The BlackRock iShares ESG Screened Global Corporate Bond Index Fund (GBP, EUR and USD) was also added to the fund range post Scheme Year end. It is intended that this fund will replace the PIMCO GIS Investment Grade Credit Fund (GBP, EUR and USD) when the Trustee deems it to be appropriate based on market conditions and on the advice of its investment adviser. In the meantime, members have the ability to invest in the new BlackRock fund if they wish. This new fund is a passive alternative fund and employs an environmental, social and governance policy.

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.

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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

SLA performance over the Scheme Year across all the above items was as follows:

Q1 2024	Q2 2024	Q3 2024	Q4 2024
100%	75%	78.5%	85.71%

As can be seen from the table above, Q2, Q3 and Q4 2024 SLA performance was lower than that of Q1 2024 but the Trustee closely monitored the processing of core financial transactions of the Scheme over the Scheme Year via Zurich's quarterly administration reports and was satisfied that, overall, core financial transactions were processed promptly and accurately during the reporting period.

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.

However, the Trustee did escalate the overall decline in SLA performance to the Senior Leadership Team at Zurich. As a result, steps were taken by Zurich to improve performance by increasing staff resource and training.

Post Scheme Year end, the SLA performance increased to 100%. The Trustee continues to monitor the position closely and Zurich continues to maintain SLA performance through staff training, 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.

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

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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.

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 General Code of Practice (the "General Code") effective 28 March 2024, which outlines expectations and requirements as regards to trustee knowledge and understanding. This section of the statement sets out how the requirements for knowledge and understanding have been met during the Scheme Year.

Independent Trustee Services Limited (ITS Limited) is the sole corporate trustee of the Scheme. The lead and second directors of ITS Limited who work on the Scheme are accredited by 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 ongoing worldwide conflicts, and the associated investment market volatility. Members have been provided with relevant and updated information on their online pension account, where they can review their investment strategy at their convenience.

APPENDIX 1

HSBC International Managers Defined Contribution Retirement Benefits Scheme Statement of Investment Principles September 2024

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 WTW, 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

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- 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

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.

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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.

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

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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.
 - **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.

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- **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.
- **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

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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.

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.

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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.
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

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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.
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.

Liquidity and Realisation of Investments

35. Illiquid assets are assets which cannot easily or quickly be sold or exchanged for cash. The Trustee's policy is that investments held for the purposes of the default arrangements do not

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include any direct allocation to illiquid assets. This is so that members' accounts are held in funds that trade regularly and can be realised promptly to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

36. The default arrangements do not include any direct allocation to illiquid assets, as per the Trustee's policy. However, for the LGIM Diversified Growth Fund, there is indirect allocation to illiquid assets, by way of the discretion of the investment manager with regard to the investments of this fund, and is a daily dealt collective investment scheme (pooled fund).

At the time of this SIP, less than 5% of the LGIM Diversified Fund is allocated to illiquid investments through allocations to UK property and private equity investments.

As at the end of June 2024, the age profile of those members investing in the default lifestyle strategy, and with a holding in the LGIM Diversified Growth Fund, as part of the default strategy are shown in the table below:

	No. of members
Under 40	1
40-49	0
50-55	0
56-59	0
60-65	0
66-70	0
Over 70	0

Note: the table above does not include the members whose investments are held in the second default fund referred in paragraph 16 as this data is not available at this time.

The manager (LGIM) can invest in illiquid assets to enhance diversification and additional return streams within the portfolio, this is done with the aim of improving long-term risk-adjusted returns whilst retaining the overall liquidity of the Fund.

The Trustee is satisfied that the liquidity can be maintained and managed at an appropriate level for all members due to the modest indirect allocation to illiquid assets within the Default.

The Trustee is satisfied that, in line with its policy, members are offered fund options that can be readily realised to allow members to access funds quickly and easily.

37. The Trustee is considering the appropriateness of the indirect illiquid investments, and their policy on illiquid investments, at the next review of the investment principles of the Plan. The Trustee does not currently have any plans to invest further in illiquid assets in the future given the importance to the Trustee of investing in assets that are sufficiently liquid to allow them to be realised readily and dealt daily.

Investment Arrangements

38. 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

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39. The fund benchmark and performance objectives of the fund range as at the Scheme Year end 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)
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)

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Fund	Current Mandate Benchmark	Performance Objective
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)
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 Independent Trustee Services Limited, acting as trustee for the HSBC International Managers Defined Contribution Retirement Benefits Scheme as at 30 September 2024.

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APPENDIX 2

The Total Expense Ratio ("TER") is the changes 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	0.04
45 year old member (20 years from retirement)	0.23	0.04
50 year old member (15 years from retirement)	0.22	0.04
55 year old member (10 years from retirement)	0.22	0.04
60 year old member (5 years from retirement)	0.20	0.035

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

Fund name	2024 TER (%)	2023 TER (%)	2024 Transaction Costs (%)
L&G Diversified Fund (GBP)	0.21	0.21	0.04

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

Fund name	2024 TER (%)	2023 TER (%)	2024 Transaction Costs (%)
L&G Diversified Fund (GBP)	0.21	0.21	0.04
L&G Diversified Fund (USD)	0.29	0.30	0.05
HSBC Islamic Global Equity Index (USD)	0.49	0.48	0.01
iShares Continental European Equity Index (GBP)	0.10	0.11	0.01
iShares Developed World Index (GBP)**	0.05	0.05	0.00
iShares Pacific ex Japan Equity Index (GBP)	0.13	0.12	0.04
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	0.04
Vanguard FTSE UK All Share Index Unit Trust (GBP)	0.04	0.05	0.05
Vanguard Emerging Markets Stock Index (GBP)	0.09	0.11	0.10
Vanguard Japan Stock Index Fund (GBP)	0.05	0.05	0.02
JPM Global Natural Resources (GBP)*	1.02	1.02	0.65
PIMCO GIS Global Investment Grade Credit USD Hedged (USD)	0.49	0.49	0.09
PIMCO GIS Global Investment Grade Credit EUR Hedged (EUR)*	0.49	0.49	0.16

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PIMCO GIS Global Investment Grade Credit GBP Hedged (GBP)	0.49	0.49	0.15
PIMCO Global Bond (USD)*	0.49	0.49	0.14
PIMCO Global Bond (EUR)*	0.49	0.49	0.21
Vanguard Global Bond Index (GBP)	0.05	0.05	0.11
Vanguard Global Bond Index (EUR)	0.05	0.05	0.11
Vanguard Global Bond Index (USD)	0.05	0.05	0.11
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	0.00
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 i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative. It is important to note that using a negative or zero cost during any one scheme year may not accurately represent the actual transaction costs a member may expect to see in any future scheme year.*