HSBC Global Asset Management Limited

Registration No: 1615598

Annual Report and Financial Statements for the year ended 31 December 2022

HSBC

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Contents

Strategic Report

HSBC Global Asset Management Limited ('the Entity') is a private company limited by shares incorporated in London, United Kingdom. Its trading address is 8 Canada Square, London, United Kingdom E14 5HQ.

Principal activities

The principal activities of HSBC Global Asset Management Limited ('the Entity') is to act as an investment holding entity, provide seed capital and to oversee the Group's Asset Management global operations. There have been no changes in the Entity's nature of business during the year and no change is anticipated.

Review of the Entity's business

Loss before tax increased by 1910.2%, from (£2.2) million to (£43.6) million, reflecting a 23.4% decrease in Net operating income to £86.8 million (2021: £113.3 million) and a 12.9% increase in operating expenses to £130.3 million (2021: £115.4 million). The increase in loss before tax of £41.4 million was driven by the sharp increase in interest rates throughout 2022, which resulted in an increase in interest expense on loans of £5.1 million and negatively impacted the market value of seed investments, in particular holdings in fixed income funds. Consequently, net losses from financial investments was £31.2 million in 2022 compared to a small gain of £1.2 million in 2021. The increase in operating expenses was due primarily to restructuring costs of £13.1 million, impacting both employment costs and general and administration expenses.

The Entity holds financial investments of £249.1 million at 31 December 2022, up 13.7% from £219.1 million at 31 December 2021. The financial investments mostly relate to seed capital for funds managed by the HSBC group. The Entity holds loans of £296.2 million at 31 December 2022 (2021: £236.9 million) which are used to finance seed capital investment.

The Entity also holds investments in subsidiaries of £333.7 million (2021: £321.3 million).

Performance

The Entity's results for the year under review are as detailed in the income statement shown on page 9 of these financial statements. Net assets decreased 6.9% to £392.1 million (2021: £421.1 million).

Key performance indicators

The Directors use Key Performance Indicators ('KPIs') to monitor the business. As well as the income statement and the balance sheet, these indicators include measures to identify the returns on different categories of assets and the risks to which the Entity is exposed.

Financial KPIs

	2022	2021
Loss before tax (£'000)	**(43,560)**	(2,167)
Net assets (£'000)	**392,080**	421,074
Cost efficiency ratio (%)	**(150.2)**	(101.9)
Return on equity (%) (excluding dividend income)	**(20.3)**	(9.3)
Return on equity (%)	**(11.1)**	(0.5)

Cost efficiency is measured as total operating expenses divided by operating income before loan impairment and other credit risk provisions.

Principal risks and uncertainties

The most important non-financial types of risk are operational risk, conduct and regulatory risk. The Directors have put in place procedures to monitor and manage these risks.

Operational risk is relevant to every aspect of the Entity's business and covers a wide spectrum of issues. Losses arising from fraud, unauthorised activities, errors omission, inefficiency, systems failure or from external events all fall within the definition of operational risk.

All employees must safeguard the reputation of the Entity by maintaining the highest standards of conduct at all times and by being aware of the issues, activities or associations that pose a threat to the reputation of the Entity. The long term success of the Entity is closely linked to the confidence of its stakeholders. Safeguarding and building upon the Entity's reputation is the responsibility of every employee. Any lapse in standards of integrity, compliance, customer service or operating efficiency represents a potential reputational risk. The Entity always aspires to the highest standards of conduct and, as a matter of routine, takes account of reputational risk to its business.

In respect of regulatory risk, the UK regulators may take further actions that could result in changes to industry practices, sales and pricing. The Entity maintains a strong compliance culture and monitors the regulatory environment closely to react proactively to changes and reduce risk to the business.

The principal financial risk and uncertainties facing the Entity are changes to legislation resulting from ongoing reviews into certain industry issues, market volatility, cyber risk and IT resilience. Market volatility may affect fee income derived from funds under management. We continue to improve our governance and controls framework to protect our information and technical infrastructure against ever-increasing and sophisticated cyber threats. These risks are monitored by the Board on an ongoing basis.

The Risk Committee is a non-executive committee responsible for reviewing and providing advice and guidance to Asset Management Group ('AM') management on high level risk matters and risk governance in respect of AM, including but not limited to (i) regulatory and financial crime compliance matters; (ii) risk appetite and tolerance in setting strategy (iii) AM's values and standards to help ensure obligations to shareholders, stakeholders, customers and others are understood and met. The Board approves the appointment and removal of the Chief Risk Officer ('CRO').

The AM Risk Management meeting is a management forum established to provide recommendations and advice to assist the AM CRO in the discharge of his role and responsibilities. In this regard, the AM Risk Management Meeting ('AM RMM') is responsible for the oversight of the risk and internal control environment in each asset management location. The Entity's CRO chairs the AM RMM and attends the Entity's Risk Committee meetings thereby providing a linkage and information flow between the two forums.

The financial services industry remains closely regulated and the UK regulators may take actions that could result in changes to industry practices, sales and pricing. The Entity maintains a strong compliance culture and monitors the regulatory environment closely to proactively adapt to changes and reduce risks to the Entity.

The Entity has processes in place to identify, evaluate and manage the operational risk inherent in its business activities. Operational losses are monitored and assessed to ensure that business improvements are identified and implemented as appropriate. All of the Entity's activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a Entity to act in the way he or she considers, in good faith, would be most likely to promote the success of the Entity for the benefit of its members as a whole. As part of the Entity's deliberations and decision making process, the Board also takes into account: (i) the likely consequences of any decision in the long term; (ii) the interests of the Entity's employees; (iii) the need to foster the Entity's business relationships with suppliers, customers and others; (iv) the impact of the Entity's operations on the community and the environment; and (v) the desirability of the Entity maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be the people who work for us, invest with us, own us, regulate us and live in the societies we serve. During 2022, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the strategy of HSBC Global Asset Management ('AM') in line with its long-term values and operate the AM business in a sustainable way.

The Board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of the Entity's engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision-making. The Board acknowledges, however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders. The Board also challenges management to ensure all stakeholder interests are considered in the day to day management and operations of the Entity.

As an unregulated investment holding Entity, the Entity does not carry out any investment business on its own behalf. Its principal activity is to provide seed capital investment for AM sponsored fund ranges. The Board also provides guidance and advice to the local AM businesses. During the year, the Board has received management reports and presentations on issues concerning customers, the environment, communities, suppliers, employees, regulators, and investors. These are taken into account in the Board's discussions and decision-making process. In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate. The Board will sometimes engage directly with certain stakeholders on specific issues, but the size and distribution of our stakeholders and of the HSBC Group means that stakeholder engagement often takes place at an operational level.

The Board keeps the strategy of AM under regular review and takes into account the HSBC Group's strategic priorities, as appropriate. The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis. Decisions are taken after careful consideration of the longer term interests of the Entity and its stakeholders and the key component of sustainable investing to its core strategy. During 2022, the Board supported the submission of targets developed to support the Net Zero Asset Managers' initiative to the Institutional Investor Group on Climate Change. The Board continued to be focused on enhancing customer experience and delivering both fair and appropriate outcomes for all of its stakeholders.

The Board has promoted the opportunities presented from strong linkages between AM's business and product offerings and those of the HSBC Group's global businesses, in particular Wealth and Personal Banking. The product proposition for both internal and external customer groups has been considered by the Board.

As a result of these activities, the Board believes it has demonstrated compliance with section 172 of the Companies Act 2006.

On behalf of the Board

N Moreau
Director

05 May 2023

8 Canada Square
London E14 5HQ

Report of the Directors

Directors

The Directors of the Entity who were in office during the year and up to the date of signing the financial statements were as follows:

Name	Appointed	Resigned
N Moreau (Chairperson)	23 September 2019	
N Matos	5 May 2021	
J M Munro	23 September 2019	
L Powell	5 May 2021	
S R Rosha	31 January 2022	
E R Stokes	25 February 2020	
T Turan	5 May 2021	
D Liao	5 May 2021	31 January 2022
J R Paterson	1 September 2015	31 January 2022
N B Shapiro	3 May 2018	31 January 2022
A Spring	5 May 2021	31 January 2022
J F Trueman	5 November 2012	31 January 2022

The Articles of Association of the Entity provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Entity against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

Dividends

No dividends were paid (2021: nil) on the ordinary share capital during the year. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2022 (2021: nil).

Significant events since the end of the financial year

No significant events affecting the Entity have occurred since the end of the financial year, other than disclosed on Note 30.

Future developments

The Entity remains committed to its distribution and investment management business and will continue to follow this direction into the future. The goal of the Directors is to continue to develop business through internal Group distribution and an increased focus on serving external distribution while building on its core investment competencies.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios that reflect uncertainties from the current geopolitical and macroeconomic climate, including rising global inflationary pressures and the Russia-Ukraine war as well as potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

Financial risk management

The financial risk management objectives and policies of the Entity, together with an analysis of the exposure to such risks, as required under Part 1 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are set out in Note 26 of the Notes on the financial statements.

Environmental, social and governance ('ESG') review

Asset management contribution to managing climate risk and to responsible investment

HSBC Asset Management continues to strengthen its sustainability proposition, globally driven by the Sustainability Office (SO) and Responsible Investment teams with SO established in 2021.

The SO is responsible for the delivery of HSBC Asset Management's global sustainability strategy and the business-wide transition to sustainable investing. The team also drives the people-focused initiatives, including Diversity, Equity & Inclusion (DE&I), as part of its ambition to embed a sustainability culture globally across the business.

Within the investments function, the Responsible Investment team oversees the integration of Environmental, Social and Governance (ESG) risks and opportunities into the investment process, our climate investment strategy, It also leads the development of new ESG, climate change and thematic products and solutions, working closely with the SO to deliver on the global business line's strategic objective of becoming a leader in sustainable investing.

On top of ESG-focused governance meetings for asset classes that have a global responsibility across HSBC Asset Management on policies, product guidelines, external commitments as well as ESG integration processes within portfolio management, sustainability matters have been included in the agenda of local forums such as Executive Committees, Risk Management Meetings and New Business Committees.

People-focused initiatives including DE&I are a key component of the sustainability strategy. HSBC Asset Management are working to create a fully embedded and authentic sustainability culture through the elevation of the employee value proposition and create a diverse, equitable and inclusive working environment.

Supporting Net Zero Transition to create positive real economy impact

In September 2022, our asset management business published its thermal coal phase-out policy, which sets out the target timeframe for the active funds we manage to exclude thermal coal companies by 2030 in the EU and OECD, and globally by 2040.

HSBC Asset Management also adopts direct, collaborative engagement initiatives (such as ClimateAction100+) and makes informed and appropriate voting decisions based on whether such companies meet our expectations on their net zero transition.

ESG integration process

HSBC Asset Management is convinced that ESG issues can have major repercussions on companies' performance. Challenges such as climate change, water scarcity and availability, deforestation, health and safety and the accuracy of governance structure create risks and opportunities for companies that financial markets may not have adequately priced in. This is why ESG criteria are integrated into the analysis of financial securities, alongside financial fundamentals. The analytical framework applied varies from one sector to another in order to emphasize the most financially relevant ESG criteria. The associated risks and opportunities thus identified help produce better informed investment decisions. This is why a proprietary database in order to track and assess more than 20,000 listed companies' ESG credentials has been built, accessible to analysts and portfolio managers at HSBC Asset Management across all traditional asset classes and geographies.

In 2022, a Sustainability impact score has been built that measures the net revenue alignment towards UN Sustainable Development Goals for each issuer held.

Engagement in protecting biodiversity

HSBC Asset Management actions since 2020 have developed our commitment to addressing biodiversity risks in investment activities. Biodiversity was one of the themes identified in the global Stewardship & Engagement Plan 2022 and globally we voted against a number of board directors based on biodiversity issues. We had thematic engagements with a selection of companies based on water stress in 2020 and biodiversity impact of the food supply chain in 2021. We published a white paper on biodiversity and investment in 2022.

Voting and shareholder engagement

We have a publicly available global responsible investments policy which sets out our stewardship and voting policies. Through understanding how companies and issuers manage their environmental and social impact, operate and interact with stakeholders, we add value by identifying important ESG risks and opportunities. Moreover, we leverage voting rights to reward positive corporate development, drive behavioural changes, and hold company directors accountable when they fail to meet our expectations.

Engagement is an integral part of the fundamental research process and long-term investment approach at HSBC Asset Management. Equity and credit analysts from the active management teams, together with portfolio managers, are in direct contact with issuers throughout the investment process, from before to after the investment period, and follow up ESG issues as part of their research and their discussions.

Building employees' expertise in sustainable finance & investment issues

To encourage employees to develop their expertise around sustainable finance and investment challenges, HSBC Asset Management has organised a series of global initiatives:

- A series of Responsible Investment Talks held with internal experts and external speakers, aimed at educating our employees on sustainability issues. Topics covered in 2022 include: Engagement, Biodiversity, Just Transition and ESG Integration.
- We support our employees to obtain the CFA Certificate in ESG Investing or the CFA Climate & Investing certificate.
- A number of Sustainability Town Halls were held in 2022 to communicate achievements and strategy to all HSBC Asset Management employees
- Asset Management Responsible Investing learning module launched in January 2022 – a 30 minutes online training as an introductory learning targeted at beginner level / new joiner level RI knowledge. Suggested for all employees in non-investments roles.
- In February 2022, a dedicated page on Sustainable Investments for Asset Management has been added in our learning platform where we have collated relevant internal and external sustainability content
- HSBC / Imperial College: Sustainability Leadership Programme – has been launched with a number of Asset Management candidates. The course aims to provide a bespoke pathway to accelerate understanding of core transition to net zero topics for leaders who are integral to supporting our climate strategy and the transition to net zero.

Employment of people with a disability

The Entity is committed to providing equal opportunities to employees. The employment of people with a disability is included in this commitment. The recruitment, training, career development and promotion of people with a disability are based on the aptitudes and abilities of the individual. Should employees become disabled during employment with us, efforts are made to continue their employment and, if necessary, appropriate training, reasonable equipment and facilities are provided.

Employment policy

The Entity continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Entity's performance through management channels, oral communication and by way of attendance at internal seminars and training programmes. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance. The involvement of employees in the performance of the Entity is further encouraged through a profit participation scheme.

Stakeholder engagement

The Entity's key stakeholders are its employees, customers, suppliers and regulators. The Board understands the importance of effective engagements with all of its stakeholders to the long-term success of the Entity. The size and distribution of our stakeholders, particularly customers, means that stakeholder engagement often takes place at an operational level. For further information on the Entity's key stakeholders and the manner in which the Board take their interests into consideration when making decisions, see the section 172 statement on pages 2. Additional detail on key stakeholder management can also be found in the HSBC Group financial statements.

Employee engagement

We have a structured communications approach that uses leadership communications, campaigns and a regular flow of news to help colleagues to serve our customers better, make sense of our strategy, focus on our commercial priorities and provide clarity on issues. We build a sense of pride and purpose by recognising our colleagues' contributions to our business and celebrating our achievements.

Understanding how our colleagues feel is vital. It helps us ensure that we are giving them the right support to fulfil their potential and do the right thing for our customers. Colleagues are asked for feedback and encouraged to speak up. We worked closely with employees to ensure they are motivated and take responsibility for managing the conduct of their business. We continue to test the views of a representative sample of our people on a range of topics via our employee survey, 'Snapshot', which runs yearly. This ensures the attitudes and sentiments of our people inform decision-making at all levels of the business and action can then be taken to tackle areas of concern.

We believe that mentoring can make a big difference in people's careers. The AM Mentoring programme provides a dedicated and tailored mentoring platform for all our employees. The programme is employee-led and adds value by pairing mentors and mentees based on their individual needs and skills. In its second year running, in 2022, this employee-led programme has attracted record number of 276 colleagues globally, who have enrolled as a mentor or/and a mentee, creating 219 mentor/mentee pairs. The programme has training, workshops and networking opportunities across geographies to take advantage of our mentor-mentee community.

Feedback from 'Exchanges' is also an important way of listening to our people; Exchange sessions are safe forum meetings, without agendas, attended by colleagues from across the organisation. They can discuss what matters to them, share views and suggest ideas, while managers and leaders attend to listen. Our insight shows us that where our people participate in Exchanges they are generally more positive about their experience with us. They feel better able to speak up, are more trusting of managers and leaders, and report higher levels of wellbeing. We provide the opportunity for people to take part in an Exchange meeting each quarter.

The Board receives regular updates from the CEO on employee matters, including feedback received through our regular external and internal employee surveys such as the Banking Standards Board and Snapshot. During the year, Directors have also had opportunities to directly engage with local management and other colleagues.

Streamlined Energy and Carbon Reporting (SECR)

Information on SECR can be found in the 2022 Annual Report and Accounts of HSBC Holdings plc.

Capital management

The Entity defines capital as total shareholders' equity. It is the Entity''s double objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Entity''s double approach to capital management during the year.

The Entity recognises the impact on shareholder returns of the level of equity capital employed within the business and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with greater leverage. The Entity manages its own capital within the context of the approved annual HSBC Group capital plan, which determines the optimal amount of capital required to support planned business growth.

Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP ('PwC') will therefore continue in office.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared financial statements in accordance with UK-adopted international accounting standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Entity and of the profit or loss of the Entity for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statement;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Entity will continue in business.

The directors are responsible for safeguarding the assets of the Entity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Entity's transactions and disclose with reasonable accuracy at any time the financial position of the Entity and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement. In the case of each Director in office as at the date the Report of the Directors is approved, that:

- so far as the Director is aware, there is no relevant audit information of which the Entity's auditors are unaware; and
- they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Entity's auditors are aware of that information.

On behalf of the Board

N Moreau
Director

05 May 2023

8 Canada Square
London E14 5HQ

Independent auditors' report to the members of HSBC Global Asset Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Global Asset Management Limited's financial statements:

- give a true and fair view of the state of the Entity's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Income statement, the Statement of cash flows and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Entity's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Entity and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 directors are responsible for assessing the Entity'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 directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Entity and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries in order to increase revenue or decrease expenses. Audit procedures performed by the engagement team included:

- Discussions with management and Internal Audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the directors;
- Understanding of management's internal controls designed to prevent and detect irregularities;
- Testing journal entries, with a focus on journals indicating unusual transactions based on our understanding of the business;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Challenging assumptions and judgements made by management in relation to the impairment assessment of investment in subsidiaries.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Entity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Entity, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Natasha McMillan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
05 May 2023

Financial statements

Income statement for the year ended 31 December 2022

	Note(s)	2022 £'000	2021 £'000
Interest income		**269**	544
Interest expense		**(7,478)**	(2,335)
Net interest expense	2	**(7,209)**	(1,791)
Fee and commission income	3	**87,546**	78,452
Net fee income	3	**87,546**	78,452
Gains less losses from financial investments	4	**(31,215)**	1,213
Dividend income	5	**36,045**	36,891
Other operating income/(expense)		**1,593**	(1,497)
Net operating income		**86,760**	113,268
Employee compensation and benefits	6,7	**(42,721)**	(36,317)
General and administrative expenses	8,9	**(81,114)**	(72,737)
Amortisation of intangible assets	20	**(6,485)**	(6,381)
Total operating expenses		**(130,320)**	(115,435)
Loss before tax		**(43,560)**	(2,167)
Tax credit	10	**15,179**	6,853
(Loss)/profit for the year		**(28,381)**	4,686

All amounts reported in the Income Statement relate to continuing operations.

Balance sheet at 31 December 2022
Registration No: 1615598

	Notes	2022 £'000	2021 £'000
Assets			
Cash and cash equivalents	12	**58,254**	75,568
Trade and other receivables	16	**83,274**	70,727
Financial investments	17	**249,066**	219,075
Prepayments and accrued income		**1,232**	919
Other assets		**11,771**	8,421
Current tax assets		**14,336**	6,089
Investments in subsidiaries, joint ventures and associates	18	**333,653**	321,324
Intangible assets	20	**12,526**	17,300
Deferred tax assets	11	**3,177**	1,871
Total assets		**767,289**	721,294
Liabilities and equity			
Liabilities			
Trade and other payables	21	**340,587**	275,448
Accruals and other liabilities	22	**34,622**	24,772
Total liabilities		**375,209**	300,220
Equity			
Called up share capital	24	**166,275**	166,275
Share premium account		**142,453**	142,453
Retained earnings		**83,352**	112,346
Total equity		**392,080**	421,074
Total liabilities and equity		**767,289**	721,294

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

These financial statements on pages 9 to 29 were approved by the Board of Directors on 05 May 2023 and signed on its behalf by:

N Moreau
Director

E R Stokes
Director

Statement of cash flows for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Loss before tax		**(43,560)**	(2,167)
Adjustments for:			
Non-cash items included in loss before tax	13	**7,425**	7,577
Change in operating assets	13	**(16,209)**	(7,310)
Change in operating liabilities	13	**135,303**	687
Elimination of exchange differences		**(16,221)**	(3,760)
Net gain in operating activities	13	**(45,853)**	(29,897)
Tax credit received		**5,626**	625
Net cash generated from/(used in) operating activities		**26,511**	(34,245)
Cash flows from investing activities			
Purchase of financial investments		**(251,898)**	(235,834)
Purchase of intangible assets		**(1,711)**	(1,490)
Purchase of interest in subsidiaries		**(12,330)**	(3,896)
Proceeds from the sale and maturity of financial investments		**248,084**	325,984
Dividend received		**36,045**	36,891
Net cash generated from investing activities		**18,190**	121,655
Cash flows from financing activities			
Increased borrowings		**(59,374)**	(55,432)
Net cash used in financing activities		**(59,374)**	(55,432)
Net (decrease)/increase in cash and cash equivalents		**(14,673)**	31,978
Cash and cash equivalents brought forward		**75,568**	43,279
Effect of exchange rate changes on cash and cash equivalents		**(2,641)**	311
Cash and cash equivalents carried forward	13	**58,254**	75,568

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Share Premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 01 Jan 2022	**166,275**	**142,453**	**112,346**	**421,074**
(Loss) for the year	–	–	(28,381)	(28,381)
Total comprehensive expense for the year	–	–	(28,381)	(28,381)
Dividends to shareholders	–	–	–	–
Net impact of equity-settled share-based payments	–	–	(613)	(613)
At 31 Dec 2022	**166,275**	**142,453**	**83,352**	**392,080**

	Called up share capital	Share Premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 31 Jan 2021	166,275	142,453	107,813	416,541
Profit for the year	–	–	4,686	4,686
Total comprehensive income for the year	–	–	4,686	4,686
Dividends to shareholders	–	–	–	–
Net impact of equity-settled share-based payments	–	–	(153)	(153)
At 31 Dec 2021	166,275	142,453	112,346	421,074

Equity is wholly attributable to equity shareholders of HSBC Global Asset Management Limited.

Notes on the financial statements

1. Basis of preparation and significant accounting policies

The financial statements of the Entity have been prepared in accordance with UK-adopted international accounting standards and with the requirements of Companies Act 2006 as applicable to companies reporting under those standards. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1. Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Entity have been prepared in comply with UK-adopted international accounting standards. These financial statements are also prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. There were no unendorsed standards effective for the year ended 31 December 2022 affecting the Entity's financial statements.

At 31 December 2022, there were no unendorsed standards affecting these financial statements, and the Entity s application of IFRSs results in no differences between IFRSs as issued by the IASB.

Standards adopted during the year ended 31 December 2022

There were no new accounting standards or interpretations that had a significant effect on the Entity in 2022. Accounting policies have been consistently applied.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has not published any minor amendments effective from 1 January 2022 that are applicable to the Entity. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2023 and 1 January 2024.Entity expects they will have an insignificant effect, when adopted, on the financial statements of the Entity.

New IFRSs

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, with amendments to the standard Issued in June 2020 and December 2021. Following the amendments, IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and has been adopted in its entirety for use in the UK. However, it is not expected to have a material impact on the financial statements of the Entity.

(c) Foreign currencies

The functional currency of the Entity is Sterling, which is also the presentational currency of the financial statements of the Entity.

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

(d) Presentation of information

The financial statements present information about the Entity as an individual undertaking and not about its group. The Entity is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 400 of the Companies Act 2006.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical accounting estimates and judgements' in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements.

Management's selection of the Entity's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios that reflect the uncertainties from the current geopolitical and macroeconomic climate, including rising global inflationary pressures and the Russia-Ukraine war as well as potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

(g) Use of estimates and assumption about future conditions

The preparation of financial information requires the use of estimates and assumptions about future conditions.

These estimates and assumptions required management to make judgements about the carrying value used in obtaining Net Asset Value ('NAV') which are not readily available from sources other than the underlying fund administrator, due to the time lag between the financial statements being prepared and the release of the final NAV. These estimates and assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Entity will continue to review whether these estimates that have been made represent an accurate representation of the financial information provided. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of the Entity's income statement, balance sheet and statement of cash flows in these financial statements have been made.

1.2. Summary of significant accounting policies

(a) Income and expense

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value, are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest on credit-impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Non-interest income and expense

Fee income is earned from a diverse range of services provided by the Entity to its customers. Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating a transaction, such as the acquisition of shares, for a third party); and
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management services).

Dividend income is recognised when the right to receive a payment is established. This is usually the date when the shareholders approve the dividend for unlisted equity securities.

Other operating income is earned from a diverse range of services provided by the Entity to its customers.

(b) Investments in subsidiaries, joint ventures and associates

The Entity classifies investments in entities which it controls as subsidiaries. Where an Entity is governed by voting rights, the Entity consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

The Entity's investments in subsidiaries are stated at cost less impairment losses.

Critical accounting estimates and judgements

Investments in subsidiaries and joint ventures are tested for impairment when there is an indication that the investment may be impaired. Impairment testing involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment and the rates used to discount these cash flows.

(c) Company sponsored structured entities

The Entity is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in bringing together relevant counterparties so the transaction that is the purpose of the entity could occur. The Entity is generally not considered a sponsor if the only involvement with the entity is merely administrative.

(d) Financial instruments measured at fair value through profit and loss ('FVTPL')

Financial investments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Entity recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable

or Entity enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Entity manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting

Financial instruments are classified into one of three fair value hierarchy levels, described in Note 15, 'Fair values of financial instruments carried at fair value'.

(e) Financial instruments measured at amortised cost

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectable, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement.

Trade and other payables, Accruals and other liabilities

Trade and other payables represent liabilities for goods and services provided to the Entity by other group companies prior to the end of the financial year, which are unpaid. The amounts are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(f) Employee compensation and benefits

Share-based payments

The Entity enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services. The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Post-employment benefit plans

HSBC group operates a number of pension schemes including defined benefit, defined contribution and post-employment benefit schemes. Payments to defined contribution schemes are charged as an expense as the employees render service.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets excluding interest and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets, after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The cost of obligations arising from other post-employment plans are accounted for on the same basis as defined benefit pension plans.

(g) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The Entity provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

In assessing the probability and sufficiency of future taxable profit, management consider the availability of evidence to support the recognition of deferred tax assets. taking into account the inherent risks in long-term forecasting, including climate change-related, and drivers of recent history of tax losses where applicable. We also consider the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

(h) Intangible assets

Intangible assets that have a finite useful life are stated at cost less amortisation and accumulated impairment losses and are amortised over their estimated useful lives.

Intangible assets include internally developed computer software.

Expenditure on internally developed software is recognised as an asset when the Entity is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the cost to complete development. The capitalised cost of internally developed software includes all costs directly attributable to developing the software, and is amortised over its useful economic life. Borrowing costs are not included in the capitalised costs of intangible assets. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Assets are subject to regular impairment reviews which compare the carrying value to the expected value in use. Any impairment losses are recognised in the income statement.

Amortisation does not commence until the asset is brought into operational use. Amortisation of intangible assets is recognised in the income statement in 'General and administrative expenses' on a straight-line basis over three to five years from the date that intangible assets are available for use.

(i) Called up share capital

Financial instruments issued are generally classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(j) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

2. Net interest expense

	2022 £'000	2021 £'000
Interest income		
Interest income on financial investments	**382**	546
Other interest receivable	**(113)**	(2)
Total interest income	**269**	544
Interest expense		
Interest expense on short term loans with group undertakings	**(6,984)**	(2,335)
Interest expense on financial investments	**(494)**	—
Total interest expense	**(7,478)**	(2,335)
Year ended 31 Dec	**(7,209)**	(1,791)

3. Net fee income

	2022 £'000	2021 £'000
Service fees receivable from other group undertakings	**87,546**	78,452
Year ended 31 Dec	**87,546**	78,452

4. Gains less losses from financial investments

	2022 £'000	2021 £'000
Net fair value gain/(loss) on hedged futures	**5,763**	(6,243)
Net fair value (loss)/gain on collective investment schemes	**(36,484)**	7,045
Net fair value (loss)/gain on other investments	**(494)**	411
Year ended 31 Dec	**(31,215)**	1,213

5. Dividend income

	2022 £'000	2021 £'000
HSBC Global Asset Management (UK) Limited	**10,000**	5,000
HSBC Alternative Investments Limited	**24,749**	25,366
HSBC Management (Guernsey) Limited	**—**	3,527
Dividends received from seed investments	**1,296**	2,998
Year ended 31 Dec	**36,045**	36,891

6. Employee compensation and benefits

Total employee compensation

	2022 £'000	2021 £'000
Wages and salaries	**36,066**	30,380
Social security costs	**4,320**	3,738
Post-employment benefits	**2,335**	2,199
Year ended 31 Dec	**42,721**	36,317

Employee compensation costs do not include costs associated with employees who work for subsidiary entities.

Monthly average number of persons employed by the Entity during the year

	2022 Number	2021 Number
Fund Management/Product Services	**87**	69
Operations and Support	**144**	115
Head Office Administration	**21**	27
Selling and Distribution	**33**	35
Year ended 31 Dec	**285**	246

The headcount includes employees who work for subsidiary entities but are contracted to the Entity.

Post-employment benefit plans

The Group operates pension plans throughout the world for its employees. Some are defined benefit pension plans, of which the largest is the HSBC Bank (UK) Pension Scheme ('the principal plan').

The principal plan

The principal plan has a defined benefit section and a defined contribution section. The defined benefit section was closed to future benefit accrual in 2016, with defined benefits earned by employees at that date continuing to be linked in their salary while they remain employed by HSBC.

From 1 July 2015 the defined benefit section was closed to contributions from ongoing pensionable service and all members became defined contribution members. As the Entity is unable to identify its share of defined benefit scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 'Employee benefits', the scheme is accounted for by the Entity as if it were a defined contribution scheme. In the absence of a contractual agreement between the Entity and HSBC UK Bank plc, the principal sponsoring employer, Group policy requires the Entity to contribute to the scheme at a contribution rate which is determined by the Group.

The Group's balance sheet includes the net surplus or deficit being the difference between the fair value of plan assets and the discounted value of scheme liabilities at the balance sheet date for each plan. Surpluses are only recognised in the extent that they are recoverable through reduced contributions in the future or through potential future refunds from the schemes. In assessing whether a surplus is recoverable, the Group has considered its current right to obtain a future refund or a reduction in future contributions.

The plan is overseen by an independent corporate trustee, who has a fiduciary responsibility for the operation of the plan. Its assets are held separately from the assets of the Group. Full disclosure of the principal actuarial financial assumptions used to calculate the defined benefit plan at the end of the reporting period are disclosed on the financial statements of HSBC Holdings plc.

7. Share-based payments

The share-based payment income statement charge is recognised in wages and salaries as follows:

	2022 £'000	2021 £'000
Restricted share awards	**855**	1,103
Savings-related and other share award option plans	**85**	93
Year ended 31 Dec	**940**	1,196

HSBC share award plans

Plans	Policy
Restricted share awards (including annual incentive awards delivered in shares) and Group Performance Share Plan ('GPSP')	• An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted. • Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date. • Deferred share awards generally vest over a period of three years and GPSP awards vest after five years. • Vested shares may be subject to a retention requirement post-vesting. GPSP awards are retained until cessation of employment. Awards granted from 2010 onwards are subject to malus provision prior to vesting. • Awards granted to Material Risk Takers from 2016 onwards are subject to clawback post vesting.

Movement on HSBC share awards

	2022 Number	2021 Number
Restricted share awards outstanding at 1 Jan	**517,185**	402,657
Additions during the year	**417,929**	516,159
Released during the year	**(340,556)**	(298,736)
Forfeited during the year	**(73,407)**	(45,053)
Transferred in/(out) during the year	**104,413**	(57,842)
Restricted share awards outstanding at 31 Dec	**625,564**	517,185
Weighted average fair value of awards granted (£)	**4.22**	4.84

HSBC share option plans

Plans	Policy
Savings-related share option plans ('Sharesave')	• Two plans: the UK Plan and the International Plan. The last grant of options under the International Plan was in 2012. • From 2014, eligible employees can save up to £500 per month with the option to use the savings to acquire shares. • Exercisable within six months following either the third or fifth anniversaries of the commencement of a three-year or five-year contract, respectively. • The exercise price is set at a 20% (2021: 20%) discount to the market value immediately preceding the date of invitation.

Calculation of fair values

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant.

Movement on HSBC share option plans

	Savings-related share options	
	Number	WAEP 1
		£
Outstanding at 01 Jan 2022	**761,544**	**2.84**
Granted during the year	**51,558**	**4.24**
Exercised during the year	**(8,871)**	**3.59**
Expired during the year	**(14,379)**	**4.10**
Transferred in during the year	**6,905**	**2.81**
Forfeited	**(113,376)**	**2.82**
Outstanding at 31 Dec 2022	**683,381**	**2.92**
Weighted average remaining contractual life (years)		**1.94**

1 Weighted average exercise price.

	Savings-related share options	
	Number	WAEP 1
		£
Outstanding at 01 Jan 2021	712,669	2.99
Granted during the year	118,066	3.15
Exercised during the year	5,768	3.89
Expired during the year	(4,336)	4.98
Transferred in during the year	37,437	7.06
Forfeited	(108,060)	3.93
Outstanding at 31 Dec 2021	761,544	2.84
Weighted average remaining contractual life (years)		2.82

1 Weighted average exercise price.

The weighted average fair value of share options outstanding, which is calculated when transactions are contracted, was £2.92 (2021: £2.84).

8. Directors' emoluments

The aggregate emoluments of the Directors of the Entity, computed in accordance with the Companies Act 2006 as amended by statutory instrument 2008 No. 410, were:

	2022	2021
	£'000	£'000
Fees [1]	**22**	503
Salaries and other emoluments	**1,739**	1,521
Annual incentives [2]	**2,460**	2,321
Year ended 31 Dec	**4,221**	4,345

1 Fees paid to non-executive Directors.

2 Awards made to executive Directors in respect of 2022 performance comprise a mixture of cash and HSBC Holdings plc ordinary shares. The amount shown comprised £949,748 in cash, £1,424,622 in deferred cash (vesting annually over a three-year period), £34,078 in Restricted Shares and £51,117 in deferred Restricted Shares (vesting annually over a three-year period) issued under the HSBC Share Plan.
Awards made to executive Directors in respect of 2021 performance comprise a mixture of cash and HSBC Holdings plc ordinary shares. The amount shown comprised £902,124 in cash, £1,349,608 in deferred cash (vesting annually over a three-year period), £29,137 in Restricted Shares and £40,127 in deferred Restricted Shares (vesting annually over a three-year period) issued under the HSBC Share Plan.

0 Directors exercised share options over HSBC Holdings plc ordinary shares during the year (2021: None).

Awards were made to 9 Directors under long-term incentive plans in respect of qualifying services rendered in 2022 (2021: 8 Directors). During 2022, 9 Directors received shares in respect of awards under long-term incentive plans that vested during the year (2021: 9).

Retirement benefits are accruing to 0 Directors under a defined benefit scheme and are accruing to 9 Directors under money purchase schemes in respect of Directors' qualifying service. Contributions of £49,652 (2021: £2,801) were made during the year to money purchase arrangements and £0 to defined benefit schemes in respect of Directors' qualifying service (2021: £0).

Discretionary bonuses for Directors are based on a combination of individual and corporate performance and are determined by the Remuneration Committee of the Entity's ultimate parent company, HSBC Holdings plc. The cost of any conditional awards under the HSBC Share Plan and the HSBC Plan 2011 ('the Plans') is recognised through an annual charge based on the fair value of the awards, apportioned over the period of service to which the award relates. Details of the Plans are contained within the Directors' Remuneration Report of HSBC Holdings plc.

Of these aggregate figures, the following amounts are attributable to the highest paid Director:

	2022 £'000	2021 £'000
Salaries and other emoluments	**1,586**	1,203
Annual incentives[1]	**2,260**	2,182
Year ended 31 Dec	**3,846**	3,385

1 *Awards made to the highest paid Director in respect of 2022 performance comprise a mixture of cash and HSBC Holdings plc ordinary shares. The amount shown comprised £903,889 in cash, £1,355,834 in deferred cash (vesting annually over a three-year period), £0 in Restricted Shares and £0 in deferred Restricted Shares (vesting annually over a three-year period) issued under the HSBC Share Plan. Awards made to the highest paid Director in respect of 2021 performance comprise a mixture of cash and HSBC Holdings plc ordinary shares. The amount shown comprised £872,988 in cash £1,309,481 in deferred cash (vesting annually over a three-year period), £0 in Restricted Shares and £0 in Deferred Restricted Shares (vesting annually over a three-year period) issued under the HSBC Share Plan.*

The highest paid Director received 9,265 (2021: 9,265) shares, in respect of qualifying services, as the result of awards under long-term incentive plans that vested during the year. The highest paid Director exercised nil share options over HSBC Holdings plc ordinary shares during the year.

Pension contributions of £44,719 (2021: £0) were made by the Entity in respect of services by the highest paid Director during the year.

9. Auditors' remuneration

	2022 £'000	2021 £'000
Audit fees for statutory audit		
- Fees relating to current year	**100**	69
Year ended 31 Dec	**100**	69

There were no non-audit fees incurred during the year (2021: nil).

10. Tax credit

Tax (credit)/expense

	2022 £'000	2021 £'000
Current tax		
UK Corporation tax		
- For this year	**(14,278)**	(6,080)
- Adjustments in respect of prior years	**301**	59
- Foreign tax suffered	**—**	13
Total current tax	**(13,977)**	(6,008)
Deferred tax		
- Origination and reversals of temporary differences	**(509)**	(535)
- Effects of changes in tax rates	**(215)**	(274)
- Adjustments in respect of prior years	**(478)**	(36)
Total deferred tax	**(1,202)**	(845)
Year ended 31 Dec	**(15,179)**	(6,853)

The UK corporation tax rate applying to the Entity was 19% (2021 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Entity's future current tax charge accordingly.

The deferred tax asset at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to items that are credited directly to equity is £161,256 (2021: £65,910 credit).

Tax reconciliation

	2022		2021	
	£'000	(%)	£'000	(%)
Profit before tax	**(43,560)**		(2,167)	
Tax at 19% (2021: 19%)	**(8,276)**	**19.00**	(412)	19.00
Adjustments in respect of prior period liabilities	**(176)**	**0.40**	23	(1.04)
Permanent disallowables	**334**	**(0.77)**	396	(18.30)
Impact due to changes in tax rates	**(152)**	**0.35**	(416)	19.22
Non-taxable income and gains	**(6,602)**	**15.16**	(6,440)	297.29
Local taxes and overseas withholding taxes	**–**	**–**	11	(0.50)
Other	**(307)**	**0.70**	(15)	0.72
Year ended 31 Dec	**(15,179)**	**34.84**	(6,853)	316.39

The effective tax rate for 2022 of (34.84%) was lower than the effective tax rate of (316.39%) for 2021.

11. Deferred tax assets

The following table shows the gross deferred tax assets and liabilities recognised in the balance sheet and the related amounts recognised in the income statement:

	Share based payments	Other temporary differences	Intangibles	Available for sale investments	IFRS 9 transitional adjustments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 01 Jan 2022	**287**	**574**	**1,087**	**–**	**(77)**	**1,871**
Income statement credit	**140**		**570**	**–**	**15**	**725**
Equity statement credit	**103**	**–**	**–**	**–**	**–**	**103**
Other comprehensive income credit	**–**	**–**	**–**	**–**	**–**	**–**
Prior year adjustments	**–**	**478**	**–**	**–**	**–**	**478**
At 31 Dec 2022	**530**	**1,052**	**1,657**	**–**	**(62)**	**3,177**

	Share based payments	Other temporary differences	Intangibles	Available for sale investments	IFRS 9 transitional adjustments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 01 Jan 2021	121	409	516	–	(77)	969
Income statement credit	109	165	571	–	–	845
Equity statement credit	57	–	–	–	–	57
Other comprehensive income credit	–	–	–	–	–	–
Prior year adjustments	–	–	–	–	–	–
At 31 Dec 2021	287	574	1,087	–	(77)	1,871

There are no unrecognised deferred tax liabilities arising from the Entity's investments in subsidiaries and joint venture.

12. Cash and cash equivalents

	2022	2021
	£'000	£'000
Amounts held with other group undertakings	**55,842**	73,953
Amounts held with other group undertakings - futures margin account	**2,412**	1,615
At 31 Dec	**58,254**	75,568

Amounts due from fellow subsidiary undertakings are unsecured and repayable on demand. The Entity has a bank account overdraft facility of GBP 10 million in place with HSBC Bank plc due for review in May 2023. The facility was unutilised in 2022 and 2021.

13. Reconciliation of loss before tax to net cash flow from operating activities

	2022 £'000	2021 £'000
Non-cash item included in profit and loss		
Amortisation and impairment of intangible assets	**6,485**	6,381
Share-based payment expense	**940**	1,196
	7,425	7,577
Change in operating assets		
Change in prepayment and accrued income	**(314)**	129
Change in trade and other receivables	**(12,548)**	(3,290)
Change in other assets	**(3,347)**	(4,149)
	(16,209)	(7,310)
Change in operating liabilities		
Change in accruals other liabilities	**10,790**	3,185
Change in trade and other payables	**124,513**	(2,498)
	135,303	687
Cash and cash equivalents comprise		
Cash and balances held with other group undertakings	**55,842**	73,953
Cash and balances held with other group undertakings - future margin account	**2,412**	1,615
	58,254	75,568
Net gain from operating activities		
Impact of gains and losses arising from financial investments	**2,522**	10,890
Dividend income	**(36,045)**	(36,891)
Investment in associates	**(12,330)**	(3,896)
	(45,853)	(29,897)

14. Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

At 01 Jan 2022	**FVPL £'000**	**Amortised Cost £'000**	**Total £'000**
Assets			
Cash and cash equivalents	**–**	**58,254**	**58,254**
Trade and other receivables	**–**	**83,274**	**83,274**
Financial investments	**249,066**	**–**	**249,066**
Prepayments and accrued income	**–**	**1,232**	**1,232**
Other assets	**–**	**11,771**	**11,771**
Total financial assets	**249,066**	**154,531**	**403,597**
Total non-financial assets	**–**	**–**	**363,692**
Total assets	**249,066**	**154,532**	**767,289**
Liabilities			
Trade and other payables	**–**	**340,587**	**340,587**
Accruals and other liabilities	**–**	**30,770**	**30,770**
Employee benefit liabilities	**–**	**3,852**	**3,852**
Total financial liabilities	**–**	**375,209**	**375,209**
Total non-financial liabilities	**–**	**–**	**–**
Total liabilities	**–**	**375,209**	**375,209**

At 31 Dec 2021	FVPL £'000	Amortised Cost £'000	Total £'000
Assets			
Cash and cash equivalents	–	75,568	75,568
Trade and other receivables	–	70,727	70,727
Financial investments	219,075	–	219,075
Prepayments and accrued income	–	919	919
Other assets	–	8,421	8,421
Total financial assets	219,075	155,635	374,710
Total non-financial assets			346,584
Total assets	219,075	155,635	721,294
Liabilities			
Trade and other payables	–	275,448	275,448
Accruals and other liabilities	–	21,173	21,173
Employee benefit liabilities	–	3,599	3,599
Total financial liabilities	–	300,220	300,220
Total non-financial liabilities	–	–	–
Total liabilities	–	300,220	300,220

15. Fair value of financial instruments carried at fair value

Control framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Entity will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, *inter alia*:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the balance sheet date; and
- the manner in which the data was sourced.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation by independent support functions of: (i) the logic within valuation models; (ii) the inputs to these models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to a process of due diligence and calibration before becoming operational and are calibrated against external market data on an ongoing basis.

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

(a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.

(b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

(c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Recurring fair value measurements at 31 Dec				
Assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**–**	**248,510**	**556**	**249,066**

	2021			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Financial investments: available-for-sale	–	218,085	990	219,075

There were no significant transfers between financial instruments classified as Level 1 and Level 2 in 2022 (2021: nil).

Fair value adjustments

Fair value adjustments are adopted when the Entity determines there are additional factors considered by market participants that are not incorporated within the valuation model. Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement, such as when models are enhanced and fair value adjustments may no longer be required.

Fair valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs - Level 3

	Assets	
	Financial investments	**Total**
	£'000	**£'000**
Asset-backed securities	**556**	**556**
As at 31 Dec 2022	**556**	**556**

	Assets	
	Available for sale	Total
	£'000	£'000
Asset-backed securities	990	990
As at 31 Dec 2021	990	990

Asset-backed securities

While quoted market prices are generally used to determine the fair value of the asset-backed securities ('ABSs'), valuation models are used to substantiate the reliability of the limited market data available and to identify whether any adjustments to quoted market prices are required. For certain ABSs, such as residential mortgage-backed securities, the valuation uses an industry standard model with assumptions relating to prepayment speeds, default rates and loss severity based on collateral type, and performance, as appropriate. The valuations output is benchmarked for consistency against observable data for securities of a similar nature.

Reconciliation of fair value measurements in Level 3 financial instruments

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value based on unobservable inputs:

	Assets	
	Financial investments	
	2022	2021
	£'000	£'000
At 01 Jan	990	758
Total (losses)/gains recognised in profit or loss	**(493)**	266
- changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**(493)**	266
Total gains/(losses) recognised in other comprehensive income	**302**	(86)
- exchange differences	**302**	(86)
Settlements	**(243)**	52
At 31 Dec	**556**	990

Key unobservable inputs to Level 3 financial instruments

The table below lists key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs at 31 December 2022. The core range of inputs is the estimated range within which 90% of the inputs fall.

Quantitative information about significant unobservable inputs in level 3 valuations

	Fair value							
	Assets	Liabilities	Valuation technique	Key unobservable inputs	Full range of inputs		Core range of inputs	
	£'000	£'000			Lower	Higher	Lower	Higher
Asset-backed securities	556	–	**Market Proxy**	**Bid quotes**	–	97	–	97
At 31 Dec 2022	**556**	–						
Asset-backed securities	990	–	Market Proxy	Bid quotes	–	97	–	97
At 31 Dec 2021	990	–						

Market proxy

Market proxy pricing may be used for an instrument when specific market pricing is not available but there is evidence from instruments with common characteristics. In some cases, it might be possible to identify a specific proxy, but more generally evidence across a wider range of instruments will be used to understand the factors that influence current market pricing and the manner of that influence.

The range of prices used as inputs into a market proxy pricing methodology may therefore be wide. This range is not indicative of the uncertainty associated with the price derived for an individual security.

Futures contracts

Futures contracts are standardised contracts to buy or sell specified assets for an agreed price at a specified future date. The futures contracts are collateralised by cash held by brokers in margin accounts (included in cash and cash equivalents) and the contracts are marked to fair value daily based on quoted market prices.

The notional amount of outstanding future contracts held with respect to equities trading amounted to £35.1 million as at 31 December 2022 (2021 : £45.1 million).

16. Trade and other receivables

	2022	2021
	£'000	£'000
Amounts due from other group undertakings	**83,274**	70,727
At 31 Dec	**83,274**	70,727

Amounts due from other group undertakings are unsecured and repayable on demand.

17. Financial investments

Financial Instruments at fair value

	2022	2021
	£'000	£'000
Available-for-sale securities at fair value		
- Debt securities	**556**	990
- Collective investment schemes	**248,510**	218,085
At 31 Dec	**249,066**	219,075

The Entity supports some of its funds (Collective Investment Schemes) through the injection of seed capital in order to enable the funds to be launched and establish a track record. The Entity has assessed and concluded that these funds are sponsored structured entities. The details of these entities are listed in Note 19.

The sponsored structured entities are classified as available-for-sale financial assets are included under 'Financial investments' in the Balance sheet. Management intend to hold the funds for an indefinite period of time until such time as when they have an established trade record and have attained sufficient level of external investment.

18. Investments in subsidiaries, joint ventures and associates

Carrying value of investment

	2022 £'000	2021 £'000
Investment in subsidiaries	**333,653**	321,324

As the Entity does not prepare consolidated Financial Statements the subsidiaries, joint ventures and associates are unconsolidated. All subsidiaries, joint ventures and associates are engaged in the arrangement and provision of investment management and advisory services. The subsidiaries, joint ventures and associates undertakings of the Entity at the end of a reporting year were:

	Registered office	Interest in Equity Capital (%)	share Class	No.of shares
HSBC Global Asset Management (UK) Limited	1	100	Ordinary £0.25	142,483,000
HSBC Alternative Investments Limited	1	100	Ordinary £1	602,000
HSBC Management (Guernsey) Limited	2	100	Ordinary £1	100,000
HSBC Retirement Services Limited	1	100	Ordinary £1	4,800,000
Climate Asset Management Limited	3	40	Ordinary $1	14,144,292
RadiantESG Global Investors LLC	4	5	Ordinary $20	50,000
HSBC Asset Management (Fund Services UK) Limited	1	100	Ordinary £1	100

Details of all subsidiaries, joint ventures and associates, as required under section 409 of Companies Act 2006, are set out below. The principal countries of operation are the same as the countries of incorporation.

1 *8 Canada Square, London, E14 5HQ, United Kingdom*
2 *Arnold House, St Julians Avenue, St Peter Port, GY1 3NF, Guernsey*
3 *Hill House, 1 Little New Street London, United Kingdom, EC4A 3TR*
4 *850 New Burton Road, Suite 201, Dover, DE 19904*

Impairment of Subsidiaries, Joint ventures and Associates

The Entity's investments in subsidiaries, joint ventures and associates is stated at cost less impairment losses. At each reporting date the performance reviewed to determine whether there is any indication that the subsidiary, joint venture and associate has suffered impairment loss. If there is an indication of possible impairment, the recoverable amount is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement.

19. Structured entities

The Entity supports some of its funds (Collective Investment Schemes) through the injection of seed capital in order to enable the funds to be launched and establish a track record. The Entity has assessed and concluded that these funds are sponsored structured entities.

The sponsored structured entities are classified as fair value through profit and loss and are included under 'Financial Investments' in the balance sheet. Management intend to hold the funds for an indefinite period of time until such time as they have an established trade record and have attained sufficient level of external investment.

As the Entity does not prepare consolidated financial statements all structured entities are unconsolidated. The amount of assets transferred to and income received from such sponsored entities during 2022 and 2021 was not material. Further details of the Entity's sponsored entities are included below:

	2022		2021	
	Percentage of ordinary shares held	**Value of the shareholding**	Percentage of ordinary shares held	Value of the shareholding
	%	**£'m**	%	£'m
HSBC GIF Multi Strategy Target Return			13.65	13.74
HSBC Global High Yield ESG Bond	**13.10**	**16.77**	99.95	14.74
HGIF Global Eq Sustainable Healthcare	**—**	**—**	35.15	18.27
HGIF Global Emerging Markets ESG Bond	**—**	**—**	99.57	18.50
HSBC GIF US High Yield Bond	**—**	**—**	39.76	18.61
HSBC MSCI USA Climated Paris AI ETF	**—**	**—**	100.00	9.97
HSBC Global ICAV Japan Equity Index Fund	**—**	**—**	30.95	18.52
HSBC Financial Technology Venture Capital	**100.00**	**7.28**	100.00	5.81
CAM - Natural Capital Fund	**100.00**	**2.45**	100.00	6.57
Nature Based Carbon Fund A SCSp	**100.00**	**13.04**	—	—
HSBC Climate Technology Venture Capital Fund	**100.00**	**10.69**	—	—
HSBC Global Money Funds-Renminbi	**100.00**	**40.91**	—	—
HGIF Asia ESG Bond	**50.00**	**36.78**	—	—
HSBC Investment Funds GEI	**93.00**	**3.91**	—	—
HGIF Global Equity Circular Economy	**49.60**	**22.47**	—	—
HGIF Global Green Bond fund	**40.60**	**17.74**	—	—
HSBC MSCI AC Asia Pacific Ex-Japan Climate Paris Aligned UCITS ETF	**75.00**	**12.92**	—	—
HGIF Global Sustainable LT Equity	**49.30**	**8.59**	—	—
HGIF GEM Corporate Sustainable Bond	**8.30**	**8.71**	—	—
HSBC Global Strategy Sustainable Adventurs Portfolio	**75.00**	**4.98**	—	—
HSBC NASDAQ GLOBAL SEMICONDUCTOR UCITS ETF	**42.90**	**4.96**	—	—
HSBC Global Strategy Sustainable Dynamic Portfolio	**3.90**	**4.85**	—	—
HSBC Global Strategy Sustainable Balanced Portfolio	**0.90**	**4.84**	—	—
HSBC Global Strategy Sustainable Cons Portfolio	**1.80**	**4.81**	—	—
HSBC Global Strategy Sustainable Cautious Portfolio	**31.70**	**4.76**	—	—
HSBC Global RAIF - Discretionary Global CMS Growth	**99.90**	**4.42**	—	—
HSBC Global RAIF - Discretionary Global CMS Moderate	**100.00**	**4.41**	—	—
HSBC GLOBAL RAIF - Discretiona	**100.00**	**3.88**	—	—
HSBC Europe ex UK Sustainable Equity UCITS ETF	**50.00**	**3.40**	—	—
HSBC Global Liquidity Fund	**—**	**—**	9.08	38.01
HSBC GF ICAV - Global Emerging Markets Gov Bond Index	**—**	**—**	81.18	51.08
HSBC Global Multi-asset Active Life (Fixed rate Payout)	**—**	**—**	37.65	3.38
HSBC Developed World Sustainable Equity Index Fund	**0.01**	**0.23**	0.01	0.25
Others	**—**	**0.79**	—	0.65
Total Collective investment Schemes		**248.59**		218.10

20. Intangible assets

	Software development costs	
	2022	2021
	£'000	£'000
Cost		
At 01 Jan	**38,050**	36,560
Additions	**1,711**	1,490
Disposal	**—**	—
As at 31 Dec	**39,761**	38,050
Accumulated amortisation		
At 01 Jan	**(20,750)**	(14,369)
Charge for the year	**(6,485)**	(6,381)
Disposal	**—**	—
As at 31 Dec	**(27,235)**	(20,750)
Net book value		
At 31 Dec	**17,300**	22,191
As at 31 Dec	**12,526**	17,300

Costs associated with maintaining software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the HSBC group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

21. Trade and other payables

	2022	2021
	£'000	£'000
Fixed term loans from HSBC Bank plc and HSBC Holdings plc	**296,239**	236,865
Amounts due to other group undertakings	**44,348**	38,583
At 31 Dec	**340,587**	275,448

At the end of the year, the Entity had an unsecured borrowing facility with HSBC Bank plc for US$400 million (2021: US$400 million) and an uncommitted borrowing facility with HSBC Bank plc for an amount up to US$350 million depending on terms. The Entity also has an arrangement in pace to borrow up to US$250 million from HSBC Holdings plc in the form of individual senior unsecured term loans to fund long term investments. The majority of borrowing is in USD. The committed borrowing facility was renewed on 18 February 2022 and expired on 20 February 2023. The committed borrowing facility may be drawn at any time, and from 18 February 2022 had an interest rate equal to the sum of 0.675% plus a reference rate depending on currency borrowed. The reference rate for USD is SOFR Compounded; for GBP is Sterling SONIA Compounded and for Euro is EURIBOR (2021: the interest rate was 0.675% plus LIBOR). The Entity has renewed the committed borrowing facility, which is reduced to £325 million, for one year to 20 February 2024. The senior unsecured term loans with HSBC Holdings plc have an interest rate of USD SOFR compounded plus a margin determined at the date of each drawdown.

At the end of the year, the Entity had borrowed £296 million including accrued interest (2021: £237 million). £201 million was drawn against the committed borrowing facility. The variable interest rate for USD loans (SOFR Compounded) on the committed facility borrowing ranged from 0.2% to 4.3% (2021: 0.0% to 0.2%). At the end of the year £44 million was drawn down against the uncommitted facility with a maturity of 17 February 2023. The variable interest rate on borrowing from the uncommitted facility ranges from -0.5% to 3.2% (2021: -0.1% to 0.5%). At the end of the year the Entity had borrowed £51 million from HSBC Holdings plc in two senior unsecured term loans with maturity in April 2032 and August 2032. (2021: nil). The variable interest rate for USD (SOFR Compounded) varied from 0.3% to 4.3%.

Amounts due to other group undertakings are unsecured, interest free and have no fixed date of repayment.

22. Accruals and other liabilities

	2022	2021
	£'000	£'000
Accruals	**19,785**	15,433
Share-based payment liabilities	**3,852**	3,599
Other liabilities	**10,985**	5,740
At 31 Dec	**34,622**	24,772

23. Offsetting of financial assets and financial liabilities

As at 31 December 2022, there were no amounts subject to enforceable netting arrangements (2021 : nil).

24. Called up share capital

	2022		2021	
	Number	£'000	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £1 (2021: £1) each	**166,275,476**	**166,275**	166,275,476	166,275
As at 1 January and 31 December	**166,275,476**	**166,275**	166,275,476	166,275

25. Contingent liabilities, contractual commitments and guarantees

As at 31 December 2022, the Entity has capital commitments of £55.4 million (2021: £53.2 million) as amounts to be invested in its funds.

26. Management of financial risk

All of the Entity's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Entity as a going concern.

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Entity fails to meet a payment obligation under a contract.

Within the overall framework of the HSBC Group policy, the Entity has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to the business, and the monitoring and reporting of exposures.

The management of the Entity is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to identify problem exposures in order to accelerate remedial action while building a portfolio of high quality risk assets. The Entity's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. Regular reviews are undertaken to assess and evaluate levels of risk concentration.

The risk arises from transactions with HSBC undertakings. The management of credit is undertaken in compliance with the Entity recharge strategy. The Entity operates within this and the credit risk exposures are reviewed and managed by the senior management of the Entity and the HSBC Group's Finance Exco. The maximum credit exposure of the Entity is limited to the carrying value of the dues from an HSBC Group company. Balances are primarily with the HSBC Group and third party and have low credit risk. None of the balances are past due or impaired.

Ageing of fees receivable

As at 31 Dec 2022	**Due within 90 days £'000**	**Due 90days - 1 year £'000**	**Due over 1 year £'000**	**Total £'000**
Cash and cash equivalents	**58,254**	–	–	**58,254**
Trade and other receivables	**72,755**	**2,517**	**8,002**	**83,274**
Prepayments and accrued income	**1,232**	–	–	**1,232**
Other assets	**11,771**	–	–	**11,771**
Net exposure	**144,012**	**2,517**	**8,002**	**154,531**

As at 31 Dec 2021	Due within 90 days £'000	Due 90days - 1 year £'000	Due over 1 year £'000	Total £'000
Cash and cash equivalents	75,568	–	–	75,568
Trade and other receivables	64,385	6,304	38	70,727
Prepayments and accrued income	919	–	–	919
Other assets	8,233	188	–	8,421
Net exposure	149,105	6,492	38	155,635

Liquidity risk management

Liquidity risk is the risk that the Entity does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost. The risk arises from mismatches in the timing of cash flows.

The following is an analysis of undiscounted cash flows payable under various financial liabilities by remaining contractual maturities (excluding interest) at the balance sheet date:

	Carrying value £'000	**Contractual cash flows £'000**	**On Demand £'000**	**Due within 3 months £'000**	**Due between 3-12 months £'000**	**Due between 1-5 years £'000**	**Due after 5 years £'000**	**Total £'000**
Trade and other payables	**340,587**	**340,587**	**23,130**	**314,455**	**3,001**	–	–	**340,587**
Accruals and other liabilities	**34,622**	**34,622**	**34,622**	–	–	–	–	**34,622**
At 31 Dec 2022	**375,209**	**375,209**	**57,752**	**314,455**	**3,001**	–	–	**375,209**
Trade and other payables	275,448	275,448	35,765	238,933	45	705	–	275,448
Accruals and other liabilities	24,772	24,772	23,916	406	450	–	–	24,772
At 31 Dec 2021	300,220	300,220	59,681	239,339	495	705	–	300,220

Market risk management

Market risk is the risk of adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads. The Entity's objective is to manage and control market rate exposures while maintaining a market profile consistent with its risk appetite.

The Entity manages market risk through risk limits approved by the HSBC Company Executive Committee and adopted by the Entity's Board. An independent risk unit develops risk management policies and measurement techniques, and reviews limit utilisation on a daily basis.

The Entity is exposed to currency risk in respect of income and cash balances denominated in a currency other than sterling. The Entity's exposure is kept to an acceptable level by managing the level of non-sterling cash balances on a regular basis.

The Entity's main exposure to market risk is the risk that financial loss arises from the Entity's seed portfolio that is overseen and monitored by the Risk Management Committee ('RMM'). The maximum allowable value of the Entity's seed portfolio was US$400 million (2021 : US$400 million).

The notional contract amount of derivatives held for trading purposes indicates the nominal value of transactions outstanding at the Balance Sheet date.

Interest rate risk

Bank interest on deposits held at HSBC Bank plc is the only source of interest exposure. The effective interest rate during 2022 was 0.3% (2021: 0.9%) and all balances mature within 1 year.

Foreign exchange risk

Currency sensitivity

A 5% strengthening of the British pound against the following currencies as at 31 December 2022 would have reduced profits by the amounts shown below. A 5% weakening would have had the equal but opposite effects to the amounts shown below:

	Profit or Loss	
	2022	2021
	£'000	£'000
US dollars	**(1,822)**	1,655
Euro	**(251)**	(1,203)
Swiss franc	**(33)**	70
Japanese yen	**(35)**	74
Singaporean dollar	**(126)**	2
Chinese Yen	**–**	–
Hong Kong Dollars	**(5)**	(6)
Total reduction of loss before tax due to a 5% strengthening of British Pound	**(2,272)**	592

Foreign exchange risk

The Entity is exposed to currency risk in respect of income and cash balances denominated in a currency other than sterling. The Entity exposure is kept to an acceptable level by managing the level of non-sterling cash balances on a regular basis. The Entity's balance sheet comprises balances held in different currencies. At the reporting date the currency profile of the Entity balance sheet was:

	Sterling	**US Dollars**	**Euro**	**Others**	**Total**
At 31 Dec 2022	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	**26,798**	**30,705**	**667**	**84**	**58,254**
Trade and other receivables	**83,211**	**–**	**49**	**14**	**83,274**
Financial investments	**29,526**	**175,072**	**3,446**	**41,022**	**249,066**
Prepayments and accrued income	**1,232**	**–**	**–**	**–**	**1,232**
Other assets	**7,743**	**–**	**3,975**	**53**	**11,771**
Current tax asset	**14,336**	**–**	**–**	**–**	**14,336**
Investments in subsidiaries	**333,653**	**–**	**–**	**–**	**333,653**
Intangible assets	**12,526**	**–**	**–**	**–**	**12,526**
Deferred tax asset	**3,177**	**–**	**–**	**–**	**3,177**
Total assets	**512,202**	**205,777**	**8,137**	**41,173**	**767,289**
Trade and other payables	**50,423**	**232,728**	**14,026**	**43,410**	**340,587**
Accruals and other liabilities	**34,696**	**492**	**(516)**	**(51)**	**34,622**
Called up share capital	**166,275**	**–**	**–**	**–**	**166,275**
Share premium account	**142,453**	**–**	**–**	**–**	**142,453**
Retained earnings	**83,352**	**–**	**–**	**–**	**83,352**
Total liabilities and equity	**477,199**	**233,220**	**13,510**	**43,359**	**767,289**
Net exposure	**35,003**	**(27,443)**	**(5,373)**	**(2,186)**	**–**

	Sterling	US Dollars	Euro	Others	Total
At 31 Dec 2021	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	54,250	21,290	(41)	69	75,568
Trade and other receivables	70,708	19	–	–	70,727
Financial investments	25,779	141,692	14,445	37,159	219,075
Prepayments and accrued income	919	–	–	–	919
Other assets	3,499	3,793	1,080	49	8,421
Current tax asset	6,089	–	–	–	6,089
Investments in subsidiaries	321,324	–	–	–	321,324
Intangible assets	17,300	–	–	–	17,300
Deferred tax asset	1,871	–	–	–	1,871
Total assets	501,739	166,794	15,484	37,277	721,294
Trade and other payables	97,895	139,891	19,528	18,134	275,448
Accruals and other liabilities	7,670	855	15,999	248	24,772
Called up share capital	166,275	–	–	–	166,275
Share premium account	142,453	–	–	–	142,453
Retained earnings	112,346	–	–	–	112,346
Total liabilities and equity	526,639	140,746	35,527	18,382	721,294
Net exposure	(24,900)	26,048	(20,043)	18,895	–

27. Legal proceedings and regulatory matters

No provision for legal proceedings and regulatory matters is required.

28. Related party transactions

The Entity's related parties include the parent, fellow subsidiaries, post-employment benefit plans for the Entity's employees, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled or significantly influenced by Key Management Personnel or their close family members.

(a) Transactions with Directors and other Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Entity and includes members of the Board of Directors. No loans were made to Key Management Personnel for the year ended 31 December 2022 (2021: none). Other than as described in Note 8, there are no transactions between the Entity and Key Management Personnel, which fall to be disclosed under IAS24 'Related Party Disclosures' between the Entity and the Key Management Personnel.

(b) Transactions with other related parties

Transactions detailed below include amounts due to/from Subsidiaries.

	2022		2021	
	Highest balance during the year [1]	**Balance at 31 December**	Highest balance during the year [1]	Balance at 31 December
	£'000	**£'000**	£'000	£'000
Assets				
Trade and other receivables	**69,875**	**38,294**	38,947	34,811
Liabilities				
Trade and other payables	**45,595**	**29,290**	34,053	24,534

1 *The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.*

	2022	2021
	£'000	£'000
Income statement		
Fee and commission income	**18,135**	25,978
Dividend income	**34,749**	33,893
General and administrative expenses	**(36,693)**	(10,351)

The Entity pays the salaries and certain expenses of HSBC Alternative Investments Limited ('HAIL'), which are charged to the Income Statement against the appropriate line and HAIL remunerates the Entity for the full amount without mark-up.

Transactions detailed below include amounts due to/from Other group undertakings.

	2022		2021	
	Highest balance during the year [1]	**Balance at 31 December**	Highest balance during the year [1]	Balance at 31 December
	£'000	**£'000**	£'000	£'000
Assets				
Cash and balances at central banks	**88,894**	**55,842**	113,396	75,568
Trade and other receivables	**44,980**	**44,980**	37,622	35,916
Liabilities				
Trade and other payables	**352,604**	**311,297**	337,174	250,914

1 *The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.*

	2022	2021
	£'000	£'000
Income statement		
Interest income	**158**	1
Interest expense	**6,984**	2,335
General and administrative expenses	**18,299**	20,772

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

29. Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Holdings plc. All companies are registered in England, United Kingdom.

Copies of HSBC Holdings plc's consolidated financial statements can be obtained from:

HSBC Holdings plc
8 Canada Square
London E14 5HQ
www.hsbc.com

30. Events after the balance sheet date

In its assessment of events after the balance sheet date, the Entity has considered and concluded that no material events have occurred resulting in adjustments to the financial statements.