

# Shareholder Rights Directive II (“SRD II”)

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SRD II seeks to promote shareholder engagement and is part of a series of EU-wide measures intended to improve stewardship and corporate governance. Among other things, we are required to provide certain disclosures regarding our insurance business, where investment is being made in shares in companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State. The With Profits Fund and one of the Unit Linked Funds invests directly in shares traded on a regulated market.

## A. Shareholder engagement policy

Currently, HSBC Life Assurance (Malta) Ltd’s (“the Company”) With Profits Fund is managed by HSBC Global Asset Management (Malta) Ltd (“the Fund Manager”) on a discretionary fund management basis. The funds are invested by the Fund Manager as per the board approved investment policy and within the limits laid down in the Company’s risk appetite.

The Fund Manager’s engagement policy may be found on its website at the following [link](#)

Information on the votes cast by the Fund Manager may be found in the following [link](#).

One of the Company’s unit linked funds, HLM (ex-HLE) UK Equity Fund, previously under the HSBC Life (Europe) Limited (“HLE”) platform, is managed by Schroder Investment Management Ltd (“Schroders”) on a discretionary fund management basis. The Fund has a mandate in place to ensure the fund is managed in line with customer expectations as set out in the relevant fund objective.

Schroders’ engagement policy may be found on its website at the following [link](#)

Schroders publish monthly voting reports of all votes cast, direction voted and rationale where they have voted against. Information on how Schroders voted for all the funds that they manage (not solely for the HLM (ex-HLE) UK Equity Fund) may be found on its website at the following [link](#)

## B. Investment strategy and arrangements with asset managers

We are required to disclose how the main elements of the Company’s equity investment strategy are consistent with the profile and duration of the Company’s liabilities, in particular long-term liabilities, and how they contribute to the medium to long-term performance of our assets.

The With Profits Fund is invested in a mix of assets, including equities, property, bonds and cash. The aim of the With Profits Fund is to provide medium to long term growth in excess of returns from a risk free investment. The mix of assets, including the proportion of equity investments may vary, depending on the level of the guarantees given to policyholders, the financial health of the With-Profits Fund and the prevailing economic climate. The Company assesses the suitability of the term and nature of assets held to meet the liability cash flows as they fall due in best estimate and stress conditions.

The investment strategy of the Unit Linked Funds vary depending on the investment objective of the respective Fund. The matching strategy of the assets and the liabilities for unit-linked funds is to match the unit-linked technical provisions as closely as possible with asset holdings of units in the appropriate underlying funds.

We are also required to provide the following public disclosures regarding our arrangements with asset managers;



Considerations	HSBC Life Assurance (Malta) Ltd approach
<p>1. How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the profile and duration of the liabilities of the life insurer's long term liabilities.</p>	<p><b>With Profits Fund</b></p> <p>The Company has a Board approved investment policy that forms the basis for investments by the Fund Manager. The Company also has approved risk appetites embedded in the Fund Manager's mandate taking into account the profile and duration of the long-term liabilities. Among other things the duration of investments and the liabilities are reviewed on a periodic basis.</p> <p><b>Unit Linked Funds</b></p> <p>The unit linked Funds (except the HLM (ex-HLE) UK Equity Fund) mirror underlying funds available from the general market and have not been set up exclusively for the Company.</p> <p><b>HLM (ex-HLE) UK Equity Fund</b></p> <p>The Fund has a mandate in place with Schroders to ensure that the fund is managed in line with customer expectations as set out in the relevant fund objective and investment policy. The Company conducts periodic monitoring to ensure they are adhered to.</p>
<p>2. How that arrangement incentivises the asset manager to make investment decisions based on assessments about medium to long-term financial and non-financial performance of the investee company and to engage with investee companies to improve their performance in the medium to long-term.</p>	<p>The relevant asset managers are incentivised to grow the fund value as their sole remuneration is obtained from the annual management charges on any underlying funds in the portfolio.</p>
<p>3. How the method and time-horizon of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the profile and duration of the liabilities of the life insurer, in particular, long-term liabilities, and take absolute long-term performance into account.</p>	<p>The periodic review focuses on the long term performance of the fund rather than the short term. As mentioned earlier, the duration of investments are range aligned with those of liabilities through the investment policy and the remuneration for the asset managers is directly linked to the value of the fund.</p>
<p>4. How the life insurer monitors portfolio turnover costs incurred by the asset manager and how it defines and monitors a targeted portfolio turnover or turnover range.</p>	<p>We do not currently monitor portfolio turnover as this is not subject to limits in the investment policy and fund agreement with the relevant asset manager. However, turnover costs will be reflected in investment performance and therefore monitored indirectly.</p>
<p>The duration of the arrangement with the asset manager.</p>	<p>Our current arrangements with asset managers will continue until such time as the relevant fund agreement and mandate are amended.</p>

The above statements will be reviewed on an annual basis and updated in the event of any material changes.



HSBC Life Assurance (Malta) Ltd (Registered Office: 80, Mill Street, Qormi QRM 3101 Malta. Company No: C18814) is regulated and authorised by the MFSA (Malta Financial Services Authority, Notabile Road, BKR3000, Attard, Malta) to carry on long term business of insurance under the Insurance Business Act 1998. HSBC Bank Malta is enrolled as a Tied Insurance Intermediary for HSBC Life Assurance (Malta) Ltd under the Insurance Distribution Act, (Cap 487 of the Laws of Malta). (Registered Office: 116, Archbishop Street, Valletta VLT 1444. Company No: C3177). Past returns are not necessarily a guide to future returns and reference should be made to the relevant Terms & Conditions, Key Features Document and other product documentation provided at policy inception or available upon request.