

HSBC Global Asset Management Responsible Investment Policy

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HSBC
Global Asset
Management

Building a sustainable future

HSBC Global Asset Management, our mission is to unlock sustainable investment opportunities for investors and their advisors by offering expert insights and specialist investment strategies, that draw on the depth of HSBC's client relationships and our global on-the-ground expertise.

We have formally integrated environment, social and governance (ESG) factors into our investment decisions since we signed the Principles for Responsible Investment (PRI) at their launch in 2006; we were one of the first asset managers to do so. Our first responsible investment fund was launched in 2001.

This policy sets out our approach to responsible investment and how we implement our commitment to the PRI.

Our approach to responsible investment

The starting point for our approach is our belief that ESG factors can have a material effect on the financial performance of the securities and assets in which we invest. We therefore integrate material ESG factors into our investment analysis and decision-making, with the aim of reducing risk and enhancing returns.

1 Integrating ESG factors

Analysis of ESG factors is incorporated into our investment process, across all asset classes, alongside financial analysis, to inform our investment decisions to target sustainable long-term returns.

We consider data and analysis on a range of ESG issues based on our own in-house analysis, specialist third-party ESG research providers, direct engagement with companies and a host of relevant public and industry sources. We use proprietary sector-specific weighting for ESG factors to reflect the materiality of each set of issues to the sector.

UN Global Compact – for more than 10 years, our commitment to the UN Global Compact and its principles in the areas of Human Rights, Labour, Environment and Anti-Corruption have helped shape our own approach to sustainable business. As investors, we conduct enhanced due diligence when we have evidence that companies may be in serious breach of the UN Global Compact's Ten Principles.

Climate Change – we are aware of the risks that climate change presents to our investments, and we are committed to playing our part in addressing this challenge and limiting its impact on the global economy. In line with HSBC Group's Statement on Climate Change, our approach is to increase the resilience of our clients' investments by reducing climate-related financial risk, and by investing in the low-carbon economy. Further detail on our approach is published in the HSBC Global Asset Management Climate Change Policy.

2 Active ownership

Active ownership is a key pillar of our approach to responsible investment, and of the way we deliver value to our clients. Our activities are focused on protecting and enhancing our clients' investments with us, through both engagement and voting. This activity allows us to better understand and evaluate the ESG risks and opportunities at a company level, and encourage better practices.

Engagement – we consider it our responsibility to be active, long-term stewards of the businesses in which we invest on behalf of our clients. We meet with companies regularly, firstly to improve our understanding of their business and strategy, secondly to signal support or concerns we have with management actions and, finally, to communicate our expectations and objectives. We believe that good corporate governance ensures that companies are managed in line with the long-term interests of their investors. Our engagement with carbon-intensive companies focuses on encouraging climate-resilient business strategies; further details of our climate-related engagement is outlined in our Climate Change Policy.

We recognise collaborative engagement as an effective tool to promote change, in particular where individual investor action may be less effective. We therefore participate in investor-led joint engagement initiatives that align with our thematic priorities and holdings, and where we believe that we can have a positive influence in improving the companies in which we invest.

We engage across both our equity and fixed income holdings, leveraging our strong research capabilities across both asset classes.

Voting – as a global investor with a presence in a large number of markets, we combine a global perspective of governance good practice with local insights and expertise. Our voting is intended to support and encourage adherence to local governance codes and international principles of good governance. We support climate-related, and shareholder resolutions on other sustainability issues, where these are in line with our Climate Change Policy, or where we consider the issue to be material and the proposal to be in the best long-term interest of clients.

We aim to vote at all meetings across our equity holdings, except where practical restrictions exist, such as share blocking or unusual power of attorney requirements. We vote in line with our Global Voting Guidelines, which aim to protect investors' interests and foster good practice.

Our voting is executed via an external voting platform. Where requested, and the holdings are segregated, we are able to follow client instructions.

Stewardship Codes – we are signatories to investor stewardship codes globally, including the UK Stewardship Code, the Hong Kong Principles of Responsible Ownership and the Taiwan Stewardship Principles. Further details of our voting and engagement, including how this activity is escalated, are set out in our Global Voting Policy and Stewardship Statement. We publicly disclose our voting quarterly in arrears.

3 Policy and advocacy

As a Group, we aim to play a constructive role in shaping the debate around sustainable finance and investment by engaging directly, and where appropriate collectively, with policy makers and regulators. Our current focus areas are the low-carbon transition and resilience; enhancing sustainability disclosure; and mobilising sustainable capital.

4 Banned weapons exclusions

We have excluded investment in companies involved in the manufacture of cluster munitions and anti-personnel mines from all of our active fundamental equity and fixed-income strategies since 2010. We extended this exclusion to our index and systematic active strategies in 2015. In 2019, we broadened the scope of this exclusion to those weapons banned by international convention. These are defined as **Anti-personnel mines, Biological weapons, Blinding laser weapons, Chemical weapons, Cluster munitions and Non-detectable fragments**. The list of companies is compiled with assistance from a leading third-party research partner and is reviewed on an ongoing basis. Further details are available in our Banned weapons policy.

5 Mobilising capital – sustainable investment solutions

HSBC recognises its responsibility to contribute to the United Nations Sustainable Development Goals (SDGs) and the global transition to a low-carbon economy. The 17 SDGs are a globally agreed framework to help protect the planet, end poverty; and ensure peace and prosperity. An important way in which we support this objective is by innovating and delivering a range of sustainable investment solutions for our clients.

6 Accountability

Accountability for all investment management activities, including the integration of ESG considerations, lies with our Global Chief Investment Officer (CIO). Our asset class CIOs and investment teams are responsible for integrating ESG issues into their respective investment decisions, supported by our ESG specialists. We review our Responsible Investment Policy on an annual basis.

7 Managing conflicts

HSBC Global Asset Management is functionally and operationally independent from other HSBC Group companies. We identify and manage any potential conflicts that may arise internally, with clients, and across the Group in responsible investment-related activities with transparency, fairness and consistency. Our primary duty is to our client's interests. Where necessary we will disclose and discuss conflicts in the HSBC Conflicts of Interest Registry.

8 Transparency and disclosure

We believe transparency is an integral part of good governance. We expect it from the companies in which we invest, because it allows us to make better-informed investment decisions. We believe it is equally important for us to be transparent and to disclose our responsible-investment policies and activities to fulfil our fiduciary responsibilities towards our clients. This includes publishing our policies, an annual report on our responsible investment activities, disclosure in line with our commitment to the Montreal Carbon Pledge, our PRI disclosure report and quarterly voting on our website. We also make our full PRI assessment report available to clients and are rolling out reporting on carbon intensity for key fund ranges.

9 Participation in industry initiatives

As a large global asset manager, we support a number of industry initiatives, globally and locally, that aim to share and develop best practice in the responsible investment industry. A selection of these is listed below:

- ◆ Principles for Responsible Investment (Global)
- ◆ ClimateAction 100+ (Global)
- ◆ International Corporate Governance Network (ICGN) (Global)
- ◆ Blended Finance Taskforce (Global)
- ◆ Cambridge Institute for Sustainability Leadership – Investor Leaders Group (Global)
- ◆ Workforce Disclosure Initiative (Global)
- ◆ Asian Corporate Governance Association (ACGA) (Asia)
- ◆ European Fund and Asset Management Association (EFAMA) (Europe)
- ◆ Institutional Investor Group on Climate Change (IIGCC) (Europe)
- ◆ Council of Institutional Investors (CII) (North America)
- ◆ Investor Stewardship Group (North America)
- ◆ City of London Green Finance Initiative (GFI) (UK)
- ◆ The Investment Association (UK)
- ◆ The Investor Forum (UK)
- ◆ Tomorrow's Company – The Stewardship Alliance (UK)
- ◆ UK Sustainable Investment and Finance Association (UKSIF) (UK)
- ◆ CDP – Formerly the Carbon Disclosure Project (UK)

