



Responsible Investment Policy

May 2017

HSBC Group believes that sustainability means building our business for the long term by balancing social, environmental and economic considerations in the decisions that we make. This enables the group to help businesses thrive and contributes to the health and growth of communities¹.

HSBC Global Asset Management reflects sustainability in all of the products and services that we provide to clients globally by adherence to the Responsible Investment Policy.

We have extensive experience in responsible investment. We have integrated Environment, Social and Governance (ESG) factors into our investment solutions since 2001 and we were an early global signatory in 2006 of the Principles for Responsible Investment (PRI). We continue to actively support this global responsible investor initiative as well as sustainable market initiatives in local markets.

Investment practices

We believe that ESG issues can have a material effect on company long-term fundamentals, in terms of both opportunity and risk. We take into account all available company data including ESG factors when making investment decisions across all asset classes and strategies using our in-house financial analysis, third party research and data providers as well as information gathered from company engagement. We use sector-specific weighting for ESG factors to reflect sector sensitivity to each factor. ESG Champions lead the improvement of ESG practices locally, in line with the development of our global ESG integration strategy.

Exclusions

HSBC Global Asset Management has excluded investment in companies linked to the production and/or marketing of cluster munitions, anti-personnel mines and depleted uranium from all of its active fundamental equity and fixed income strategies since 2010. We extended this exclusion to our index and systematic active strategies in 2015. The list of companies is compiled with assistance from a leading third-party research partner and is reviewed semi-annually.

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 the issue and limiting its impact on the global economy. In line with HSBC Group's Statement on Climate Change² 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. To support this approach, we signed the [Montreal Carbon Pledge](#) in September 2015 which commits us to calculate and publicly disclose the carbon footprint of our equity portfolios annually. We also published the HSBC Global Asset Management Climate Change Policy³.

We actively participate in the HSBC Group-sponsored Climate Business Council (CBC).

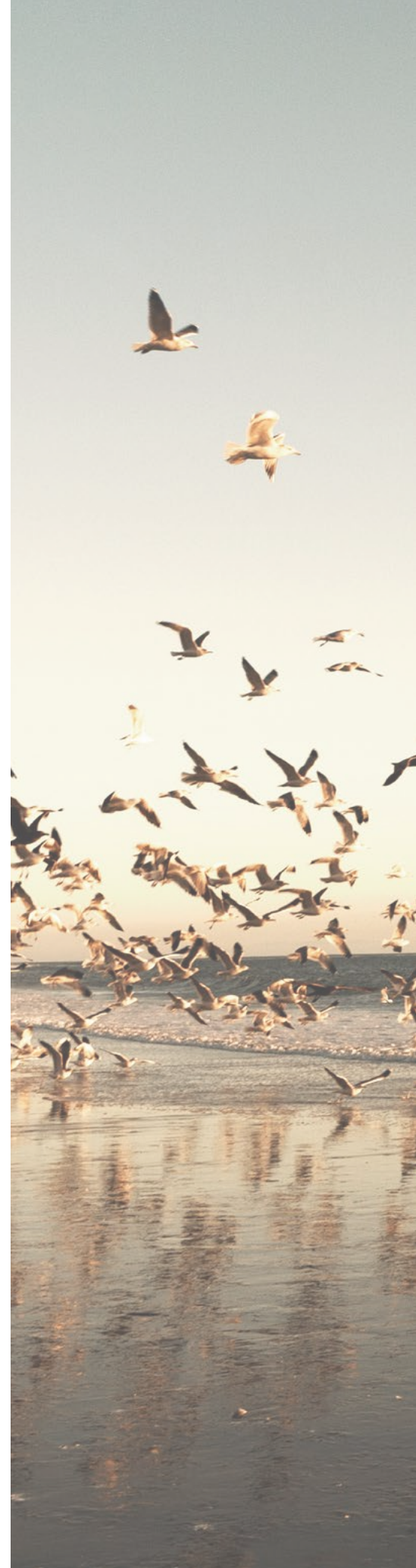
Engagement

We are owners of the businesses in which we invest on behalf of our clients and we have a responsibility to be active, long-term stewards of these businesses. We meet with companies regularly to improve our understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice. We believe that good corporate governance ensures that companies are managed in line with the long-term interests of their investors. We also engage with carbon-intensive companies to encourage climate-resilient business strategies.

¹ HSBC Group Sustainability Policy <http://www.hsbc.com/our-approach/sustainability>

² www.hsbc.com/~media/hsbc-com/our-approach/sustainability/pdf/hsbc-statement-on-climate-change-oct16.pdf

³ <http://www.global.assetmanagement.hsbc.com/~media/files/pdf/hsbc-climate-change-policy.pdf?la=en>



We recognise collaborative engagement as an effective tool to promote change where individual investor action is not enough and we participate in investor-led joint engagement projects that focus on a group of companies that are selected thematically where we believe that we can have a positive influence in improving the companies in which we invest.

Where possible we extend our engagement activities to bonds, recognising the limitations of rights as a bond holder and the potential conflicts between bondholders and shareholders.

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](#).

Voting

We aim to vote at all meetings for all of 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 Guidelines⁴ executed via our external voting platform or we follow client instructions where these exist. We implement a voting process globally that ensures we vote consistently across the portfolio which is achieved through dialogue and coordination across the businesses focused on delivering the best outcome for our clients. Voting shares at HSBC Group is considered purely in the context of our Global Voting Guidelines.

We support climate-related shareholder proposals that request additional disclosure or specific actions where these are in line with our Climate Change Policy.

We publicly disclose our votes at

<http://www.global.assetmanagement.hsbc.com/about-us/responsible-investment>

Asset Classes

The scope of this Responsible Investment Policy includes all investments in listed securities. We believe that ESG factors can have an impact across financial markets and we duplicate the analysis of ESG factors from equities and apply it to corporate bonds. We apply our engagement and voting responsibilities to all investments with associated voting rights, although we recognise this is normally only applicable in equity markets.

Public Policy

We believe that we have a responsibility to engage with policymakers and regulators on behalf of our clients where we have the expertise and experience to enhance policy such that it mitigates risk, subject to clearly articulated objectives. We will support collaborative policy initiatives such as investor statements where these are in-line with our objectives.

Managing Conflicts

HSBC Global Asset Management is functionally and operationally independent from other HSBC Group companies. However, we must be aware of potential conflicts internally, with clients, and across the group in responsible investment related activities. We manage, and where possible avoid, all such conflicts with transparency, fairness and consistency.

Conflicts of interest in the context of our engagement and voting activities may exist in the following instances:

- Where HSBC Global Asset Management has investments in companies which are HSBC Bank customers
- Where clients are listed entities held in our investment portfolio

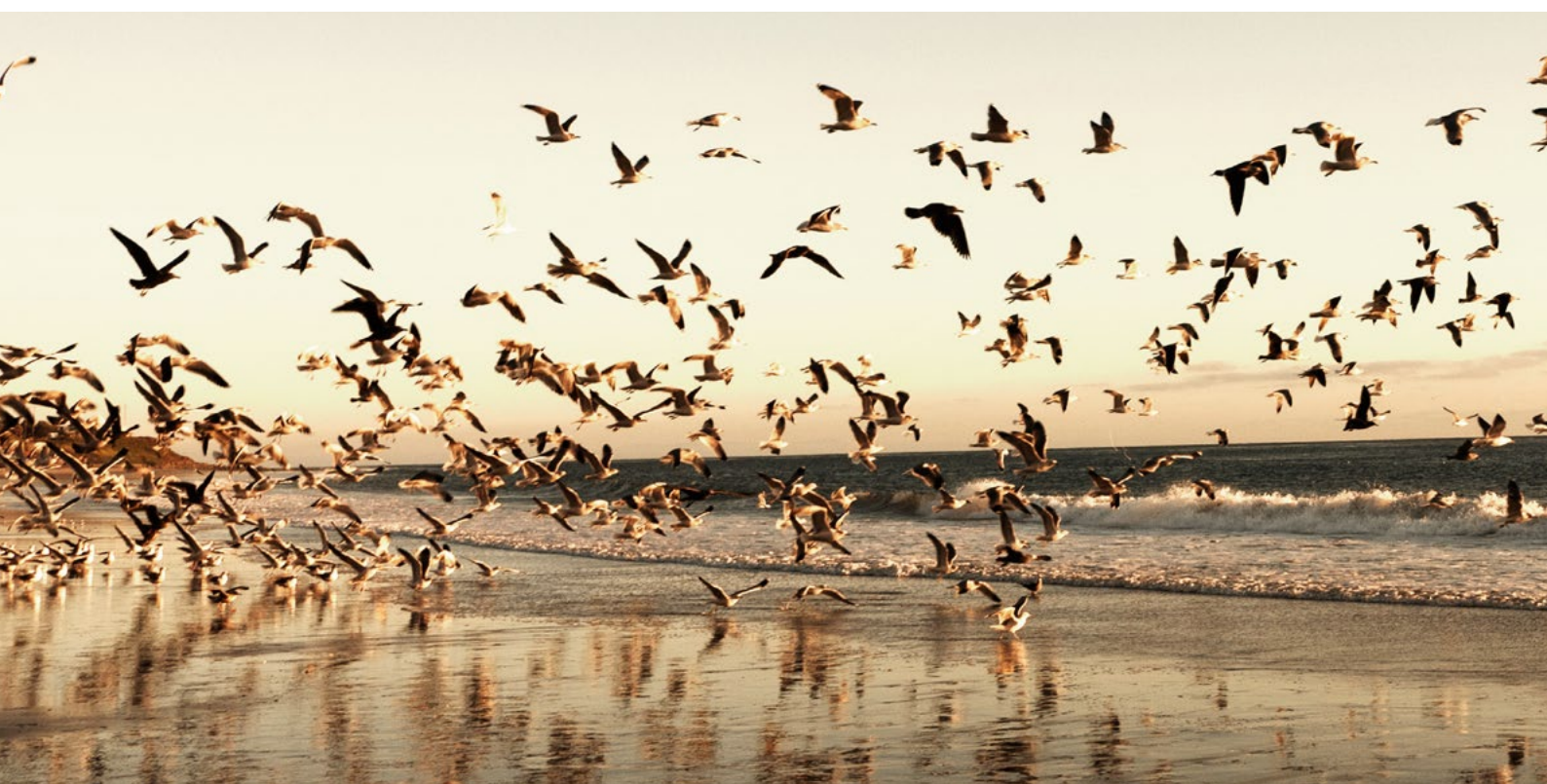
Our primary duty is to our client's interests. Where necessary we will disclose and discuss conflicts in the HSBC Conflicts of Interest Registry.

⁴ www.global.assetmanagement.hsbc.com/~/-/media/files/pdf/global-voting-guidelines.pdf?la=en

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:

Organisation and local initiatives	Member Since	Objective
Principles for Responsible Investment (PRI)	2006	Define market best practise in responsible investment. Participate in collaborative engagement. Annually report on activities.
Institutional Investors Group on Climate Change (IIGCC)	2007	Participate in collaborative policy engagement related to climate change. Input into work stream focussed on definition of climate risk and opportunities.
International Corporate Governance Network (ICGN)	2004	Input into the development and promotion of Corporate Governance standards and guidelines.
UK Sustainable Investment and Finance Association (UKSIF)	2001	Support implementation of responsible Investment in local investment markets.
Cambridge Institute of Sustainable Leadership Investment leaders' Group (CISL-ILG)	2016	Global network of investors developing thought leadership on responsible investment.



Further Reading

PRI: www.unpri.org/about

UKSIF: <http://uksif.org>

IIGCC: www.iigcc.org

ICGN: www.icgn.org

CISL – ILG: www.cisl.cam.ac.uk/business-action/sustainable-finance/investment-leaders-group