

HSBC Global Asset Management Engagement Policy

May 2020



HSBC
Global Asset
Management

Introduction

We believe that environmental, social & governance (ESG) factors can impact the sustainability of companies' and other issuers' financial returns.

We integrate ESG in our investment process by considering these factors alongside others which can impact returns. We recognise a fiduciary responsibility for the stewardship oversight of companies and other issuers whose securities we hold on behalf of our clients.

Engagement with investee companies and other issuers is an important element in both our ESG integration and our stewardship oversight.

We expect companies and other issuers in which we invest to provide effective stewardship. We engage with them for better understanding, to monitor our clients' investment, and to encourage them to be pro-active and transparent in the management of ESG and other risks.

This policy applies to both equity and fixed income assets. It reflects our adherence to the European Shareholder Rights Directive, as well as the UK Stewardship Code¹, the Hong Kong Principles of Responsible Ownership, the Taiwan Stewardship Principles and the Principles for Responsible Investment, to all of which we are a signatory.

¹ We intend to apply to become a signatory to the UK Stewardship Code 2020 when applications open in Q1 2021.

1 Monitoring issuers

As an integral part of our investment process, we carefully monitor and analyse all companies and other issuers held in active portfolios both before and during the period of our investment.

Our monitoring covers: strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance.

It may include assessment of companies and issuers' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with management and directors, visiting production sites, talking to competitors, customers and other stakeholders, and our own financial modelling.

Companies and other issuers held in active portfolios are discussed regularly within our investment teams, informed by our monitoring and analysis.

For companies and issuers held only in quantitative portfolios, we use internal and external ESG & voting research to monitor companies' and other issuers' exposure to and management of ESG and other risks, as well as strategic, financial and governance issues which may arise.

2 Engagement

We meet the management of companies and other issuers regularly as part of our active investment process. This engagement is a key element in our stewardship oversight of client assets. It may form part of our monitoring of companies and issuers or represent an escalation of concerns we have identified.

We challenge companies and issuers on their delivery of corporate strategy, financial and non-financial performance and risk, allocation of capital and management of environmental, social and governance issues.

We engage to understand the approach management is taking and test how far they are being good stewards. We also encourage companies and other issuers held in client portfolios to establish and maintain high levels of transparency, particularly in their management of ESG issues and risks.

We raise ESG or other concerns with companies and other issuers where we believe that to be in the interest of investors, identifying company specific or systemic risks.

We prioritise our engagement on the basis of scale of client holdings, salience of the issues concerned, and our overall exposure to these issues.

In addition to executive directors and investor relations, we engage with other executives as available, including divisional and regional heads, as well as ESG and strategy specialists.

We also engage with non-executive directors, either as part of our regular dialogue or to raise and escalate issues of concern.

Engagement is undertaken through meetings, conference calls and correspondence. We occasionally co-file shareholder resolutions and support or deliver statements at shareholder meetings to communicate publicly with companies and escalate our engagement.

3 Collective engagement

We also engage with companies and other issuers alongside other investors in a number of collective engagements.

These may form part of a broad initiative to address systemic issues such as climate change, or may reflect an escalation of company-specific concerns shared by investors.

Collective engagement helps companies by allowing a focused dialogue with a number of investors on issues of concern. They also allow investors to share resources and insights to address concerns.

We are careful to ensure that we respect rules about acting in concert and other forms of collective action, as well as rules on insider information.

4 Voting

We believe that exercising our voting rights is an important expression of our stewardship and broader responsible investment approach.

Our global voting guidelines encourage high standards of corporate governance. They also encourage transparency and accountability on environmental and social issues.

We apply our global voting guidelines to resolutions at company meetings. Our guidelines are sensitive to developed and emerging market governance standards.

We vote all shares over which clients have given us voting authority, unless the cost or other associated burdens mean that it is not in clients' interest to do so.

Votes for all actively-managed holdings are reviewed by fund managers. Quantitatively-managed holdings are usually voted automatically in line with guidelines.

Engagement with companies on voting issues is an important element in our stewardship activity.

Our voting guidelines are available at: <https://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/resource-documents/global-voting-guidelines-en.pdf>.

5 Conflicts of Interest

Our engagement and voting is focused upon advancing and protecting the interests of our clients as investors in companies and other issuers.

We recognise that actual and potential conflicts of interest may arise in our engagement and voting. We have established policies, procedures and protocols to identify and manage such conflicts. These include: functional and operational independence from other HSBC Group companies, guidelines for our voting, as well as procedures to escalate, manage and monitor conflicts.

Oversight of conflicts of interest is embedded within our governance framework, which includes regular risk management meetings, a Stewardship, Fiduciary and Conflicts Forum, and CEO responsibility for compliance with HSBC Group's conflict of interest policy.

Further details are available at: <https://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/resource-documents/stewardship-and-conflicts-of-interest-en.pdf>

Reporting

Reporting on our engagement and voting is available to clients in line with their requirements. We also publish our voting quarterly and summary information about our engagement activity annually.

Our voting record is available at: <https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/stewardship>.

Summary information about our engagement is available at: <https://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/resource-documents/responsible-investment-review-2020.pdf>.

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