

Our stewardship approach incorporates exercising shareholder rights through voting and an outcomes-oriented approach to engagement for all asset classes. Research on systemic and material issues that impact long-term business value creation also forms part of our approach. These stewardship activities help the core of our business by directly supporting investment decisions.

As stewardship involves an ongoing and constructive dialogue with relevant stakeholders, it may ultimately be more effective than divestment to nudge changes in policies and behaviours.

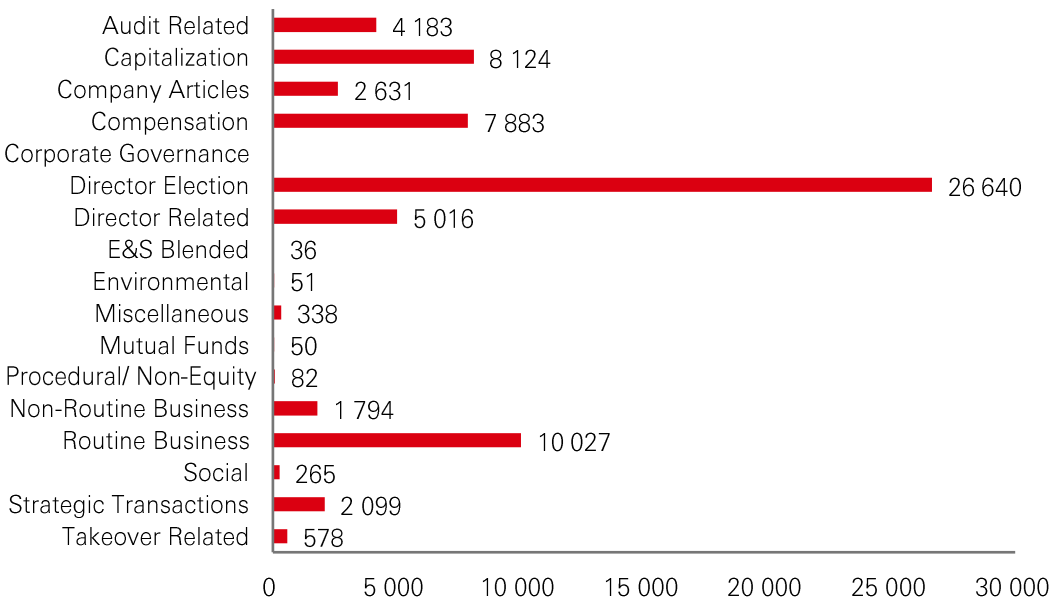
- Sachi Suzuki, Senior ESG Engagement Analyst, HSBC AM

Voting in numbers

In 2022, HSBC AM voted at more than 7,000 meetings, with over 75,000 resolutions.

Last year, we voted 85 per cent of resolutions in line with management, compared to 89 per cent in 2021. By geography, the top five markets account for over 60 per cent of the total votes cast.

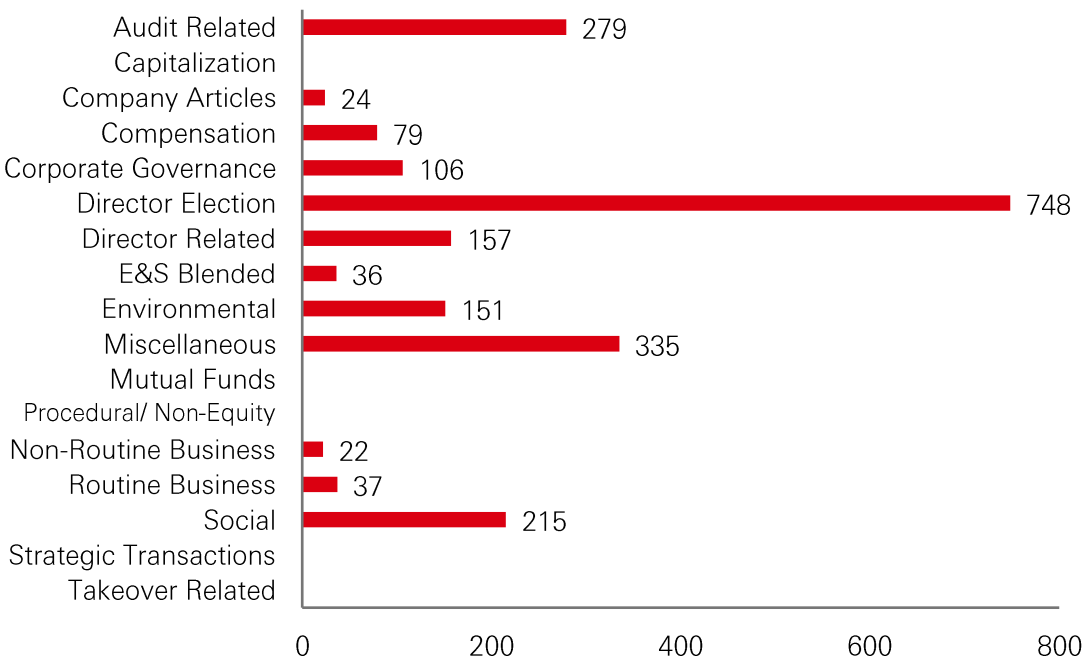
Management (votes cast by proposal category)



Source: HSBC Asset Management as of 31 December 2022.

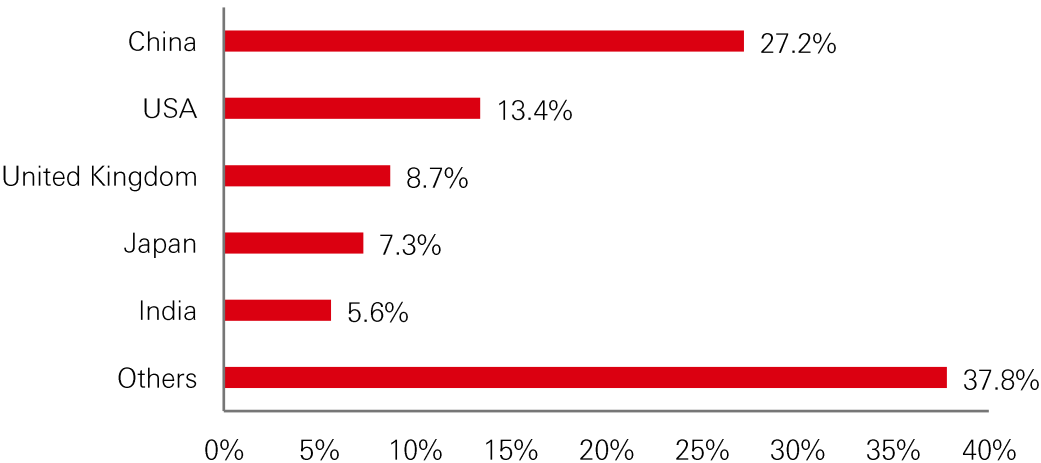


Shareholder (votes cast by proposal category)



We introduced the Proxy Voting Dashboard to increase transparency, where voting information is publicly [available online](#) and in real time. There are five years of vote information statistics, dating back to January 2017. Voting can be searched by market, company name, security identification number or ticker number. The dashboard consists of votes cast by proposal category, which are separated by management or shareholder proposals.

Resolutions by Country



Source: HSBC Asset Management as of 31 December 2022.

We introduced five custom market voting policies for China, Hong Kong, the United States, Japan and India, to complement the existing market specific policies for the United Kingdom and the regional policy for Continental Europe. This is to ensure that our voting policies reflect the markets we are most active in as a shareholder, and to ensure that the policies are customised to market-specific expectations.

By industry, the top sectors that cover over three per cent of the total number of resolutions include:

Sectors	% of meetings out of total voted
Industrials	15.4
Financials	14.1
Information technology	12.3
Materials	11.8
Consumer discretionary	10.5
Real estate	8.4
Health care	8.3
Consumer staples	6.7
Communication services	4.7
Utilities	4.0
Energy	3.8
Total	100.0

Source: HSBC Asset Management as of 31 December 2022.



Engagement in numbers

In 2022, we introduced our annual Stewardship Plan, with a summarised version publicly [available online](#). The plan includes a new, outcomes-based, and milestones-led approach to engagement, aligned with the UK Stewardship Code. There were 299 engagements that follow this new approach in 2022, 8.7 per cent of a total of 3,456 engagements.

ESG and other issues were raised in engagements with 2,150 companies and other issuers during 2022. A breakdown of the list of ESG issues engaged on are as follows⁷.

Issues	Number of engagements on related topic
Environment	
Climate Change	1102
Water/Natural Resources	841
Pollution Waste	332
Social	
Labour, Sourcing & Safety	955
Inequality	743
Product, Liability & Safety	259
Human Capital Management	258
Governance	
Corporate Governance	1324
Strategy & Capital Use	1018
Corporate Behaviour	744
Leadership Chair/CEO	714
Remuneration	703
Financial Performance	660
Firm Strategy Purpose	500
Corporate Reporting	375
Risk Management	310
Shareholder Rights	72

- ◆ 20.5 per cent of engagements are with Chief Executive Officers (CEOs) and 14.3 per cent with Chief Financial Officers (CFOs)
- ◆ 1.8 per cent engagements are with board chair or committee chairs on boards, 0.9 per cent with other board directors. Engagements also took place with Chief Sustainability Officers (CSOs), corporate secretaries and legal counsels

7. Multiple issues can be raised with the company during one meeting
Source: HSBC Asset Management as of 31 December 2022.



Thematic engagement

We actively participate in external initiatives that align to our stewardship beliefs, including:

Workforce Disclosure Initiative (WDI)⁸

We are an active member of WDI initiative. The initiative aims to improve corporate transparency and accountability on workforce issues, provide companies and investors with comprehensive and comparable data and help increase the provision of good jobs worldwide. Notably, the collaborative engagement allowed us to compare the ESG performance of major UK based supermarkets over a number of years, which contributed to decisions on whether to co-file shareholder proposals.

HK Board Diversity Initiative⁹

This is a group of asset owners and asset managers, with the aim to improve board diversity among Hong Kong listed companies. We are an active member of the initiative, writing to 26 companies with no women on their board to express our concerns.

CDP Non-disclosure campaign¹⁰

A collaboration with capital markets signatories to engage with companies that have failed to respond to requests to disclose through CDP climate change, forests and/or water security questionnaires. We have supported active outreach of 16 international companies on climate, water, and forest questionnaires.

Business Commission to Tackle Inequality (BCTI)¹¹

Its mission is to tackle inequality, with priorities of inclusive growth and shared prosperity. We contributed to several of their working groups during 2022, including the Future of Work, Human Rights, and Distributing Value and Risk Equitably, which have helped to inform our engagement.

Climate Action 100+

An investor-led initiative to engage with the world's largest corporate greenhouse gas emitters to take action on climate change.

8. <https://shareaction.org/investor-initiatives/workforce-disclosure-initiative>

9. <https://www.boarddiversityhk.org/>

10. <https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign>

11. <https://tacklinginequality.org/>

Engagement in practice

Multinational natural resource trading and mining company – Climate Action 100+ collaborative engagement with objectives completed.

Source: HSBC Asset Management, January 2023. This section refers to HSBC Engagement activities in 2022. For illustrative purposes only. Any views and opinions expressed are subject to change without notice. This document does not constitute an offering document and should not be construed as a recommendation, an offer to sell or the solicitation of an offer to purchase or subscribe to any investment.



Objective

- ◆ Strengthen short term targets such as ending a new greenfield project
- ◆ Improve disclosure around capex plans that are Paris-aligned
- ◆ Establish and disclose a just transition strategy for impacted assets and communities
- ◆ Set specific targets linked to remuneration that shall lead to absolute emission reduction

Activity

The company’s emissions targets are misaligned with a 1.5-degree Celsius trajectory. We engaged with the CEO to voice our concerns over assumptions used in Paris aligned scenario analysis. We co-filed a shareholder proposal asking for improved disclosure on 1.5-degree Celsius alignment in December 2022.

Developments

In November 2022, the company committed to withdraw applications for approval for a new greenfield coal mine and pledged to a just transition plan. The company also enhanced its medium-term greenhouse gas emission reduction target from 40 per cent to 50 per cent by 2035, to come primarily from reduction in coal assets. It also stated its intention to leave the World Coal Association.

Our stewardship plan

In 2023, we will continue to build on the [2022 Stewardship Plan](#) to deepen existing thematic priorities. Our core themes for this year include:

- 1. **Climate change:** support a just transition, disclosures of emissions reporting, public net zero commitments and risk management within climate strategies.
- 2. **Biodiversity and nature-based solutions:** engage with companies to have a comprehensive biodiversity policy, time-bound targets to realise their ambitions, and biodiversity-related KPIs.
- 3. **Human rights:** engage on how companies ensure to respect human rights through their operations, products/services and value chains, and encourage them to communicate their impacts.
- 4. **DE&I:** set appropriate objectives for issuers in our engagement coverage using our engagement framework and engage with stakeholders to enable systemic change.
- 5. **Inclusive growth and shared prosperity:** engage on company practices on economic inequality, tax responsibility, workforce enhancement and cost of living, capital allocation and the mission economy.
- 6. **Public health:** engage with companies on broader healthcare related topics, and where appropriate, assess companies' contributions to making healthcare more affordable and accessible.
- 7. **Trusted technology and data:** we will examine whether effective data protection, data security and data breach prevention strategies have been integrated into information security policies. We aim to encourage greater alignment of company policies and practices with standards and obligations under the UN Guiding Principles.



For Professional Clients and intermediaries within countries and territories set out below; and for Institutional Investors and Financial Advisors in Canada and the US. This document should not be distributed to or relied upon by Retail clients/investors.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. The capital invested in the fund can increase or decrease and is not guaranteed. The performance figures contained in this document relate to past performance, which should not be seen as an indication of future returns. Future returns will depend, inter alia, on market conditions, fund manager's skill, fund risk level and fees. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries and territories with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries and territories in which they trade. Mutual fund investments are subject to market risks, read all scheme related documents carefully.

The contents of this document may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. All non-authorized reproduction or use of this document will be the responsibility of the user and may lead to legal proceedings. The material contained in this document is for general information purposes only and does not constitute advice or a recommendation to buy or sell investments. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. We do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. This document has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed herein are those of HSBC Asset Management at the time of preparation, and are subject to change at any time. These views may not necessarily indicate current portfolios' composition. Individual portfolios managed by HSBC Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity. Foreign and emerging markets. Investments in foreign markets involve risks such as currency rate fluctuations, potential differences in accounting and taxation policies, as well as possible political, economic, and market risks. These risks are heightened for investments in emerging markets which are also subject to greater illiquidity and volatility than developed foreign markets. This commentary is for information purposes only. It is a marketing communication and does not constitute investment advice or a recommendation to any reader of this content to buy or sell investments nor should it be regarded as investment research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. This document is not contractually binding nor are we required to provide this to you by any legislative provision.

All data from HSBC Asset Management unless otherwise specified. Any third party information has been obtained from sources we believe to be reliable, but which we have not independently verified.

HSBC Asset Management is the brand name for the asset management business of HSBC Group, which includes the investment activities provided through our local regulated entities. HSBC Asset Management is a group of companies in many countries and territories throughout the world that are engaged in investment advisory and fund management activities, which are ultimately owned by HSBC Holdings Plc. (HSBC Group). The above communication is distributed by the following entities:

- ◆ In Argentina by HSBC Global Asset Management Argentina S.A., Sociedad Gerente de Fondos Comunes de Inversión, Agente de administración de productos de inversión colectiva de FCI N°1;
- ◆ In Australia, this document is issued by HSBC Bank Australia Limited ABN 48 006 434 162, AFSL 232595, for HSBC Global Asset Management (Hong Kong) Limited ARBN 132 834 149 and HSBC Global Asset Management (UK) Limited ARBN 633 929 718. This document is for institutional investors only, and is not available for distribution to retail clients (as defined under the Corporations Act). HSBC Global Asset Management (Hong Kong) Limited and HSBC Global Asset Management (UK) Limited are exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of the financial services they provide. HSBC Global Asset Management (Hong Kong) Limited is regulated by the Securities and Futures Commission of Hong Kong under the Hong Kong laws, which differ from Australian laws. HSBC Global Asset Management (UK) Limited is regulated by the Financial Conduct Authority of the United Kingdom and, for the avoidance of doubt, includes the Financial Services Authority of the United Kingdom as it was previously known before 1 April 2013, under the laws of the United Kingdom, which differ from Australian laws;
- ◆ in Bermuda by HSBC Global Asset Management (Bermuda) Limited, of 37 Front Street, Hamilton, Bermuda which is licensed to conduct investment business by the Bermuda Monetary Authority;
- ◆ in Canada by HSBC Global Asset Management (Canada) Limited which provides its services as a dealer in all provinces of Canada except Prince Edward Island and also provides services in Northwest Territories. HSBC Global Asset Management (Canada) Limited provides its services as an advisor in all provinces of Canada except Prince Edward Island;

- ◆ in Chile: Operations by HSBC's headquarters or other offices of this bank located abroad are not subject to Chilean inspections or regulations and are not covered by warranty of the Chilean state. Further information may be obtained about the state guarantee to deposits at your bank or on www.sbif.cl;
- ◆ in Colombia: HSBC Bank USA NA has an authorized representative by the Superintendencia Financiera de Colombia (SFC) whereby its activities conform to the General Legal Financial System. SFC has not reviewed the information provided to the investor. This document is for the exclusive use of institutional investors in Colombia and is not for public distribution;
- ◆ in Finland, Norway, Denmark and Sweden by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026) and through the Stockholm branch of HSBC Global Asset Management (France), regulated by the Swedish Financial Supervisory Authority (Finansinspektionen);
- ◆ in France, Belgium, Netherlands, Luxembourg, Portugal, Greece by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026);
- ◆ in Germany by HSBC Global Asset Management (Deutschland) GmbH which is regulated by BaFin (German clients) respectively by the Austrian Financial Market Supervision FMA (Austrian clients);
- ◆ in Hong Kong by HSBC Global Asset Management (Hong Kong) Limited, which is regulated by the Securities and Futures Commission;
- ◆ in India by HSBC Asset Management (India) Pvt Ltd. which is regulated by the Securities and Exchange Board of India;
- ◆ In Israel, HSBC Bank plc (Israel Branch) is regulated by the Bank of Israel. This document is only directed in Israel to qualified investors (under the Investment advice, Investment marketing and Investment portfolio management law-1995) of the Israeli Branch of HBEU for their own use only and is not intended for distribution;
- ◆ in Italy and Spain by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026) and through the Italian and Spanish branches of HSBC Global Asset Management (France), regulated respectively by Banca d'Italia and Commissione Nazionale per le Società e la Borsa (Consob) in Italy, and the Comisión Nacional del Mercado de Valores (CNMV) in Spain;
- ◆ in Mexico by HSBC Global Asset Management (Mexico), SA de CV, Sociedad Operadora de Fondos de Inversión, Grupo Financiero HSBC which is regulated by Comisión Nacional Bancaria y de Valores;
- ◆ in the United Arab Emirates, Qatar, Bahrain & Kuwait by HSBC Bank Middle East Limited which are regulated by relevant local Central Banks for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority.
- ◆ in Oman by HSBC Bank Oman S.A.O.G regulated by Central Bank of Oman and Capital Market Authority of Oman;
- ◆ in Peru: HSBC Bank USA NA has an authorized representative by the Superintendencia de Banca y Seguros in Perú whereby its activities conform to the General Legal Financial System - Law No. 26702. Funds have not been registered before the Superintendencia del Mercado de Valores (SMV) and are being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is for the exclusive use of institutional investors in Perú and is not for public distribution;
- ◆ in Singapore by HSBC Global Asset Management (Singapore) Limited, which is regulated by the Monetary Authority of Singapore;
- ◆ in Switzerland by HSBC Global Asset Management (Switzerland) AG. This document is intended for professional investor use only. For opting in and opting out according to FinSA, please refer to our website at <https://www.assetmanagement.hsbc.ch/> if you wish to change your client categorization, please inform us. HSBC Global Asset Management (Switzerland) AG having its registered office at Gartenstrasse 26, PO Box, CH-8002 Zurich has a licence as an asset manager of collective investment schemes and as a representative of foreign collective investment schemes. Disputes regarding legal claims between the Client and HSBC Global Asset Management (Switzerland) AG can be settled by an ombudsman in mediation proceedings. HSBC Global Asset Management (Switzerland) AG is affiliated to the ombudsman FINOS having its registered address at Talstrasse 20, 8001 Zurich. There are general risks associated with financial instruments, please refer to the Swiss Banking Association ("SBA") Brochure "Risks Involved in Trading in Financial Instruments";
- ◆ in Taiwan by HSBC Global Asset Management (Taiwan) Limited which is regulated by the Financial Supervisory Commission R.O.C. (Taiwan);
- ◆ in the UK by HSBC Global Asset Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority;
- ◆ and in the US by HSBC Global Asset Management (USA) Inc. which is an investment adviser registered with the US Securities and Exchange Commission

NOT FDIC INSURED ◆ NO BANK GUARANTEE ◆ MAY LOSE VALUE

Copyright © HSBC Global Asset Management Limited 2023. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Global Asset Management Limited.

336_AMFR_CM_2023_03

