

# RI TRANSPARENCY REPORT

## 2016

HSBC Global Asset Management

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2016 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Public							✓
OO 08	Segregated mandates or pooled funds	✓	Public							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Additional information about organisation	-	n/a							✓
OO 11	RI activities for listed equities	✓	Public							✓
OO 12	RI activities in other asset classes	✓	Public							✓
OO 13	Modules and sections required to complete	✓	n/a							✓

Strategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public							✓
SG 03	Conflicts of interest	✓	Public							✓
SG 04	RI goals and objectives	✓	Public							✓
SG 05	Main goals/objectives this year	✓	Public							✓
SG 06	RI roles and responsibilities	✓	Public							✓
SG 07	RI in performance management, reward and/or personal development	✓	Public							✓
SG 08	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09	Promoting RI independently	✓	Public				✓			
SG 10	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 11	ESG issues in strategic asset allocation	✓	Public	✓						
SG 12	Long term investment risks and opportunity	✓	Public	✓						
SG 13	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 14	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
SG 15	ESG issues for externally managed assets not reported in framework	✓	Public							✓
SG 16	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
SG 17	Innovative features of approach to RI	✓	Public							✓
SG 18	Internal and external review and assurance of responses	✓	Public							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public							✓
LEI 02	Reporting on strategies that are <10% of actively managed listed equities	⚙	n/a							✓
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 10	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 11	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 12	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 13	ESG issues in index construction	✓	Public	✓						
LEI 14	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 15	Measurement of financial and ESG outcomes of ESG incorporation	✓	Public	✓						
LEI 16	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 17	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	⚡	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	⚡	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagement methods	✓	Public		✓					
LEA 13	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 14	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 15	Examples of ESG engagements	✓	Public		✓					
LEA 16	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 17	Voting policy & approach	✓	Public	✓	✓	✓				
LEA 18	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 19	Percentage of voting recommendations reviewed	⚡	n/a		✓					
LEA 20	Confirmation of votes	✓	Public		✓					
LEA 21	Securities lending programme	✓	Public		✓					
LEA 22	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 23	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 24	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 25	Shareholder resolutions	✓	Public		✓					
LEA 26	Examples of (proxy) voting activities	✓	Public		✓					
LEA 27	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive,active strategies	✓	Public							✓
FI 02	Option to report on <10% assets	⚡	n/a							✓
FI 03	Breakdown by market and credit quality	✓	Public							✓
FI 04	Incorporation strategies applied	✓	Public	✓						
FI 05	ESG issues and issuer research	✓	Public	✓						
FI 06	Processes to ensure analysis is robust	✓	Public	✓						
FI 07	Types of screening applied	⚡	n/a	✓						
FI 08	Negative screening - overview and rationale	⚡	n/a	✓						
FI 09	Examples of ESG factors in screening process	⚡	n/a	✓						
FI 10	Screening - ensuring criteria are met	⚡	n/a	✓						
FI 11	Thematic investing - overview	✓	Public	✓						
FI 12	Thematic investing - themed bond processes	✓	Public	✓						
FI 13	Thematic investing - assessing impact	✓	Public	✓						
FI 14	Integration overview	✓	Public	✓						
FI 15	Integration - ESG information in investment processes	✓	Public	✓						
FI 16	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 17	ESG incorporation in passive funds	✓	Public	✓						
FI 18	Engagement overview and coverage	✓	Public		✓					
FI 19	Engagement method	✓	Public	✓	✓					
FI 20	Engagement policy disclosure	✓	Public	✓	✓					
FI 21	Financial/ESG performance	✓	Public							✓
FI 22	Examples - ESG incorporation or engagement	✓	Public	✓	✓					
FI 23	Communications	✓	Public		✓				✓	

# HSBC Global Asset Management

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Fund of funds, manager of managers, sub-advised products

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Other, specify

Execution and advisory services

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

2323

OO 03	Mandatory	Descriptive	General
-------	-----------	-------------	---------

OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

No

OO 03.3

Additional information. [Optional]

HSBC Global Asset Management signed up to the UNPRI in June 2006 and this for all its geographies

OO 04

Mandatory

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

31/12/2015

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		424	116	821	813
Currency	USD				
Assets in USD		424	116	821	813

OO 06

Mandatory

Descriptive

General

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

Publish our asset class mix as percentage breakdown

Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	<10%
Fixed income	>50%	0
Private equity	0	0
Property	0	0
Infrastructure	0	0

Commodities	0	0
Hedge funds	<10%	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	10-50%	0
Other (1), specify	0	<10%
Other (2), specify	0	0

'Other (1)' specified
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FI management to third parties

<b>OO 06.2</b>	Publish our asset class mix as per attached image [Optional].
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<b>OO 07</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Gateway</b>	<b>General</b>
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<b>OO 07.1</b>	Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.
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<b>Internally managed</b>	SSA	33
	Corporate (financial)	30
	Corporate (non-financial)	20
	Securitised	17
	Total	100%

<b>OO 08</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Peering</b>	<b>General</b>
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**OO 08.1** Provide a breakdown of your organisation’s externally managed assets between segregated mandates and pooled funds.

	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
<i>Total externally managed assets</i>	<i>100%</i>

<b>OO 09</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Peering</b>	<b>General</b>
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**OO 09.1** Indicate the breakdown of your organisation’s AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %

### Gateway asset class implementation indicators

OO 11	Mandatory	Gateway	General
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**OO 11.1** Select your direct or indirect ESG incorporation activities your organisation implemented, for listed equities in the reporting year.

- We incorporate ESG in our investment decisions on our internally managed assets
- We address ESG incorporation in our external manager selection, appointment and/or monitoring processes
- We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.

**OO 11.2** Select your direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.

- We engage with companies on ESG issues via our staff, collaborations or service providers
- We require our external managers to engage with companies on ESG issues on our behalf
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

**OO 11.3** Select your direct or indirect voting activities your organisation implemented for listed equity in the reporting year

- We cast our (proxy) votes directly or via dedicated voting providers
- We require our external managers to vote on our behalf
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

OO 12	Mandatory	Gateway	General
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**OO 12.1**

Select internally managed asset classes where you implemented responsible investment into your investment decisions and/or your active ownership practices (during the reporting year)

- Fixed income – SSA
- Fixed income – corporate (financial)
- Fixed income – corporate (non-financial)
- Fixed income – securitised
- Hedge funds
- Cash
- None of the above

**OO 12.2**

Select externally managed assets classes where you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes (during the reporting year)

- Other (1)
- None of the above

**OO 12.3b**

If your organisation does not integrate ESG factors into investment decisions on your externally managed assets, explain why not.

We don't subadvise FI management to third parties

'Other (1)' [as defined in OO 05]

FI management to third parties

# HSBC Global Asset Management

## Reported Information

### Public version

### Strategy and Governance

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## Responsible investment policy

SG 01

Mandatory

Core Assessed

General

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Asset class-specific guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate what norms have you used to develop your RI policy.

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- None of the above

No

SG 02

Mandatory

Core Assessed

PRI 6



**SG 02.1**

Indicate which of your investment policy documents (if any) are publicly available. Provide URL and an attachment of the document.

- Policy setting out your overall approach

URL

[http://www.assetmanagement.hsbc.com/gam/about-us/governance-and-management/responsible\\_invest.html](http://www.assetmanagement.hsbc.com/gam/about-us/governance-and-management/responsible_invest.html)

- Formalised guidelines on environmental factors  
 Formalised guidelines on corporate governance factors

URL

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

- Screening / exclusions policy

URL

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

- Engagement policy

URL

[http://www.assetmanagement.hsbc.com/uk/attachments/institutions/app\\_ukengage.pdf](http://www.assetmanagement.hsbc.com/uk/attachments/institutions/app_ukengage.pdf)

- (Proxy) voting policy

URL

<http://www.assetmanagement.hsbc.com/fr/footer/politique.html>

- We do not publicly disclose our investment policy documents

**SG 02.2**

Additional information [Optional].

We would like to make you aware that all the links above are currently being updated as to reflect our recent progress. The intent is to further align the local practices we have developed and merge them into an even more structured global approach. This new infrastructure is anticipated to be up and running by the end of Q2 2016.

**SG 03****Mandatory****Core Assessed****General**

**SG 03.1**

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

**SG 03.2**

Describe your policy on managing potential conflicts of interest in the investment process.

AMG businesses has established and implemented suitable procedures to identify and manage conflicts between the interests of the AMG business, its affiliates and employees on the one hand and the interests of its clients on the other, as well as conflicts between clients.

Procedures are implemented to ensure that the integrity of confidential information is maintained and suitable controls are in place to prevent its misuse.

AMG businesses conduct periodic reviews (at least annually) on all operations to identify new conflicts of Interest.

AMG businesses must periodically (at least quarterly) present its register of conflicts to the local Risk Management Committee (RMC) or the appropriate governance forum to review the conflicts and the appropriateness of the agreed mitigation actions.

This policy is described in our Functional Instruction Manual

No

## Objectives and strategies

**SG 04**

**Mandatory**

**Gateway/Core Assessed**

**General**

**SG 04.1**

Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

**SG 04.2**

Additional information. [Optional]

In 2015 we have set up a monthly Global ESG Oversight Forum chaired by the Global CIO and comprising many of the most senior members of the Investment Function: Global CIO Equities, Global CIO Fixed Income, Global Head of Credit Research, Global Head of Corporate Governance, Global Head of ESG Research, Deputy CIO Equities and UK CIO. The purpose of this Forum is specifically to oversee our progress in implementing Stewardship/RI-related actions, policies and strategies. It is also in charge to endorse our yearly submission to the PRI survey.

In addition, on an occasional basis, ESG/RI/stewardship can be a Global Executive Committee agenda item. This Global Exco is chaired by Global CEO and is the most senior body we have within organisation. The Global Exco doesn't hesitate to make clear recommendations: in April 2015 for instance it decided to further emphasize responsible investment after having ordered a formal review of internal& external requirements.

Then, on an ad hoc basis, other committees such as the Global Product Committee or the Global Risk Committee can deal with ESG-related questions or issues

SG 05	Voluntary	Descriptive	General
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SG 05.1	List the main responsible investment objectives that your organisation set for the reporting year.
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Responsible investment processes
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- Provide training on ESG incorporation
- Provide training on ESG engagement
- Improved communication of ESG activities within the organisation

Key performance indicator
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Number and quality of marketing supports

Progress achieved
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We have one standard presentation which is regularly updated available both for internal use and clients named "ESG Integration and PRI" plus 4 more detailed.

- Improved engagement to encourage change with regards to management of ESG issues
- Improved ESG incorporation into investment decision making processes

Key performance indicator
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Enhancement of ESG internal scoring process and systematic due diligence applying to "High Risk" names.

Progress achieved
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New ESG scoring system deployed in June 2015 and used by all investment teams.

All High Risk Equities active positions have been reviewed.

All High Risk Fixed income active positions are under review.

The objective is a full coverage of all High Risk names held in portfolios.

In the long run all position within active portfolios (High, Medium, Low risk) have to be reviewed at least within the regular investment case review.

- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Financial performance of investments
--------------------------------------

- Increase portfolio performance by consideration of ESG factors
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

### ESG characteristics of investments

- Over or underweight companies based on ESG characteristics
- Improve ESG ratings of portfolio
- Setting carbon targets for portfolio
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

### Other activities

- Joining and/or participation in RI initiatives
- Encouraging others to join a RI initiative
- Documentation of best practice case studies
- Using case studies to demonstrate engagement and ESG incorporation to clients
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

## Governance and human resources

SG 06

Mandatory

Core Assessed

General

SG 06.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

### Roles present in your organisation

- Board members or trustees
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify  
Global Head of ESG Research

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
- External managers or service providers
- Investor relations
- Other role, specify

Global Head of Corporate Governance

Other description (1)

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify

Other description (2)

24 local ESG Champions

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

**SG 06.3** Indicate the number of dedicated responsible investment staff your organisation has.

Number

9

**SG 06.4** Additional information. [Optional]

ESG integration is a shared task and subsequently all our 60+ Equities and Credit Analysts allocate around 15% of their time to perform related tasks, while portfolio managers include ESG considerations within their investment decision making processes. It corresponds to 9 FTE indeed.

Amongst these analysts and portfolio managers are 24 ESG Champions, all members of our front office investment teams. ESG champions are local agents for change and must act as the ESG reference point for their respective teams. They are subsequently in charge of training their colleagues on the use of the supporting ESG research and tools. On an ongoing basis they may also be asked to assist in providing ESG-specific content and answers to related RFI or RFP questions for Product, Prospect or Client-specific proposals as requested.

Early this year we have supplemented existing teams with the hiring of 2 dedicated engagement specialists: 1 in Paris, 1 in London. This is just another step in an indeed evolutionary process as we are planning to further strengthening the team.

At a global level, the entire process operates under the oversight of our Global Heads of ESG Research and Corporate Governance and, ultimately, of our Global CIO. On the surplus a Global ESG Oversight Forum was established in 2015. It is chaired by the Global CIO and comprises the most senior investment professionals within our organization, including the two global Heads of ESG Research and Corporate Governance. Its role is to oversee, coordinate and monitor our overall stewardship and RI-related activities.

SG 07	Voluntary	Additional Assessed	General
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<b>SG 07.1</b>	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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**Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Other C-level staff or head of department**

Global Head of ESG Research

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Portfolio managers**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Investment analysts**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Other role**

Global Head of Corporate Governance

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Other role**

**24 local ESG Champions**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

<b>SG 07.3</b>	Provide any additional information on your organisation’s performance management, reward and/or personal development processes in relation to responsible investment.
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HSBC Global Asset Management always puts its clients first. Investment professionals are incentivised to generate investment performance in a way that is consistent with the needs of the client being met. No investment professional is paid mechanistically according to the performance of any given fund, the performance fees generated by a fund, or the profitability of any given capability. In other words, individuals do not benefit from one fund doing better than any other which they manage. Instead, variable compensation for investment professionals is discretionary, as for other employees in the business. The size of the bonus pool is linked to the profitability of the business.

Given the emphasis in HSBC Global Asset Management on discipline in the execution of investment strategies, ESG included, and the team approach to portfolio management, the payout of any bonus to an investment professional is primarily dependent on expected behaviors and investment governance standards being met.

As ESG integration has been made compulsory, we pay great attention to the fact Environmental, Social and Governance inputs are actually taken on board. Needless to say this applies to all Equities and Fixed Income portfolio managers and analysts and also to their global and local hierarchies.

Once this has been established, a combination of personal and investment performance parameters determine the individual and overall investment team contribution. We believe that it is vital to maintain the link of variable pay to the achievement of the business objectives of the company, while ensuring total compensation packages remain competitive. Regardless of market environment, we believe it is important to recognize and reward good judgment, performance and contributions made.

**Promoting responsible investment**

<b>SG 08</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 4,5</b>
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 08.1</b>	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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**Select all that apply**

- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HSBC Global Asset Management Mexico produced an ESG integration best practice/business linking local debt and community development programs in Mexico during H1 2015.

Previously, HSBC AMG had been a long standing member of the PRI Fixed Income workstream and, as early as 2005 our Global Head of ESG Research had been called to be one of the 50 experts who actually designed the UN PRI.

- AFIC – La Commission ESG

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

- Asian Corporate Governance Association

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

- Australian Council of Superannuation Investors
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change



Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- ESG Research Australia
- Eumedion
- EVCA – Responsible Investment Roundtable
- Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- Global Investors Governance Network (GIGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action for the 21st Century
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify  
UKSIF, FIR, Eurosif, German, Austrian and Swiss SIF (Forum Nachhaltige Geldanlagen), Italian SIF & Dutch Association of Investors for Sustainable Development (VBDO)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Our Global Head of Product Equities and Responsible Investment has been elected to the board of the UKSIF

- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- United Nations Global Compact

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- Other collaborative organisation/initiative, specify  
AFG (Association Française de Gestion) - Comité Technique IR

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Other collaborative organisation/initiative, specify

Chaire "Finance Durable et Investissement Responsable"

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Since October 2013, we have been chairing this association which supports ESG-related Academic Research in France.

Other collaborative organisation/initiative, specify

AFG (Association Française de Gestion) - Comité Technique Corporate Governance

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Other collaborative organisation/initiative, specify

SG 09

Mandatory

Core Assessed

PRI 4

SG 09.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

**SG 09.2**

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Wrote articles on responsible investment in the media.
- Other, specify

No

**SG 09.3**

Additional information. [Optional]

HSBC Global Asset Management is one of the sponsors of the Chaire Finance Durable and Investissement Responsable, a coalition of assets managers sponsoring two leading universities: Polytechnique and Economic School of Toulouse producing ESG/RI-related academic research. One of its founders, Jean Tyrole earned this year an Economics Nobel Prize and lectured in Paris in November 2015 about the outcomes of COP21.

**SG 10**

Voluntary

Additional Assessed

PRI 4,5,6

**SG 10.1**

Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.

- Yes
- No

### Implementation not in other modules

**SG 11**

Voluntary

Descriptive

PRI 1

**SG 11.1**

Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.

- Yes
  - Scenario analysis which includes factors representing the investment impacts of future environmental trends
  - Scenario analysis which includes factors representing the investment impacts of future social trends
  - Scenario analysis which includes factors representing the investment impacts of future governance trends
  - Other, specify
- No

<b>SG 11.2</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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- Yes
- No

<b>SG 11.3</b>	Additional information.
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Our commitment to the Montreal Carbon pledge which we signed up to in September 2015 highlights the fact we view carbon footprint and the related "2 Degrees" theme as important investment management drivers going forward. This explains why we have subsequently embarked on a carbon reporting/monitoring which applies - in first instance - to all our Equities strategies.

<b>SG 12</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 12.1</b>	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you consider.
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- Changing demographics
- Climate change

<b>SG 12.2</b>	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
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- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 12.3** | Indicate which of the following tools you use to manage emissions risks and opportunities

- Carbon footprinting
  - Scenario testing
  - Disclosure on emissions risk to clients/trustees/management/beneficiaries
  - Target setting for emissions risk reduction
  - Encourage internal and/or external portfolio managers to monitor emissions risk
  - Emissions risk monitoring and reporting are formalised into contracts when appointing managers
  - Other, specify
  - None of the above
- Resource scarcity
  - Technology developments
  - Other, specify(1)
  - Other, specify(2)
  - None of the above

**SG 12.5** | Additional information [Optional]

Subsequent to our signature of the Montreal Carbon pledge we now monitor the carbon footprint and intensity of all investee companies held within Equities strategies.

<b>SG 13</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**SG 13.1** | Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

**SG 13.2** | Indicate the percentage of your total AUM invested in environmental and social themed areas.

% of total AUM

1

**SG 13.3** | Please specify which thematic area(s) you invest in and provide a brief description.

Area

- Clean technology (including renewable energy)
- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water
- Other area, specify

SRI Sustainable Responsible Investment  
Climate Change

Asset class invested

- Listed equity
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)

Brief description of investment

Currently we have 2 core SRI portfolios managed according to a best in class methodology. Both funds are domiciled in France, they respectively track the MSCI EMU (for the Equity strategy) and the Barclays Capital Euro Aggregate 500MM (for the Fixed Income strategy).

We also manage a thematic climate change fund.

In 2016, we plan to launch a new core international SRI strategy tracking the MSCI World. Through broadening our range we aim at being further aligned with European Institutional Investors' needs and requirements.

No

SG 15	Mandatory	Descriptive	General
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**SG 15.1** Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Listed equities - ESG incorporation	none

<b>SG 15.2</b>	Additional information.
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none

## Innovation

<b>SG 17</b>	Voluntary	Descriptive	General
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<b>SG 17.1</b>	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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Yes

<b>SG 17.2</b>	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
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We have asked all our Equities and Fixed Income investment teams to assess the ESG quality of their investee companies.

This has been first undertaken through the completion of templates called ESG checklists. Between 2010 and early 2015, they have helped analysts identifying each company's strengths and weaknesses. These checklists have been produced by our mainstream analysts located across our 16 offices, not by a dedicated centralized or specialized team. To date more than 1,500 checklists have been produced.

To support this in house research effort, investment teams have been able to leverage a wealth of research coming from various ESG third parties since 2008. Indeed, some 40,000 documents covering 6,000 companies in total are hosted on a dedicated intranet. We regard the breadth and depth of this coverage, the way it is shared with all teams globally not to mention the fact ESG research is actually done by 'mainstream' investment professionals across all markets, including emerging and frontier as innovative.

Building on this, our ESG integration has substantially evolved in 2015 and a new functionality has been added. Since the end of June, our ESG intranet/ aka "MineSweeper" was substantially upgraded as to produce a two-page Executive Summary for all companies under coverage.

Each of the 6,000+ Executive Summaries provides Investment Teams with a concise view of each assessed company's ESG strengths and weaknesses and indicates whether those companies have to be viewed as High Risk, Medium Risk or Low Risk from this ESG perspective. The objective of the Executive Summary is indeed to provide our c.600 Portfolio Managers and Analysts with an instant ESG view and also a norm based screening of their investment targets.

The aforementioned High, Medium, Low risk classifications are derived from our revised and upgraded proprietary ESG rating model. It is based on an in house MSCI GICS derived 30 sector/industry segmentation. For each sector/industry we have first defined the key ESG issues, those with the highest level of financial materiality. Those are all summarized in a document called the ESG Roadmap.

Then, if an issuer is identified as High Risk, investment teams conduct an Enhanced Due Diligence.

No

## Assurance of responses

<b>SG 18</b>	Voluntary	Additional Assessed	General
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**SG 18.1**

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

Yes

**SG 18.2**

Indicate who has reviewed, validated and/or assured your reported information.

- Reviewed by Board, CEO, CIO or Investment Committee
- Validated by internal audit or compliance function
- Assured by an external independent provider, specify name
- Other, specify

**SG 18.3**

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

The review of reported information is led by the Global Product Specialist for Responsible Investment with the support and contribution of the Global Heads of ESG Research and Corporate Governance.

The final draft is circulated to the Global CIO of Equity, the Global CIO of Fixed Income, the Global Head of Credit Research, Deputy Head of Equities and Global Head of Product Equity and Responsible Investment.

Their edits are integrated in a final draft prior to obtaining Global CIO and Compliance approvals.

No

# HSBC Global Asset Management

## Reported Information

### Public version

### Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway	General
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**LEI 01.1** Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.

### Percentage of internally managed listed equities

	Passive	27.2
	Active - quantitative (quant)	6.6
	Active - fundamental and active - other	66.2
	Total	100%

## ESG incorporation in actively managed listed equities

### Implementation processes

LEI 03	Mandatory	Gateway	PRI 1
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**LEI 03.1** Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)

#### ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied	 99.9
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Thematic + integration strategies

Percentage of active listed equity to which the strategy is applied	 0.1
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- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed listed equities

100%

**LEI 03.2** Describe your organisation's approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.

Our principal strategy is integration as we believe that ESG factors can impact investment performance over time.

We regard the breadth and depth of our coverage as innovative, as well as the extent to which it has been delivered to 'mainstream' investment professionals across all markets, including emerging and frontier. As already explained Investment teams can access an ESG Intranet combining a comprehensive third party research library with in house ratings covering 6,000+ companies. For each name under coverage the system generates as, already explained an Executive Summary. All these inputs allow Investment Teams to produce, when required, an Enhanced Due Diligence. Going way beyond the existing ESG "Executive Summary" and previous "checklists" this document supports the approval of the allegedly risky stocks or bonds. If one of them is finally not approved, Investment Teams will not be permitted to buy it and may have to sell it if it is an existing holding within a portfolio.

We have also indicated screening as we exclude stocks with exposure to Land Mines and Cluster Munitions across all strategies. Such an exclusion is a requirement under Luxembourg law, where our flagship SICAV is domiciled, and which we have also extended to all our active strategies wherever they are domiciled. This exclusion has also been recently applied to passive strategies.

Then, on the thematic side, we launched in 2007 a climate change fund.

<b>LEI 04</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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**LEI 04.1** Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

**Type of ESG information**

- Raw ESG company data
- Company-related analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Sector-related analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Country-related analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Screened stock list

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- ESG issue-specific analysis or ratings
- Other, specify

We will rely on Ethix SRI advisors to track companies that are violating one or more of the ten UNGC - Global Compact - principles.

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager

<b>LEI 04.2</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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**ESG research providers:**

We use **third-party vendors** to provide us with ESG data which we use as an input to create our own ESG analysis and ratings.

- MSCI ESG Research Intangible Value Assessment,
- GMI (specialist in corporate governance),
- Ethix SRI Advisors (norms-based screening allowing us to comply with UNGC 10 principles and to identify issuers involved in land mines and cluster munitions), and

- oekom (ESG assessment of Governments and other unlisted entities)
- Trucost Research (Data and analysis on carbon, water, waste). Implementation in progress.

**Sellside research:** Prominent brokers provide us with valuable ESG input. Some houses produce thematic or company specific reports shedding some light on numerous ESG topics. One of them for instance emphasizes ESG credentials interaction with financials. Another global player has set up a Climate Change Center of Excellence giving some strategic views as to which environmental macro trends are set to affect the overall economy.

**Internal ESG research** is additionally gathered through questioning companies in the course of our regular one-to-one meetings, investment analysis/business case/due diligence. This is then reflected into internal research documents such as the aforementioned due diligence.

<b>LEI 04.3</b>	Indicate if you incentivise brokers to provide ESG research.
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Yes

<b>LEI 04.4</b>	Describe how you incentivise brokers.
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As we promote ESG integration, we do not isolate the ESG output to incentivise brokers. This being said, ESG being "part and parcel" of both our Equity and Fixed Income processes, ESG is included in our overall assessment of the research output we expect from brokers and in the feedback we give.

No

<b>LEI 05</b>	Voluntary	Additional Assessed	PRI 1
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<b>LEI 05.1</b>	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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Engagement

- We have a systematic process to ensure the information is made available.
- We occasionally make this information available.
- We do not make this information available.

(Proxy) voting

- We have a systematic process to ensure the information is made available.
- We occasionally make this information available.
- We do not make this information available.

<b>LEI 05.2</b>	Additional information. [Optional]
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Portfolio managers review voting decisions for against / abstain votes on their holdings. They lead regular investment engagement with companies and ESG issues are covered to the extent relevant to the investment. They are also consulted on specific ESG engagement programmes involving companies in their portfolios.

## (A) Implementation: Screening

LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
----------	--

**Type of screening**

- Negative/exclusionary screening

**Screened by**

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description
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Production and/or marketing of Cluster Munitions, Anti Personnel Mines and Depleted Uranium are the activities we screen out.

A third party research provider, Ethix SRI Advisors, highlights which names are involved in the marketing and development of the aforementioned controversial weaponry. Based on this, we issue twice a year an exclusion list which is formally reviewed by a Global Committee. The list is then distributed to all Front Office, Product, Risk and Compliance teams.

This exclusion list is prescriptive and the related strict ban has applied to Equities and Fixed Income Active Strategies since 2010. At the end of 2015, we decided to extend this to all Passive strategies.

- Positive/best-in-class screening

**Screened by**

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description
-------------

Besides our core ESG integration strategy already described, we have developed 2 SRI strategies, specifically designed to suit the needs of some Continental Europe clients.

Based on a "Best in class" process, they respectively focus on Euro Equities and Euro-denominated Investment Grade bonds. In alignment with SRI clients needs, those 2 specialized funds "exacerbate" our ESG integration process and prove more restrictive than their mainstream peers. PMs have indeed the obligation to invest only in the most ESG-friendly companies in their respective sectors/industries.

For each of our 30 proprietary sectors, companies are ranked according to their aggregated ESG rating produced by our ESG Intranet. PMs have to prioritize stocks listed into the 2 first quartiles - best stocks - and don't have the right to invest in those stocks listed in the 4th - worst stocks -.

Norms-based screening

**LEI 06.2**

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

The screening criterion is stable. We want to avoid investing in companies with a proven involvement in cluster munitions, anti personnel mines and depleted uranium.

Although the criterion itself is stable, its coverage has been recently extended. Initially limited to active strategies, this strict ban now also applies to all passive strategies.

**LEI 07**

**Mandatory**

**Core Assessed**

**PRI 1**

**LEI 07.1**

Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

**LEI 07.2**

Additional information. [Optional]

The research output is monitored on an ongoing basis by the Global Head of ESG Research who reports his findings to the Global ESG Committee chaired by the Global CIO. On the surplus, Ethix's contract has been established for 3 years only and its renewal, if any, will be subject to a formal RFP overseen by our Global Data Management Department. The latter, is independent from the Investments function.

**LEI 08**

**Voluntary**

**Additional Assessed**

**PRI 1**

**LEI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached

- Systematic checks are performed to ensure that stocks meet the funds' screening criteria.
- Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- Audits of fund holdings are undertaken regularly by internal audit function
- Other, specify
- None of the above



<b>LEI 08.2</b>	If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.
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Investment in Red listed issuers - those with a proven involvement in controversial weapons - is impossible as there is a pre-trade investment restriction implemented globally in our Front Office systems.

**(B) Implementation: Thematic**

<b>LEI 09</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 09.1</b>	Indicate the type of sustainability thematic funds or mandates that your organisation manages.
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- Environmentally themed funds
- Socially themed funds
- Combination of themes

**(C) Implementation: Integration of ESG issues**

<b>LEI 10</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>LEI 10.1</b>	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues	
	Environmental	<div style="background-color: #0070C0; color: white; padding: 2px;">Environmental</div> <ul style="list-style-type: none"> <li><input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly</li> <li><input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly</li> <li><input type="radio"/> We do not review environmental issues</li> </ul>
	Social	<div style="background-color: #0070C0; color: white; padding: 2px;">Social</div> <ul style="list-style-type: none"> <li><input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly</li> <li><input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly</li> <li><input type="radio"/> We do not review social issues</li> </ul>
	Corporate Governance	<div style="background-color: #0070C0; color: white; padding: 2px;">Corporate Governance</div> <ul style="list-style-type: none"> <li><input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly</li> <li><input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly</li> <li><input type="radio"/> We do not review corporate governance issues</li> </ul>

<b>LEI 10.2</b>	Additional information. [Optional]
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We first base our E, S, G analysis on inputs from third party research providers leveraged to create an in-house ESG rating from which we finally derive a risk level, namely High Risk, Medium Risk, Low Risk. This is something we do for c.6,000 companies.

Those companies' main ESG characteristics are captured in the automated Executive Summaries, providing investment teams with a concise ESG SWOT analysis. For the riskiest companies (High Risk), PMs and analysts have then to prepare an enhanced due diligence. This ESG inclusive investment case leverages other kinds of inputs: sell-side research, Bloomberg data, CSR reports and also the outcomes of a potential engagement.

This process is systematic and applies to all our Equities and Corporate Fixed Income strategies.

<b>LEI 11</b>	Voluntary	Additional Assessed	<b>PRI 1</b>
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**LEI 11.1**

Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Company information and/or ratings on ESG are updated regularly
- A periodic review of the quality of the research undertaken or provided is carried out
- Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ESG risk profile of a portfolio against benchmark
- Other, specify
- None of the above

**LEI 11.2**

Describe how ESG information is held and used by your portfolio managers.

- ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

**LEI 11.3**

Additional information.

We calculate, for around 6,000 companies, an aggregate 0-10 ESG rating as well as a risk category along one of three levels: high risk, medium risk, low risk. The numeric ratings are built by combining MSCI ESG Research and GMI data points whose respective weightings depend on the relevance of the criterion as identified in the ESG Roadmap. The numeric rating is supplemented by a UN Global Compact compliance assessment provided by Ethix SRI Advisors.

ESG information from MSCI research and GMI is downloaded in the ESG intranet and treated. It is then downloaded in the Visualiser (for Equities) and CorpRed (for Fixed Income) prior to being redistributed to all investment teams via their daily tools: ESG ratings, rankings and risk levels are also included in our portfolio risk management tool called HSBC Analytics which enables a sound ESG integration process monitoring.

**LEI 12****Mandatory to Report Voluntary to Disclose****Core Assessed****PRI 1**

**LEI 12.1**

Indicate into which aspects of investment analysis you integrate ESG information.

- (Macro) economic analysis
- Industry analysis
  - Systematically
  - Occasionally
- Analysis of operational management
  - Systematically
  - Occasionally
- Analysis of company strategy
  - Systematically
  - Occasionally
- Portfolio construction
  - Systematically
  - Occasionally

**LEI 12.2a**

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis and/or portfolio construction.

- Adjustments to income forecasts (sales, earnings, cash flows)
- Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- Other adjustments to fair value projections, specify

For each stock, an ESG assessment is produced. It's included in annual reviews, business cases or enhanced due diligences by Analysts and/or PM.

**LEI 12.3**

Describe how you integrate ESG information into portfolio construction

For around 6000 stocks we have in our ESG Intranet a two page "Executive Summary" indicating each name's ESG risk level: High Risk, Medium Risk and Low risk. This intranet is available to all c600 investment professionals and allows them to deepen when necessary their understanding of investee companies' ESG credentials.

For High Risk names, we require the portfolio managers and/or analysts to go through an "Enhanced Due Diligence". This is meant to supplement and go beyond the aforementioned "Executive Summaries". This ESG focused investment case leverages other inputs such as: sell-side research, Bloomberg data, CSR reports and also the outcomes of a potential engagement.

This process has been made systematic and applies to all our equity strategies. As such, the "Enhanced Due Diligence" is an intrinsic part of our investment decision making process and an investment case can be rejected at this point if its ESG credentials are assessed to be a threat to its financial profitability or pricing going forward.

LEI 12.4a

Describe the methods you have used to adjust the income forecast / valuation tool

We don't adjust our income forecast. We use ESG information as a qualitative input in our overall assessment

- Fair value/fundamental analysis
- Other, specify

LEI 12.5

Additional information.

For the time being, Corporate Governance, especially when it proves to be ailing can be "qualitatively" factored in. Going forward we might consider measuring correlations between our overall ESG ratings and subsequent High/Medium/Low risk statuses. But we think it's still too early stage to do this and still need some time to assess the relevance of this kind of process.

## ESG incorporation in passively managed listed equities

LEI 13

Mandatory to Report Voluntary to Disclose

Descriptive

PRI 1

LEI 13.1

Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.

- Yes
- No

## Outputs and outcomes

LEI 14

Voluntary

Descriptive

PRI 1

LEI 14.1

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- Screening
- Thematic
- Integration of ESG issues

Select which of these effects followed your ESG integration:

- Reduce or prioritise the investment universe
- Overweight/underweight at sector level
- Overweight/underweight at stock level
- Buy/sell decisions
- Other, specify
- None of the above

Our ESG process is framed around a set of tools :

**ESG Road Map** : Between Mid 2014 and early of 2015, we developed an ESG Roadmap in order to help investment teams "focus on what truly matters", namely to research in depth those financially material ESG criteria. Far from being a "one size fits all" we have really strived to highlight what genuinely matters for each industry. Although carbon is an important theme overall, it's more crucial to Utilities than to any other sector. Then waste management particularly relates to Materials and Packaging while water scarcity is very important to Food& Beverage, just to give a couple of examples.

To further strengthen alignment with both our equity and fixed income investment management processes we framed it around a bespoke 30 sector segmentations (derived from the GICS, Global Industry Classification Standards). Its design has been a thorough and collaborative process which ran from Q3 2014 to January 2015. It has benefited from systematic reviews, numerous inputs and comments from all equity and fixed income teams.

**Third Party Research**: We use third-party vendors (extra-financial rating agencies) to provide us with ESG datapoints which we use as to build our own ESG rating. We also source from them a wealth of company reports providing us with a more specific and qualitative ESG vision that we leverage when it comes to produce our own assessments.

Those third-party vendors are:

- MSCI ESG Research (Intangible Value ESG Assessment),
- GMI (specialist in corporate governance),
- Ethix SRI Advisors (norms-based screening allowing us to comply with UNGC 10 principles and to identify issuers involved in land mines and cluster munitions), and
- oekom (ESG assessment of states and unlisted companies)
- Trucost Research (Data and analysis on carbon, water, waste). Implementation in progress.

**In House Rating System**: We have indeed built in house a rating system enabling us to score 6,000+ companies and to allocate to them an ESG risk status. Leveraging monthly datafeeds coming from the providers above, it helps us to generate sector specific scores which we combine with an assessment of companies' actual level of compliance with the 10 Principles of the UN Global Compact. The end ratings range from 0 to 10, we differentiate between Emerging Markets and Developed Markets companies.

Further down our process, we put a particular emphasis on the companies which are assessed to be High Risk: typically those not complying with at the least one of the 10 UNGC Principles and/or with a very low aggregated ESG rating putting them in the bottom 5 percentiles of the rated universe.

**Executive Summary / Low, Medium and High risk rankings** :We capture these assessments in automatically generated "Executive Summaries" which provide investment teams with a snapshot of each company's ESG strengths and weaknesses. Indeed, brief ESG and UNGC related paragraphs sourced directly from the ESG third parties contribute to illustrate and justify the calculated risk assessments.

Building on this upgraded infrastructure we can readily generate new SRI universes and back-test them; design tailor-made portfolios or capture clients' own values in portfolio construction.

Needless to say the 6,000 risk assessments generated will be used to further embed ESG in our mainstream investment practices. Then, conducting "Enhanced Due Diligence" for all high risk companies has been made compulsory. This major step to ESG integration is championed by our Global CIO and was formally endorsed in Q4 2014 by all regional CIOs, strategy CIOs and local CIOs.

**Enhanced Due Diligence** : For High Risk names, we require the portfolio manager and or analyst to go through an "Enhanced Due Diligence" which leverages inputs such as: sell-side research, Bloomberg data, CSR reports and also the outcomes of a potential engagement. This process is systematic and applies to all our equity and corporate fixed income strategies. As such, the "Enhanced Due Diligence" is an integral part of our investment process for either Equities and Fixed income. Unless they pass this assessment, issuers ranked in the high risk category might be rejected.

LEI 15	Voluntary	Additional Assessed	PRI 1
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LEI 15.1	Indicate whether your organisation measures how your approach to ESG issues in listed equity investments has affected financial and/or ESG performance.
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- We measure whether our approach to ESG issues impacts funds' reputation
- We measure whether our approach to ESG issues impacts funds' financial performance: return
- We measure whether our approach to ESG issues impacts funds' financial performance: risk
- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

LEI 15.2	Describe how you are able to determine these outcomes.
----------	--

The risk level provides a signal for investment teams and is particularly crucial for High Risk names. For those, the final investment decision is indeed influenced by the conclusions of the enhanced due diligence already mentioned. Its conclusions can be:

- no issue: we are good to go, investing is fully authorized
- under review: the company is facing some actual troubles which won't prevent us from investing right now, but the company is under scrutiny, we will engage it and will closely monitor its progress
- ban: the company is facing very severe ESG issues which can in turn strongly affect the financial credentials going forward whether this is the profitability or the pricing. This leads us to stay away from such a name.

In any case PMs are made aware of the presence of such High Risk names within their portfolios as they are highlighted in the portfolio monitoring tools they are using on a daily basis such as the Visualiser. They are ultimately and obviously responsible for selling the names under scrutiny if deemed necessary

LEI 16	Voluntary	Descriptive	PRI 1
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LEI 16.1	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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- ESG issue 1

ESG issue and explanation
<p>As part of our ESG engagement initiative with investee companies our Mumbai office has an ongoing engagement with one of the world leaders in the field of generic drugs.</p> <p>The company being identified as a High Risk Name - according to our in house ESG scoring system - it went through an Enhanced Due Diligence in December 2015. Following this evaluation process, the limited ESG disclosure - especially toxic emissions - led the team to put the company under review.</p>
ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>
Impact on investment decision or performance
<p>No impact yet, this engagement was initiated late last year and is obviously still ongoing.</p>

ESG issue 2



#### ESG issue and explanation

A major commercial real estate (shopping malls) developer and operator in China has also substantial overseas aspirations and aims to become a leading global real estate operator in the future. This stock was owned in various Emerging Markets portfolios.

The management was met by the Hong Kong investment team in April 2015 and the following points were discussed:

i) Revaluation of existing assets proved in line with local accounting standards but not with IFRS. The company revalues its investment properties in the period after development has been completed as to better reflect market value. However, the team noted that a significant portion of net profit was derived from such non-cash asset revaluation gains, influencing overall profitability figures.

ii) The commercial real estate developer is the only listed vehicle of a much broader group, which is also involved in culture (film production, distribution, cinemas), O-2-O internet businesses and finance. The chairman has growth aspirations for these businesses but the only cash generator in this group is the listed commercial real estate developer. The team asked about controls to ensure that cash from the listed company is not used to support other businesses in the group.

#### ESG incorporation strategy applied

- Screening
- Thematic
- Integration
- Combination of ESG incorporation strategies

#### Impact on investment decision or performance

Following the engagement regarding these management and corporate governance issues, it was decided to sell the position despite an otherwise attractive valuation and growth outlook.

ESG issue 3

	ESG issue and explanation
<p>A Hong-Kong listed renewable energy producer suffered a very significant one-day share price fall during 2015. In the previous twelve months, the company share price had risen by several multiples.</p> <p>We had not invested in the company as we were concerned by the scale and volume of related party transactions between the listed company and its unlisted parent. After meeting the company, we could not reconcile equipment shipments with public league tables. We were also concerned that the company's estimated unit production cost was much lower than that of much larger producers in the same field. We could not find enough information on raw materials suppliers to satisfy our due diligence.</p> <p>We were concerned that the market capitalisation was greater than the sum of the top five pure play producers in those league tables.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>These governance concerns caused us to avoid investment in this stock.</p>	

ESG issue 4

	ESG issue and explanation
<p>A Hong Kong-listed holding company engaged in: (1) Wine production/trading - owns vineyards in different locations; (2) Factoring - provides short-term lending to clients collateralized with their trading receivables; (3) Real Estate.</p> <p>The company suffered a very significant one day share price fall during 2015. It had risen multiple times in the previous 12 months. The price fall seemed to be linked to a similar fall of another listed company in the days beforehand, which was financial adviser to the holding company.</p> <p>We had been concerned that company profit figures were flattered by increases in the valuation of investment property. After we had met the company, our valuation was around one tenth of the market capitalisation at that point.</p> <p>Concerns about lack of free float have since been raised following an investigation into the company, with other shareholdings potentially linked to those of the controlling shareholder.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>We avoided active investment in the company due to concerns about profit recognition and valuation.</p>	

ESG issue 5

	ESG issue and explanation
<p>A North American crude oil and natural gas producer has been identified as High Risk on our rankings due to its very low environmental rating. Concerns relate to oil sands operations, environmental liabilities, water intensity, and a previous oil spill.</p> <p>Subsequent to an engagement, the company strongly rejected the possibility of bitumen escaping through cracks in the rock, holding that whilst leaks can be due to well failure, the mechanics of the underlying shale do not allow for a vertical break of the caprock. This hypothesis has however been raised by researchers, media and environmental activists and is being investigated by Alberta's regulator.</p> <p>Because of the environmental risks associated with recommencing steam injections after an incident at a particular site, in June 2013 the regulator had ordered the company to suspend steam injection operations in a 1km radius. The company maintains that it follows all applicable regulation and operates in close cooperation with Alberta's regulators and that it enhanced monitoring of the operations. As well, the company has an extensive environmental management system that is ISO 14001:2004 certified. It has also invested \$2+ billion in emission reduction technologies at some of its key operations.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>We have decided to retain our position on the grounds the company shows a real commitment in assessing, monitoring and curbing its environmental impacts.</p> <p>The company has indeed confirmed its involvement in a multi-stakeholder project: Alberta Environmental Monitoring, Evaluation and Reporting Agency (AEMERA). This agency created by the Alberta government and benefiting from a \$50 million funding aims to ensure that Alberta oil sands projects are managed in a responsible way.</p> <p>The company is also investing roughly \$1.3 billion to achieve multiple benefits for the environment and operating cost reductions. This has allowed, among other things to reduce a key facility's GHG emissions intensity with the aim to keep on improving the environmental performance. In its planned expansion, the hydrogen plant will benefit from a CO2 capture facility. Then, the company is committed to reduce fresh water usage and reduce the size of its tailing ponds. Last but not least is has embarked in a Carbon Conservation contributing to reduce GHG intensity.</p> <p>All of this points to the right direction however we will continue to monitor the company's activities which could lead it to further invest in costly technologies potentially deteriorating its margins or risk litigation.</p>	

**Communication**

LEI 17	Mandatory	Core Assessed	PRI 2,6
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**LEI 17.1**

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only

**LEI 17.5**

Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

**LEI 17.6**

Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/when requested
- We do not proactively disclose it to the public and/or clients/beneficiaries

# HSBC Global Asset Management

## Reported Information

### Public version

#### Direct - Listed Equity Active Ownership

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Engagement

### Overview

LEA 01

Mandatory

Core Assessed

PRI 2

LEA 01.1

Indicate whether your organisation has a formal engagement policy.

Yes

LEA 01.2

Indicate what your engagement policy covers:

- Conflicts of interest
- Prioritisation of engagements
- Transparency
- Environmental factors
- Social factors
- Governance factors
- Other, describe
- None of the above

Attach document

[HSBC Global Asset Management Engagement Policy 2016.docx](#)

LEA 01.4

Provide a brief overview of your organization's approach to engagement

We believe that environmental, social and governance (ESG) factors can have a long-term impact on the performance of companies.

We recognise a fiduciary responsibility for the oversight of companies in which we have invested on behalf of our clients.

ESG issues are raised by our fund managers and analysts in the course of their dialogue with companies to the extent relevant to the investment thesis.

We have a complementary programme of engagement, covering a proportion of companies in which we are invested, whether actively or through passive / quantitative models.

We assess all investee companies using specialist external ESG research providers.

We contact companies to raise issues highlighted by that research, by our own investment processes or in pursuit on particular engagement themes.

As global investors, we are sensitive to local variations in practice but we normally expect companies to meet recognised norms such as the Global Compact, ILO standards and OECD governance codes.

Our engagement objective is to provide companies with the opportunity to explain their approach in the management of particular ESG issues.

Engagement may take the form of correspondence, conference calls or meetings.

The company's response will inform our assessment of risks associated with our investment.

○ No

LEA 02	Mandatory	Gateway	PRI 1,2,3
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LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries these interactions out.
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Type of engagement	Reason for interaction
<b>Individual/Internal staff engagements</b>	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
<b>Collaborative engagements</b>	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
<b>Service provider engagements</b>	<input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

LEA 02.2	Additional information. [Optional]
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We are members of the Global Institutional Governance Network and Asian Corporate Governance Association but do not have recent noteworthy examples of our own participation in collaborative engagement with companies initiated through these groups. We have participated in collaborative engagement on ESG issues organised by third parties such as UKSIF and brokers, as well as the PRI Clearinghouse. The engagement regarding the 'Florange Law' in France set out below is an example of this. Beyond that, the objectives of engagement have been to inform our investment decision making, to advocate better ESG standards and to encourage improved ESG disclosure.

## Process

### Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
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**LEA 03.1**

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

Yes

**LEA 03.2**

Describe the criteria used to identify and prioritise engagement activities carried out by internal staff.

- Geography/market of the companies targeted
- Materiality of ESG factors
- Systemic risks to global portfolios
- Exposure (holdings)
- In reaction to ESG impacts which has already taken place
- As a response to divestment pressure
- Other, describe

No

**LEA 04**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA 04.1**

Indicate if you define specific objectives for your engagement activities.

- Yes
  - Yes, for all engagement activities
  - Yes, for the majority of engagement activities
  - Yes, for a minority of engagement activities
- No

**LEA 04.2**

Indicate if you monitor the actions that companies take following your engagements.

- Yes
  - Yes, in all cases
  - Yes, in the majority of cases
  - Yes, in the minority of cases
- No

**LEA 04.3**

Indicate whether your organisation defines milestones and goals for engagement activities carried out by internal staff.

- Yes
- No

### Process for engagements conducted via collaborations

**LEA 05**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA 05.1**

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements

Yes

**LEA 05.2**

Describe the criteria used to identify and prioritise collaborative engagements

- Potential to learn from other investors
- Ability to add value to the collaboration
- Geography / market of the companies targeted
- Materiality of ESG factors
- Systemic risks to global portfolios
- Exposure (holdings)
- In reaction to ESG impacts which has already taken place
- As a response to divestment pressure
- Other, describe

No

**LEA 06**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA 06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

- Yes
  - Yes, for all engagement activities
  - Yes, for the majority of engagement activities
  - Yes, for a minority of engagement activities
- No

**LEA 06.2**

Indicate if you monitor the actions companies take following your collaborative engagements.

- Yes
  - Yes, in all cases
  - Yes, in the majority of cases
  - Yes, in the minority of cases
- No

**LEA 06.3**

Indicate whether your organisation defines milestones and goals related to engagement activities carried out via collaborations.

- Yes
- No

**LEA 06.5**

Additional information. [Optional]

We have not had extensive participation in collaborative engagements in the past year, but the example given below had clearly defined goals.

## General processes for all three groups of engagers

<b>LEA 09</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1,2</b>
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**LEA 09.1** Indicate if insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

Type of engagement	Insights shared
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

<b>LEA 10</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>PRI 2</b>
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**LEA 10.1** Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
<b>Individual / Internal staff engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track and cannot estimate our engagements

**LEA 10.2** Additional information. [OPTIONAL]

In the past year, we have introduced tracking for all contacts with investee companies.

## Outputs and outcomes

<b>LEA 11</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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**LEA 11.1** Indicate the number of companies with which your organisation engaged during the reporting year.

	<b>Number of companies engaged</b> (avoid double counting, see explanatory notes)	<b>Proportion (to the nearest 5%)</b>	<b>Specify the basis on which this percentage is calculated</b>
Individual / Internal staff engagements	Number of companies engaged 1500	Proportion (to the nearest 5%) 25	Specify the basis on which this percentage is calculated <input checked="" type="radio"/> of the total number of companies you hold <input type="radio"/> of the total value of your listed equity holdings
Collaborative engagements	13	Proportion (to the nearest 5%) 5	Specify the basis on which this percentage is calculated <input checked="" type="radio"/> of the total number of companies you hold <input type="radio"/> of the total value of your listed equity holdings

**LEA 11.2** Indicate the proportion of engagements that involved multiple, substantive and detailed discussions or interactions with a company during the reporting year relating to ESG issue.

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input type="radio"/> > 50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

**LEA 11.3** Indicate the percentage of your collaborative engagements for which you were a leading organisation during the reporting year.

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

<b>LEA 11.5</b>	Additional information. [Optional]
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We were unable to enter a number below 5 per cent under collaborative engagement, although the actual number is well below 1 per cent

<b>LEA 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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<b>LEA 12.1</b>	Indicate if your engagement involved:
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- Letters to outline the engagement and the objectives
  - In some cases
  - In majority cases
  - In all cases
- Meetings and/or calls with the appropriate team
  - In some cases
  - In majority cases
  - In all cases
- Visits to operations
  - In some cases
  - In majority cases
  - In all cases
- Roadshows
  - In some cases
  - In majority cases
  - In all cases
- ESG research
  - In some cases
  - In majority cases
  - In all cases
- Other, specify

<b>LEA 13</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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<b>LEA 13.1</b>	Indicate if your engagements in the reporting year covered E, S and/or G issues.
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Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input type="checkbox"/> Environmental <input type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

**LEA 13.2** Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Environmental only

5

% Social only

2

% Corporate Governance only

83

% Overlapping ESG issues

10

**100%**

Collaborative engagements

% Corporate Governance only

100

**100%**

<b>LEA 14</b>	Voluntary	Descriptive	<b>PRI 2</b>
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**LEA 14.1** Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company changed its practices, or made a formal commitment to do so, following your organisation's and/or your service provider's engagement activities.

Yes

**LEA 14.2** Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.

	Number of company changes or commitments to change
Individual / Internal staff engagements	10
Collaborative engagements	

No

**LEA 14.3** Additional information [Optional].

These commitments to change relate to UK companies where we changed our intended vote on the basis of an undertaking to address the issue we had raised in our engagement ahead of the next AGM.

LEA 15	Voluntary	Descriptive	PRI 2
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**LEA 15.1** Provide examples of the engagements that your organisation carried out during the reporting year.

Add Example 1

Topic or ESG issue	Opposition to the application of the 'Florange Law' by French companies with one share, one vote'
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	To encourage French companies to take active steps to retain 'one share, one vote' even though the 'Florange Law' allowed them to give up the principle by default.
Scope and Process	We joined 19 other investors in a Clearing House campaign, signing letters to the 13 CAC40 companies still having one share, one vote. We joined other shareholders in tabling a resolution at one company. We also wrote ourselves to 57 companies held in our portfolios which had single voting rights and informing them that we would vote against directors if they did not offer a resolution to retain one share one vote. These contacts led to meetings with five different companies.
Outcomes	Although six CAC40 companies- including two under partial state control - did not take sufficient action to protect one share one vote, seven CAC40 companies have retained the right, with the support of their board& a large majority of shareholders

Add Example 2

Topic or ESG issue	Responsiveness to shareholders and shareholder rights at a Korean industrial group.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To persuade the group to be more responsive to shareholder concerns about governance and capital management.
Scope and Process	We raised the issue at every opportunity across a number of meetings with the company over 18 months.
Outcomes	The company has made a number of changes, albeit we would like to see more. Key examples of change include: the creation of a governance committee; the Head of IR now reporting directly to the Chairman to improve information flow between shareholders and the Board; and capital management improvements including a dividend payout increase& more alignment with global peers.

Add Example 3



Topic or ESG issue	An Indian property finance company
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Address overlap of board positions for independent directors, who were also directors of other group companies.
Scope and Process	We communicated our concerns to the company at our regular one-to-one meetings with them.
Outcomes	The board made changes over time to reduce the overlap between independent directors and directors of other group companies.

Add Example 4

Topic or ESG issue	A UK buildings industry supplier - succession
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To convey our view on strategic & governance issues for this active holding through the period of the Chairman's succession.
Scope and Process	We had separate meetings with the outgoing & incoming Chairmen in addition to our regular contact with executive management.
Outcomes	Our views on strategy, succession & capital allocation were communicated clearly and discussed with the outgoing & incoming Chairmen.

Add Example 5

Topic or ESG issue	Remuneration disclosure at a UK software / services company
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To improve disclosure regarding remuneration so that shareholders could evaluate the link between pay& performance
Scope and Process	We wrote to the company informing them of our intention to vote against the remuneration report due to inadequate disclosure.
Outcomes	The company provided us with an assurance that annual bonus performance targets would be fully disclosed retrospectively in future, enabling us to vote for the report on this occasion.

Add Example 6

Topic or ESG issue	Climate exposure of a UK-listed global mining company
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	To determine the exposure to climate change regulation of the company's mining portfolio.
Scope and Process	We attended a briefing at which the company published analysis of the exposure of its mine assets to different levels of regulation intended to deliver reduction in CO2 emissions. We pressed the company on their methodology& outcomes. (Described as collaborative as this was a group event)
Outcomes	Investors gained a better understanding of the climate change risk associated with investing in the company; the company was encouraged to continue with this innovative disclosure.

Add Example 7

Add Example 8

Add Example 9

Add Example 10

LEA 15.2	Additional information. [Optional]
----------	------------------------------------

These examples give a flavour of different levels& scope of our engagement.

## Communication

LEA 16	Mandatory	Core Assessed	PRI 2,6
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LEA 16.1	Indicate whether your organisation proactively discloses information on its engagements.
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- We disclose it publicly
- We disclose it to clients and/or beneficiaries only

LEA 16.5	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.
----------	--

	Engagement information disclosed
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- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

LEA 16.6	Indicate how frequently you typically report engagements information
----------	--

- Disclosed continuously (prior to and post engagements)
- Disclosed quarterly or more frequently
- Disclosed biannually
- Disclosed annually
- Disclosed less frequently than annually
- Ad hoc/when requested
- We do not proactively disclose it to the public and/or clients/beneficiaries.

## (Proxy) voting and shareholder resolutions

## Overview

LEA 17	Mandatory	Gateway	PRI 1,2,3
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**LEA 17.1** | Indicate whether your organisation has a formal voting policy.

Yes

**LEA 17.2** | Indicate what your voting policy covers:

- Conflicts of interest
- Prioritisation of voting activities
- Transparency
- Decision making processes
- Environmental factors
- Social factors
- Governance factors
- Securities lending process
- Other, describe
- None of the above

Attach document

[HSBC Global Asset Management Corporate Governance 2016.docx](#)

**LEA 17.4** | Provide a brief overview of your organization's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

We exercise our voting rights as an expression of stewardship for client assets. We have global voting guidelines. These protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

In 2015, we voted in 72 markets. Whether shares are voted in 18 markets affected by burdensome barriers to voting, such as share blocking or unusual power of attorney requirements, will depend upon how custodians operate voting for the meeting concerned.

Our policy is applied at three levels: market-specific criteria for UK and France; global 'good practice' standards for other developed markets; more flexible application for emerging and frontier markets.

We use Institutional Shareholder Services (ISS) to assist with the application of our voting guidelines. ISS provides 'custom' HSBC recommendations highlighting resolutions which contravene our guidelines.

For active holdings, these are endorsed or amended by fund managers prior to voting. Fund managers' instructions are also applied where active holdings overlap stocks held through passive strategies.

Other passive holdings are voted automatically by ISS in line with HSBC recommendations.

We do not generally file shareholder resolutions (although we did in 2015 - see below LEA 25.5).

No

**Process**

<b>LEA 18</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 2</b>
---------------	------------------	--------------------	--------------

<b>LEA 18.1</b>	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
-----------------	---

<b>Approach</b>
-----------------

- We use our own research or voting team and make our own voting decisions without the use of service providers.
- We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.

<b>Based primarily on</b>
---------------------------

- the service provider voting policy signed off by us
- our own voting policy
- our clients' requests or policy
- other, explain
- We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- We hire service provider(s) that make voting decisions on our behalf.

<b>LEA 18.2</b>	Additional information.[Optional]
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As above in LEA 17, we have a different process for active and passively managed funds.

<b>LEA 20</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
---------------	------------------	--------------------	--------------

<b>LEA 20.1</b>	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you do the following.
-----------------	--

- Obtain end-to-end confirmation that votes have been lodged
  - for a majority of cases
  - for a minority of cases
- Participate in projects to improve the voting trail and/or to obtain vote confirmation
- None of the above

<b>LEA 20.2</b>	Provide additional information on your organisation's vote confirmation efforts.
-----------------	--

Some votes are indicated as confirmed on the ISS platform.

<b>LEA 21</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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<b>LEA 21.1</b>	Indicate if your organisation has a securities lending programme.
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- Yes

**LEA 21.2**

Indicate how voting is addressed in securities lending programme.

**Please select one of the following**

- We recall most securities for voting on all ballot items
- We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
- We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
- We empower our securities lending agent to decide when to recall securities for voting purposes
- We do not recall our shares for voting purposes
- Other (please specify)
- No

**LEA 22****Mandatory****Core Assessed****PRI 2****LEA 22.1**

Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

- Yes, in most cases
- Sometimes, in the following cases:
  - votes in selected markets
  - votes on certain issues (all markets)
  - votes for significant shareholdings (all markets)
  - Votes for companies we are engaging with
  - other, explain
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

**LEA 22.2**

Additional information. [Optional]

In the UK, we write in advance to any company where we intend to vote against or abstain, explaining our reasons and giving them the opportunity to respond before we cast our vote. For 33 companies in 2015, new information or a change of approach from the company allowed us to change our vote. In other markets, we do not have a systematic process for informing companies of our intended votes, and would normally only do so if we had a question to raise prior to deciding how to vote.

**Outputs and outcomes****LEA 23****Mandatory****Core Assessed****PRI 2****LEA 23.1**

For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

- We do track or collect this information

Votes cast (to the nearest 1%)

%

93

Specify the basis on which this percentage is calculated

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted

**LEA 23.2** If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]

We do not vote meetings impacted by share blocking or where power of attorney arrangements are overly burdensome.

- We do not track or collect this information

**LEA 23.3** Additional information. [Optional]




This figure is an estimate. We issued instructions on 98 per cent of ballots but around 5 per cent of instructions were Do Not Vote. As the figures for the latter are gathered on a different basis than for the former, the figure above is an estimate.

LEA 24	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

**LEA 24.1** Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

- Yes, we track this information

**LEA 24.2** Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	 88.5
Against (opposing) management recommendations	 10.5
Abstentions	 1

100%

**LEA 24.3** For the reporting year, describe your approach towards voting on shareholder resolutions.

We support governance-based shareholder proposals that are in line with the principles in our voting guidelines and oppose those that are not. For other ESG shareholder resolutions, we typically support greater disclosure and requirements for a company to have a policy on a relevant ESG issue, but do not support resolutions that seek to impose such a policy or other duties.

No, we do not track this information

LEA 25	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

**LEA 25.1** Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

Yes




**LEA 25.2** Indicate the number of ESG shareholder resolutions you filed or co-filed.

Total number

1

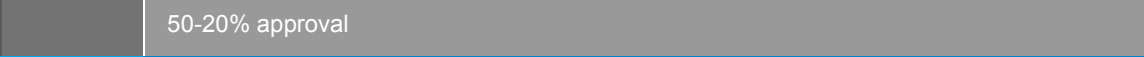
**LEA 25.3** Indicate what percentage of these ESG shareholder resolutions resulted in the following.



Went to vote	 100
Were withdrawn due to changes at the company and/or negotiations with the company	 0
Were withdrawn for other reasons	 0

 Total

100%

 50-20% approval

1

**LEA 25.5** Describe the ESG shareholder resolutions that you filed or co-filed and the outcomes achieved.

We co-filed a resolution at Orange SA to retain one-share one vote as part of the collaborative engagement mentioned above. The resolution received 43 per cent support but was unsuccessful.

No

<b>LEA 26</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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**LEA 26.1** Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

Add Example 1

Topic or ESG issue	Apple Inc
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	We do not support dilution from share schemes in excess of 10 per cent. We support shareholder resolutions which call for greater transparency on ESG issues / support our governance philosophy
Scope and Process	We voted against a resolution to ratify executive officers' compensation as total dilution from share schemes exceeded 10 per cent. We voted for a shareholder resolution calling for a report on the risks associated with a repeal of climate change policies. We also voted for a shareholder resolution to ensure proxy access rights.
Outcomes	The remuneration advisory vote was passed, although 25 per cent of shareholders did not support it. The proxy access resolution received 39 per cent support.

Add Example 2

Topic or ESG issue	Wal Mart de Mexico
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	We do not support candidates for election where there is insufficient information provided about them
Scope and Process	We voted against a resolution to elect directors and committee chairmen as these had not been named ahead of our voting deadline
Outcomes	The directors were elected nonetheless. Voting results were not published by the company.

Add Example 3

Topic or ESG issue	PICC Property & Casualty Co Ltd, China
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	We believe that there should be sufficient independent representation on the board and may vote against candidates where this is not the case.
Scope and Process	We voted against 16 director, statutory auditor or supervisor candidates where there was less than one third independence on the board.
Outcomes	The resolutions were passed nonetheless.

Add Example 4

Topic or ESG issue	Vedanta Resources
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	We do not support the re-election of non-independent directors in the UK when they sit on remuneration or audit committees, which should be wholly independent.
Scope and Process	We contacted the company to inform them of our intention to vote against two directors who we regarded as non-independent but who were on board committees.
Outcomes	The company informed us that both directors would be retiring from the board no later than the 2016 AGM; we were therefore able to support their re-election for one final year.

Add Example 5

Topic or ESG issue	Unilever NV
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	We do not support resolutions which allow the company to issue more than 15 per cent of shares without pre-emption, or to re-purchase shares as a premium in excess of 5 per cent.
Scope and Process	We voted against two resolutions which allowed the company: to issue 10 per cent without pre-emption and a further 10 per cent in the case of a takeover; to repurchase shares at too great a premium.
Outcomes	The resolutions were passed, with 6.2 per cent and 0.6 per cent voted against respectively.

- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

LEA 26.2	Additional information. [Optional]
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These examples are given to reflect some of the issues that arise in our voting

## Communication

LEA 27	Mandatory	Core Assessed	PRI 2,6
--------	-----------	---------------	---------

LEA 27.1	Indicate if your organisation proactively discloses information on your voting activities.
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- We disclose it publicly

provide URL
-------------

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

provide URL
-------------

<http://vds.issproxy.com/SearchPage.php?CustomerID=2732>

**LEA 27.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes
- No

**LEA 27.3**

Indicate the voting information your organisation proactively discloses to the public.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

**LEA 27.4**

Indicate how frequently you typically report voting information to the public.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc/as requested

**LEA 27.5**

Indicate the voting information your organisation proactively discloses to clients/beneficiaries.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

**LEA 27.6**

Indicate how frequently you typically report voting information to clients/beneficiaries.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc/as requested

**LEA 27.7**

Describe any other differences in the information being disclosed. [Optional]

Client reports are available as described; they are not taken up by clients in many offices.

- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

**LEA 27.8**

Additional information. [Optional]

In addition to the global disclosure of voting on all resolutions, we also disclose statistical information for voting by funds managed in the UK and in France.

# HSBC Global Asset Management

## Reported Information

### Public version

### Direct - Fixed Income

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

FI 01	Mandatory to Report Voluntary to Disclose	Gateway	General
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**FI 01.1** Provide a breakdown of your internally managed fixed income securities by active and passive strategies

<b>Corporate (financial)</b>	Passive	3.4
	Active - quantitative (quant)	0.7
	Active - fundamental and active - other	95.9
	Total	100%
	<b>Corporate (non-financial)</b>	Passive
	Active - quantitative (quant)	0.7
	Active - fundamental and active - other	95.9
	Total	100%

FI 03	Mandatory to Report Voluntary to Disclose	Descriptive	General
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**FI 03.2** Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments between investment grade or high-yield securities.



<b>Corporate (financial)</b>	High-yield
	13
	Investment grade
87	
Total	
100%	
<b>Corporate (non-financial)</b>	High-yield
	20
	Investment grade
80	
Total	
100%	

**ESG incorporation in actively managed fixed income**

**Implementation processes**

<b>FI 04</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>PRI 1</b>
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<b>FI 04.1</b>	Indicate 1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and 2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.
----------------	---

Corporate (financial)	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	0
	Thematic + integration strategies	100
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0 100%
Corporate (non-financial)	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	0

	Thematic + integration strategies	100
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
		100%

**FI 04.2** Describe your primary reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

As with Equities, our fiduciary duty justifies overall ESG integration, whilst the legal framework predominantly urges us to screen out issuers involved in Cluster Munitions and/or Anti Personnel Mines

**FI 05** Mandatory to Report Voluntary to Disclose Core Assessed PRI 1

**FI 05.1** Indicate which ESG factors you systematically research as part of your ESG analysis on issuers.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
Environmental data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Social data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Governance data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

**FI 05.2** Indicate what format your ESG information comes in and where you typically source it

Raw ESG company data

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify
- ESG factor specific analysis
- Issuer-level ESG analysis

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify
- Sector-level ESG analysis

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify
- Country-level ESG analysis

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

<b>FI 05.3</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
----------------	---

We apply to Corporate Fixed Income the same process we have for Equities.

For c6000 names we have in our ESG Intranet a two page "Executive Summary" indicating each name's ESG risk level: High Risk, Medium Risk and Low risk. This intranet is available to all c600 investment professionals and allows them to deepen when necessary their understanding of investee companies' ESG credentials.

For High Risk names, we require the portfolio managers and/or analysts to go through an "Enhanced Due Diligence". This is meant to supplement and go beyond the aforementioned "Executive Summaries". This ESG focused investment case leverages other inputs such as: sell-side research, Bloomberg data, CSR reports and also the outcomes of a potential engagement.

Here again, the "Enhanced Due Diligence" is positioned as an intrinsic part of our investment decision making process and a company can be rejected at this point if its ESG credentials are assessed to be a threat to its financial profitability or credit quality going forward.

FI 06	Mandatory	Additional Assessed	PRI 1
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<b>FI 06.1</b>	Indicate how you ensure that your ESG research process is robust:
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- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits of ESG research are undertaken in a systematic way
- ESG analysis is benchmarked for quality against other providers
- Other, specify
- None of the above

<b>FI 06.2</b>	Describe how your ESG information or analysis is shared among your investment team.
----------------	---

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

## (B) Implementation: Thematic

FI 11	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1
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<b>FI 11.1</b>	Indicate the type of sustainability thematic funds or mandates that your organisation manages.
----------------	--

- Environmentally themed funds
- Socially themed funds
- Combination of themes

<b>FI 11.2</b>	Indicate whether you invest in 'green' or 'climate' bonds
----------------	---

- Yes
- No

<b>FI 11.3</b>	Indicate whether you apply criteria (your own or those of a third party) to decide whether a bond can be considered a 'green' bond.
----------------	---

- Yes
- No

<b>FI 11.4</b>	Describe your organisation's approach to all sustainability-themed fixed income investing and the criteria you apply to determine whether a bond can be considered for a thematic fund, mandate or similar.
----------------	---

Besides our ESG integration initiative which applies to all corporate fixed income strategies, we manage a SRI fixed income mandate domiciled in Paris. This has been set up to match the needs of some Continental Europe clients.

As already explained, for the core of our Corporate Fixed Income assets the ESG integration process, also leveraged by this funds, is based on our in house rating system. This provides each of the 6,000+ reviewed companies with an ESG 0-10 rating from which we derive a risk status ranging from Low Risk to High Risk. All High Risk names to which we are exposed via our active strategies have to go through an enhanced due diligence, performed by the Credit Research team. As the SRI fund applies a "Best in Class" methodology, it adds some further steps.

For each of the 30 sectors we have defined, companies are allocated to quartiles according to their aggregated in house ESG 0-10 rating. The fund's investments are focused on the 2 first quartiles (and marginally on the third) while the 4th quartile is completely excluded. Then, on this reduced investment universe a traditional Credit process is applied in which the role of the Credit Analysis is pivotal.

We are also considering the launch of a Green Bonds strategy combining labelled issues with those coming from the most committed issuers in terms of CO2 emissions reductions.

<b>FI 12</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>FI 12.1</b>	Indicate whether you encourage transparency and disclosure relating to the issuance of themed bonds as per the Green Bonds Principles:
----------------	--

- We require that themed bond proceeds are only allocated to environmentally or socially beneficial projects
- We require the issuer (or 3rd party assurer) to demonstrate a process which determines the eligibility of projects to which themed bond proceeds are allocated
- We require issuers to demonstrate a systematic and transparent process of disbursing themed bond proceeds to eligible projects until all funds are allocated
- We require issuers to report at least once per year on the projects to which proceeds have been allocated including a description of those projects
- Other, specify
- None of the above

<b>FI 12.2</b>	Describe the actions you take when issuers do not disburse bond proceeds as described in the offering documents.
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We have not yet faced such a situation.

<b>FI 13</b>	<b>Mandatory</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 13.1</b>	Indicate how you assess the environmental or social impact of your thematic investments
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- We require issuers to report at least once per year on specific environmental or social impacts resulting from our themed investments
- We ensure independent audits are conducted on the environmental or social impact of our investments
- We have a proprietary system to measure environmental and social impact
- We measure the impact of our themed bond investments on specific ESG factors such as carbon emissions or human rights
- Other, specify
- None of the above

<b>FI 13.2</b>	Additional information. [Optional]
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Our core strategy is ESG integration, applied to all Corporate Fixed Income strategies. And for each and every corporate issue, we pay great attention to the companies Environmental, Social and Corporate Governance credentials.

<b>(C) Implementation: Integration</b>			
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<b>FI 14</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>FI 14.1</b>	Describe your approach to integrating ESG into traditional financial analysis.
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This process is fully aligned with that of Equities and basically relies on the same tools.

**ESG Road Map :** Between Mid 2014 and early of 2015, we developed an ESG Roadmap in order to help investment teams "focus on what truly matters", namely to research in depth those financially material ESG criteria. Far from being a "one size fits all" we have really strived to highlight what genuinely matters for each industry. Although carbon is an important theme overall, it's more crucial to Utilities than to any other sector. Then waste management particularly relates to Materials and Packaging while water scarcity is very important to Food& Beverage, just to give a couple examples.

To further strengthen alignment with both our equity and fixed income investment management processes we framed it around a bespoke 30 sector segmentation (derived from the GICS, Global Industry Classification Standards). Its design has been a thorough and collaborative process which ran from Q3 2014 to January 2015. It has benefited from systematic reviews, numerous inputs and comments from all equity and fixed income teams.

**Third Party Research:** We use third-party vendors (extra-financial rating agencies) to provide us with ESG datapoints which we use as to build our own ESG rating. We also source from them a wealth of company reports providing us with a more specific and qualitative ESG vision we leverage when it comes to produce our own assessments.

The third-party vendors we use are:

- MSCI ESG Research (Intangible Value ESG Assessment),
- GMI (specialist in corporate governance),
- Ethix SRI Advisors (norms-based screening allowing us to comply with UNGC 10 principles and to identify issuers involved in land mines and cluster munitions), and
- oekom (ESG assessment of states and unlisted companies)
- Trucost Research (Data and analysis on carbon, water, waste). Implementation in progress.

**In House Rating System:** We have indeed built in house a rating system enabling us to score 6,000+ companies and to allocate them an ESG risk status. Leveraging monthly datafeeds coming from the providers above, it helps us to generate sector specific scores which we combine with an assessment of companies' actual level of

compliance with the 10 Principles of the UN Global Compact. The end ratings range from 0 to 10, we differentiate between Emerging Markets and Developed Markets companies.

Further down our process, we put a particular emphasis on the companies which are assessed to be High Risk: typically those not complying with at the least one of the 10 UNGC Principles and/or with a very low aggregated ESG rating putting them in the bottom 5 percentiles of the rated universe.

**Executive Summary and Low, Medium and High risk ranking** :We capture these assessments in automatically generated "Executive Summaries" which provide investment teams with a snapshot of each company's ESG strengths and weaknesses. Indeed, brief ESG and UNGC related paragraphs sourced directly from the ESG third parties will contribute to illustrate and justify the calculated risk assessments. Building on this upgraded infrastructure we can readily generate new SRI universes and back-test them; design tailor-made portfolios or capture clients' own values in portfolio construction.

Needless to say the 6,000 risk assessments generated will be used to further embed ESG in our mainstream investment practices. We have made the completion of an "Enhanced Due Diligence" for all high risk companies compulsory. This major step to ESG integration is championed by our Global CIO and was formally endorsed in Q4 2014 by all regional CIOs, strategy CIOs and local CIOs.

**Enhanced Due Diligence** : For High Risk names, we require the portfolio manager and or analyst to go through an "Enhanced Due Diligence". This is meant to supplement and go beyond the aforementioned "Executive Summaries". The investment case leverages other inputs such as: sell-side research, Bloomberg data, CSR reports and also the outcomes of a potential engagement. This process is systematic and applies to all our equity and corporate fixed income strategies. As such, "Enhanced Due Diligence" is an intrinsic part of our investment decision making process. Unless they pass this assessment, issuers ranked in the high risk category might be rejected.

#### Corporate (financial)

Our process combines in house research, third party data, a proprietary rating model allocating each name under coverage an ESG risk status. This is the process we apply to all Equities and Bonds and this includes financial corporates. Our ESG rating process relying on the concept of financial materiality, our research teams have identified for each sector or subindustry the key ESG issues.

For Financial Corporates, we view the broad Governance agenda as the most important pillar and as such, it has been over weighted compared to the Environmental and Social pillars. Among the elements we include are themes such as: risk monitoring, audit and compliance, contribution to financial instability. Those criteria are particularly relevant to such financial activities and have to a great extent emerged as being key subsequent to the 2008 global financial meltdown.

#### Corporate (non-financial)

The methodology we apply is the one described above. Through leveraging third party research as described, we allocate each issuer an aggregated ESG ratings based on 3 pillars: Environmental, Social and Corporate Governance. Then from this rating we derive an ESG risk status, and ultimately conduct for High Risk names an "enhanced due diligence". This is exactly what we do for Equities

The only difference stems from the fact we have isolated for Fixed Income a bespoke "sector" called state-owned enterprises, local authorities and agencies. Due to their very nature, missions, ownership structure ... we tend to think they can hardly validly compare with actual corporate issuers.

FI 15

Mandatory

Core Assessed

PRI 1



**FI 15.1**

Indicate how ESG information is typically used as part of your investment process.

Select all that apply

	<b>Corporate (financial)</b>	<b>Corporate (non-financial)</b>	
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is integrated into security weighting decisions	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis is integrated into portfolio construction decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is a standard part of internal credit ratings or assessment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis for issuers is a standard agenda item at investment committee meetings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is regularly featured in internal research notes or similar	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is a standard feature of ongoing portfolio monitoring	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis features in all internal issuer summaries or similar documents	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 16**

**Mandatory**

**Additional Assessed**

**PRI 1**

**FI 16.1**

Indicate the extent to which ESG issues are reviewed in your integration process.

	Environment	Social	Governance
Corporate (financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all



For all types of corporate Issuers, we duplicate what is done for Equities. The only difference is that here Credit Analysts are in charge to review issuers' ESG credentials which they systematically capture for all 1,600 names under coverage in a document called the "Annual Review". The related documents are held within the Fixed Income core Front Office system called CorpRed/Bond Monitor.

We also have to stress that the ESG issues we emphasize are sector specific and captured in a document called the ESG Road Map. For Financial sectors, we overweight Governance criteria.



See above: our ESG integration process highlights sector by sector which are the most financially relevant criteria. Far from being a "one size fits all" our Research teams have identified for which sector what genuinely matters. As for Equities, Greenhouse emissions for instance are extremely important for the Utilities sector while waste management is relevant to the Materials industry. Another example: water consumption matters to Food&Beverage and to semiconductors but for very different reasons. Water is a major raw material for F&B while purified water is used to cautiously clean microchips.

### ESG incorporation in passively managed fixed income

FI 17	Voluntary	Descriptive	PRI 1
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FI 17.1	Describe your RI approach for passively managed fixed income assets.
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N/A We don't manage any such strategy.

### Fixed income - Engagement

FI 18	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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**FI 18.1** Indicate if you engage on your fixed income assets. Please exclude any engagements carried out solely in your capacity as a shareholder.

Category	Proportion of assets
<b>Corporate (financial)</b>	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="radio"/> 5-25% <div style="background-color: #0070c0; color: white; padding: 5px; margin-top: 10px;"> <b>FI 18.2</b> Indicate your motivations for conducting engagement.         </div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure) <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity) <input type="checkbox"/> Other, specify <input type="radio"/> More than 0%, less than 5% <input type="radio"/> We do not engage
<b>Corporate (non-financial)</b>	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="radio"/> 5-25% <div style="background-color: #0070c0; color: white; padding: 5px; margin-top: 10px;"> <b>FI 18.2</b> Indicate your motivations for conducting engagement.         </div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure) <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity) <input type="checkbox"/> Other, specify <input type="radio"/> More than 0%, less than 5% <input type="radio"/> We do not engage

**FI 18.3** Additional information.[OPTIONAL]

The engagement campaigns we hold are meant to serve equally our Equities and Fixed Income processes.

FI 19	Mandatory to Report Voluntary to Disclose	Additional Assessed	PRI 1,2
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**FI 19.1** Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.)

Select all that apply

Type of engagement	Corporate (financial)	Corporate (non-financial)
Individual/Internal staff engagements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Collaborative engagements	<input type="checkbox"/>	<input type="checkbox"/>
Service provider engagements	<input type="checkbox"/>	<input type="checkbox"/>

**FI 19.2**

Indicate how your organisation prioritises engagements with issuers

Select all that apply

	Corporate (financial)	Corporate (non-financial)
Based on potential materiality of ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Based on systemic risks to global portfolios	<input type="checkbox"/>	<input type="checkbox"/>
Based on our exposure (holdings) to ESG risks	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>

**FI 19.3**

Indicate when your organisation conducts engagements with issuers.

Select all that apply

	Corporate (financial)	Corporate (non-financial)
Engagements are conducted pre-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Engagements are conducted post-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>

**FI 19.4**

Indicate how your organisation conducts engagements with issuers.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
We systematically engage prior to ESG-related divestments	<input type="checkbox"/>	<input type="checkbox"/>	
We engage proactively in anticipation of specific ESG risks and/or opportunities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage in reaction to ESG issues which have already affected the issuer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Investment and ESG analysts systematically conduct ESG-related engagements together	<input type="checkbox"/>	<input type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 19.5**

Indicate what your organisation conducts engagements with issuers on.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
We conduct engagements with individual issuers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We conduct engagements across sectors and industries	<input type="checkbox"/>	<input type="checkbox"/>	
We conduct engagements on specific ESG themes (e.g. human rights)	<input type="checkbox"/>	<input type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 19.6**

Indicate how your organisation shares the outcomes of the engagements internally.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
We have a systematic process to ensure the outcomes of engagements are made available	<input type="checkbox"/>	<input type="checkbox"/>	
We occasionally make the outcomes of engagements available	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	
We do not make this information available	<input type="checkbox"/>	<input type="checkbox"/>	

FI 20	Mandatory to Report Voluntary to Disclose	Additional Assessed	PRI 1,2
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**FI 20.1** Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.

- Yes  
 No

## Outputs and outcomes

FI 21	Mandatory to Report Voluntary to Disclose	Additional Assessed	General
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**FI 21.1** Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
We measure whether incorporating ESG impacts funds' reputation	<input type="checkbox"/>	<input type="checkbox"/>	
We measure whether incorporating ESG impacts financial returns	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We measure whether incorporating ESG impacts risk	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We measure whether incorporating ESG impacts funds' ESG performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

<b>FI 21.2</b>	Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [OPTIONAL]
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We don't have sufficient track record in this field to be in the position to measure any sort of substantial change. Indeed we have really started our Fixed Income ESG integration - relying on the current rating model, Executive summaries, enhanced due diligences ... - between late 2014 and mid 2015.

<b>FI 22</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1,2</b>
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<b>FI 22.1</b>	Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.
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Example 1

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
<p>Our Continental European Credit Research teams based in Dusseldorf and Paris have a buy recommendation on a European cement company.</p> <p>The issue is this company has been identified as being High Risk by our in house ESG risk scoring system on the grounds it wouldn't comply with United Nations Global Compact principle Nr2: "Businesses should be ensuring non-complicity in human rights abuses" due to its alleged links to Palestinian occupied territories.</p>
RI strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>This has led us to research the actual nature of this cement producer's activities in Palestine's occupied territories and its potential downside effect on the credit status of the company. This "enhanced due diligence" has proved thorough and has included a direct engagement with the company.</p> <p>Key findings:</p> <ul style="list-style-type: none"> <li>- This situation has been inherited from a previous merger, the Palestinian subsidiary under scrutiny had been set up a while ago by a British player which has been taken over by the company. Subsequent to being taken over, it doesn't seem this subsidiary has had any sort of faulty HR practices, employees being fairly treated</li> <li>- the fact this business is viewed as non core by the parent company - it represents less than 1,8% of its total turnover - and as such is planned to be divested</li> </ul> <p>In addition, the company showing a perfect understanding and awareness regarding this particular situation has led us to amend the High Risk status and retain the positive recommendation.</p>

Example 2



Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
<p>Our Paris Credit Research team has had to research to which extent a major European Oil&amp; Gas company is actually tapping natural resources in Western Sahara without having formally asked to Western Sahara authorities the right to do so.</p> <p>The company has indeed appeared on our High Risk list on the grounds it would fail to comply with United Nations Global Compact principle Nr2: "Businesses should be ensuring non-complicity in human rights abuses".</p> <p>Between December 2011 and December 2015 one of its wholly owned subsidiaries worked under a reconnaissance contract with the local government agency to conduct surveying of hydrocarbons in the territorial waters of Western Sahara, allegedly without taking into account the needs and interests of Western Sahara's Sahrawi people. Morocco occupies Western Sahara, and hydrocarbon exploration and production in the occupied territory is controlled by the Moroccan authorities.</p>
RI strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>One of our Credit Analysts has engaged the company as to get clarity regarding the company's actual involvement. It happens the company hasn't performed any forbidden drilling activities related to natural resources exploitation or exploration. Actually, the company limited itself to performing very preliminary offshore seismic tests between 2011 and 2013.</p> <p>The due diligence has revealed that the Oil&amp; Gas company is a signing member of the UN Global Compact and a leading member of the Energy and Human Rights working group. In virtue of this membership, the company has consulted with UN experts regarding the formulation of a common statement issued with Morocco by which, assuming that if oil or gas was actually discovered the company would have to consult Western Sahara authorities and ultimately pay them royalties.</p> <p>In addition, in January 2016 the company informed ISS-Ethix, one of the third parties we are relying upon, that it had withdrawn from its contract with local government agency and is no longer pursuing reconnaissance activities offshore Western Sahara. This has further reassured our will to retain our position in this company</p>

Example 3

Type of fixed income
<input checked="" type="checkbox"/> Corporate (financial) <input type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
<p>According to our proprietary ESG rating system, a leading Turkish Bank's aggregated ESG rating is 4.3, with 40% percentile ranking in emerging markets meaning it ranks better than 40% of the emerging market companies in our coverage. However, this bank is on the "High Risk" list due to failing the UN Global Compact (UNGC) assessment.</p> <p>This stems from the fact according to our data vendor "The company is RED owing to cumulative AMBER assessments. The Turkish bank has been AMBER since September 2013 because it is a financier of a dam in Turkey which is associated with alleged forced populations' displacement, and as such is assessed to be exposed to the risk of violating Global Compact Principle 2. In addition, this Turkish bank had been AMBER since January 2013 because of the potential depletion of biodiversity and the alleged violation of international standards for environmental due diligence at the same dam.</p>
RI strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>The Turkish bank has been flagged as "High Risk" due to failing UNGC assessment. However, the Turkish bank alongside two other state owned financial institutions acts as a creditor for the financing of the dam project after couple of export credit agencies and several major European banks backed out of the transaction due to environmental and social issues.</p> <p>We do not think that this is a material credit issue or might become a material credit issue for this Turkish bank. We already have identified this issue before in our credit reports and 2014 Annual Review in the Liability section.</p>

Example 4

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
<p>A leading US retailer appeared on our High Risk list and as such, required to go through an enhanced due diligence which was conducted during Q4 2015 by our New York credit research team.</p> <p>This company has received very mixed scores: first, a high score of 7.1 (versus a sector average of 4.43) in the Environmental Assessment, which accounts for 50% of the total ESG rating for the Food Retail &amp; Supermarkets sector. Then, counteracting this high score, the Company received a low score of 2.6 (versus a sector average of 4.02) in its Social Assessment, which has a sector weight of 30% and finally, a moderately low score of 4.3 (versus a sector average of 5.75) in its Governance Assessment, which has a sector weight of 20%.</p> <p>Finally, it is assessed to be Non Compliant with UNGC Principle 3: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining". This assessment is linked to the fact the company is opposing trade union organization and the now decade-old bribery allegations against its Mexican subsidiary.</p>
RI strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>In our views, the Company's treatment of its labour force and opposition to unions is not expected to become a material credit issue as the Company has a long history of adjusting its labour practices to market conditions, just as it has adjusted its oversight of product manufacturers in response to product quality and safety problems. Similarly, the Company has significantly improved its oversight of its subsidiaries in response to the bribery allegations in Mexico.</p> <p>We must also acknowledge that the company's business model requires some more flexibility in its labour practices than a union typically allows.</p> <p>Finally, with 20+ issues in the BofA Merrill Lynch US Corporate Index, this company accounts for 0.50+% of the entire Index. We therefore recommend maintaining our current stance on this name as its size (both in sales and in the Index) clearly gives it the heft to influence positively the behaviour of the rest of the sector.</p>

Example 5

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
<p>A Korean industrial conglomerate or Chaebol with a world leading position in its industry has an aggregated ESG rating of 4,83/10 the company and positions itself around the 50th percentile. However, it failed to pass UN Global Compact (UNGC) assessment, placing it on "High Risk" list.</p> <p>According to one of our data vendors:" The company has been RED for Global Compact Principle 4 regarding "forced and compulsory labour" since March 2014 because one of its subsidiaries is implicated in the use of forced child labour through its cotton supply chain in Uzbekistan".</p> <p>In addition, the company has been AMBER for Global Compact Principle 2 regarding "human rights" since November 2008 because its Indian subsidiary has allegedly been involved in breaches of human rights norms in relation to the eviction of locals on land designated for the construction of a domestic integrated steel plant.</p>
RI strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>All of this has led our Hong Kong Credit Research team to assess the Korean company's actual involvement in those controversial forced labour practices. And as a conclusion, we do not consider the highlighted ESG problem to be a material credit issue for the company.</p> <p>We acknowledge that it has been putting efforts into global-level ethical risk prevention at the overseas branches and offices. It operates "Corporate Ethics Voluntary Practice Program" to spread ethical management to the holding group level that includes subsidiaries, outsourcing partners and suppliers.</p> <p>In relation to the issue regarding the subsidiary's cotton business in Uzbekistan raised by International Labour Organization (ILO), an inspection team composed of internal experts was sent to Uzbekistan in October 2014, to inspect the local situation and have discussions with government officials highlighting the company's transparency. On the surplus, the Uzbek government has signed an MOU with ILO for the Decent Work Country Programme in April 2014. The ILO foresees that by 2016 Uzbekistan will be able to achieve 90% or higher in mechanization rate for the cotton picking business which will definitely contribute to raise local labour standards.</p>

## Communication

FI 23

Mandatory

Core Assessed

PRI 2,6

FI 23.1

Indicate if your organisation proactively discloses information on your approach to RI across all of your fixed income investments.

We disclose it publicly

Provide URL

[http://www.assetmanagement.hsbc.com/gam/about-us/governance-and-management/responsible\\_invest.html](http://www.assetmanagement.hsbc.com/gam/about-us/governance-and-management/responsible_invest.html)

**FI 23.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes
- No

**FI 23.3**

Indicate the information your organisation proactively discloses to the public regarding your approach to RI incorporation.

- Broad approach to RI incorporation
- Detailed explanation of RI incorporation strategy used

**FI 23.4**

Indicate how frequently you typically report this information to the public.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/when requested

**FI 23.5**

Indicate the information your organisation proactively discloses to clients/beneficiaries regarding your approach to RI.

- Broad approach to RI incorporation
- Detailed explanation of RI incorporation strategy used

**FI 23.6**

Indicate how frequently you typically report this information to clients/beneficiaries.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/when requested
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries

**FI 23.7**

Additional information. [Optional]

Our overall Responsible Investment policy equally applies to Equities and Fixed Income.