




The image shows two overlapping forms from the PRI LEA (Leadership Engagement Assessment) toolkit. The top form is LEA 02, titled 'Discretionary', and the bottom form is LEA 03, titled 'Mandatory'. Both forms are designed for assessing engagement practices across different types of engagements (Individual/Staff, Collaborative, and Service provider) and reasons for interaction (To support investment decision-making, To enhance corporate transparency, To enhance corporate practice, To enhance corporate practice for identifying the need to influence or to support investment decision-making, To enhance corporate practice for identifying the need to influence or to support investment decision-making, To enhance corporate practice for identifying the need to influence or to support investment decision-making).

# RI TRANSPARENCY REPORT

## 2013/14

HSBC Global Asset Management



UNEP Finance Initiative  
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

## 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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly 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.

## PRI disclaimer

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# 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	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	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	Description of ESG incorporation	✓	Public	✓						
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	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	✓	Public	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	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 engagement activities	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
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	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	-	n/a		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	-	n/a		✓					
LEA 26	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, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	🔒	n/a	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Public		✓					
FI 20	Engagement with government issuers	🔒	n/a		✓					

# HSBC Global Asset Management

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01

Mandatory

Gateway/Peering

General

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 only services

OO 02

Mandatory

Peering

General

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

2200

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 04**

**Mandatory**

**Gateway/Peering**

**General**

**OO 04.1**

Indicate the year end date for your reporting year.

31/12/2013

**OO 04.2**

Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		427	788	000	000
Currency	USD				
Assets in USD		427	788	000	000

**OO 04.3**

Indicate the level of detail you would like to provide about your asset class mix.

- ☐ Approximate percentage breakdown to the nearest 5% (e.g. 45%)  
☒ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**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 broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	<10%
Fixed income – corporate	10-50%	<10%
Fixed income – government	10-50%	<10%
Fixed income – other	<10%	0
Private debt	0	0
Private equity	0	0
Property	<10%	0

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

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report	Voluntary to Disclose	Peering	General
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OO 07.1

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

OO 07.2

Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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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 10	Mandatory	Gateway	General
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OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.
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- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☐ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

OO 10.2	Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.
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- ☒ Yes, our total listed equities are 10% or more of our total AUM
- ☐ No, our total listed equities are less than 10% of our total AUM

OO 11	Mandatory	Gateway	General
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<b>OO 11.1</b>	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.
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- ☒ Fixed income – corporate
- ☐ Fixed income – government
- ☐ Fixed Income – other
- ☐ Property
- ☐ Cash
- ☐ None of the above

<b>OO 11.2</b>	Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.
----------------	--

- ☐ Fixed income – corporate
- ☐ Fixed income – government
- ☒ None of the above

<b>OO 12</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>General</b>
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<b>OO 12.1</b>	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.
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**Core modules**

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

**RI implementation directly or via service providers**

<b>Direct - Listed Equity incorporation</b>
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- ☒ Listed Equity incorporation

<b>Direct - Listed Equity active ownership</b>
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- ☒ Engagements
- ☒ (Proxy) voting

<b>Direct - Fixed Income</b>
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- ☒ Fixed Income - Corporate

**Closing module**

- ☒ Closing module

**Note:** Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

# HSBC Global Asset Management

## Reported Information

## Public version

## Overarching Approach

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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**OA 01.1** Indicate if you have a responsible investment policy.

☒ Yes

☐ No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

OA 02	Mandatory	Core Assessed	PRI 6
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**OA 02.1** Indicate if your responsible investment policy is publicly available.

☒ Yes

**OA 02.2** Provide a URL to your responsible investment policy.

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)

☐ No

**OA 02.3** Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes

☐ Yes, all

☒ Yes, some

**OA 02.4** List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Governance structure	<a href="http://www.global.assetmanagement.hsbc.com/about-us/governance-structure">http://www.global.assetmanagement.hsbc.com/about-us/governance-structure</a>
Corporate Governance Proxy Voting UK	<a href="http://www.assetmanagement.hsbc.com/uk/institutions/client-services/corp_governance.html">http://www.assetmanagement.hsbc.com/uk/institutions/client-services/corp_governance.html</a>
responsible Investment Policy (France)	<a href="http://www.assetmanagement.hsbc.com/fr/investissement_responsable.html">http://www.assetmanagement.hsbc.com/fr/investissement_responsable.html</a>

☐ No

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<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

OA 04	Mandatory	Core Assessed	General
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OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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- ☒ Yes  
☐ No

## Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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**OA 05.1** | Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

**OA 05.2** | Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year  
☐ Less than once per year

**OA 05.3** | Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☐ Quarterly  
☒ Biannually  
☐ Annually  
☐ Every two years or less  
☐ It is not reviewed  
☐ No

OA 06	Voluntary	Descriptive	General
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**OA 06.1** | List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	Roll out our ESG integration Strategy and expand it to fixed income
Key performance indicators	Train all major Credit Research Teams and produce 200 ESG checklists
Describe the progress achieved	As of December 31st, 2013 we had trained Credit Research teams in London, New York, Hong Kong, Paris and Dusseldorf and produced 188 checklists.

☒ Add responsible investment objective 2

Objective 2	Develop proxy voting activities and progressively involve all our offices
Key performance indicators	Develop Global Corporate Governance guidelines and ramp up automated and systematic proxy voting in our key offices
Describe the progress achieved	As of December 31st, 2013 we had published global guidelines and implemented them in major investment offices: London, Paris, Hong Kong & Vancouver.

☒ Add responsible investment objective 3



Objective 3	Provide our ESG integration with sufficient staff and knowledge
Key performance indicators	Foster the nomination of ESG champions in each location and provide them with relevant training to establish their credibility
Describe the progress achieved	22 Equities and Fixed Income ESG champions were nominated in June 2013, across all offices. They & their superiors have been through the RI Academy.

<b>OA 06.2</b>	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Broaden ESG coverage through triggering increased collaboration between Equities and Fixed Income teams
Key performance indicators	Development of an upgraded "Shareware" enabling all research teams to mutualize the ESG research they are producing (ESG checklists)

☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	As well as avoiding exposure to Cluster Munitions and Anti Personnel mines, ensure we are aware of controversial businesses in which investee companies are active
Key performance indicators	Hiring third party research providers enabling us to detect : illegal logging, involvement in chemicals of concern, inefficient energy production ... (RFP in progress)

☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Fostering the inclusion of ESG data in our mainstream front office tools
Key performance indicators	Strive to collect quantitative ESG data and produce synthetic ESG ratings. Use these data points to provide front office teams with additional risk assessment tools.

## Governance and human resources

<b>OA 07</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>General</b>
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**OA 07.1**

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

In 2010, a Global Head of ESG Research& PRI and a Global Head of Corporate Governance were appointed. Both of them report to the Global CIO. We subsequently shifted from a model relying on a team of ESG specialists to a much more integrated one where ESG integration and Proxy Voting have become an intrinsic part of each investment team's responsibilities. Furthermore, ESG assessment - to the extent relevant to the investment thesis - is becoming increasingly integral to both our Equities and Corporate Fixed Income investment processes instead of being a separate exercise.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

**OA 08****Mandatory****Gateway/Core Assessed****General****OA 08.1**

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
  - ☒ Other role, specify

**Global Head of Corporate Governance**

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

#### 22 local ESG Champions

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

### OA 08.3 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 progressively include ESG considerations within their investment decision making processes. Amongst these analysts and portfolio managers are 22 ESG Champions, all members of our front office investment teams. Then, at the Global Level, the whole process operates under the oversight of our Global Heads of ESG Research and Corporate Governance and, ultimately, of our Global CIO.

OA 09	Voluntary	Additional Assessed	General
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### OA 09.1 Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

#### 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

##### 22 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

### Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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**OA 10.1** Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

**OA 10.2** 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.

#### Select all that apply

- ☒ Asian Corporate Governance Association

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

- ☒ Basic  
☐ Moderate  
☐ Advanced

☒ Association for Sustainable & Responsible Investment in Asia

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

- ☒ Basic  
☐ Moderate  
☐ Advanced

☐ Australian Council of Superannuation Investors

☒ 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

☐ Council of Institutional Investors (CII)

☐ Eumedion

☒ 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 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)  
☐ Investor Network on Climate Risk (INCR)/CERES  
☐ Local Authority Pension Fund Forum  
☒ 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]
--	--

Long standing involvement in the fixed income workstream and previously member of the initial 50 people strong Experts Group in charge of defining the PRI.

- ☒ 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]

FIR Forum for Responsible Investment, HSBC Global Asset Management was Vice President until March 2013. Today we chair one the Commissions covering 'issuers relations' which is in charge of identifying ESG themes and to engage with a panel of companies. The results of this collective engagement are public and provided to the media through an annual conference.

- ☐ 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 - Commission ISR, we chaired until February 2013 the Working Group in charge of updating the Transparency Code for SRI Funds.

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

- ☐ Basic
- ☐ Moderate
- ☒ Advanced
- ☒ Other collaborative organisation/initiative, specify
- Since October 2013, Chairman of the Association "Finance Durable et Investissement Responsable" which support Academic Research in France

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

- ☐ Basic
- ☐ Moderate
- ☒ Advanced
- ☒ Other collaborative organisation/initiative, specify
- afg, member of the Corporate Governance Commission

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

- ☐ Basic  
☒ Moderate  
☐ Advanced

☐ Other collaborative organisation/initiative, specify

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
-------	-----------	---------------	-------

OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
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- ☒ 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  
☐ Other, specify

☐ No

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
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☐ Yes

☒ No

## ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☐ Yes

☒ No



OA 14	Voluntary	Descriptive	PRI 1
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<b>OA 14.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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☒ Yes

<b>OA 14.2</b>	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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	% of total AUM
--	----------------

2

<b>OA 14.3</b>	Please specify which thematic area(s) you invest in and provide a brief description.
----------------	--

	Area
--	------

- ☐ Clean technology
- ☐ Green buildings
- ☐ Sustainable forestry
- ☐ Sustainable agriculture
- ☐ Microfinance
- ☐ SME financing
- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☒ Other area, specify

SRI Sustainable Responsible Investment  
Climate Change

	Asset class invested
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- ☒ Listed equity
- ☒ Fixed income - corporate

☐ No

## Innovation

OA 18	Voluntary	Descriptive	General
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**OA 18.1**

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

We ask all our Equities and Fixed Income investment teams to assess the ESG quality of their investee companies. This is done through the completion of a template called the ESG checklist. It helps analysts to identify each company's strengths and weaknesses. These checklists are produced by our mainstream analysts who are located across our 16 offices, not by a dedicated centralized and specialized team. They can leverage a wealth of research from various ESG third parties, with up to 6,300 companies covered. The supporting research is hosted on an intranet is available to all investment team members. To date more than 1,200 checklists have been produced. We regard the breadth and depth of our coverage as innovative, as well as the extent to which it has been delivered by 'mainstream' investment professionals across all markets, including emerging& frontiers.

## Assurance of responses

**OA 19**

**Voluntary**

**Additional Assessed**

**General**

**OA 19.1**

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

☐ Yes

☒ 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/Peering

PRI 1

LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

### Strategies

☒ Passive

% of internally managed listed equities

- ☐ <10%
- ☒ 10-50%
- ☐ >50%

☒ Active – quantitative (quant)

% of internally managed listed equities

- ☒ <10%

**Report on your strategies that represent <10% of listed equities**

- ☒ Yes
- ☐ No

- ☐ 10-50%
- ☐ >50%

☒ Active – fundamental and other active strategies

% of internally managed listed equities

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

LEI 02

Voluntary

Descriptive

PRI 1

LEI 02.1

Provide a brief overview of how you incorporate ESG issues in listed equity investments.

See LEI 10.1

## ESG incorporation in actively managed listed equities

### Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	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.

#### 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 (estimate +/- 10%)

%  
100

- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed listed equities

100%

#### LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

Our principal strategy is integration as we believe that ESG factors can impact investment performance over time. We have indicated screening + integration as we exclude stocks with exposure to land mines & cluster munitions across all strategies (excluding pure index-replication strategies). Such exclusion is a requirement under Luxembourg law, where our flagship SICAV is domiciled; we have decided to extend this approach globally.

LEI 04	Voluntary	Additional Assessed	PRI 1
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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
- ☐ Issue-specific analysis or ratings
- ☐ Other, specify

**LEI 04.2**

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

Five external ESG research providers, sell side research, Reuters/Factiva, internal ESG research gathered through questioning companies in the course of our regular investment due diligence (one on ones...)& from other public sources.

<b>LEI 04.3</b>	Indicate if you incentivise brokers to provide ESG research.
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- ☐ Yes  
☒ No

<b>LEI 04.5</b>	Additional information.
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As we promote ESG integration, we don't isolate the ESG output to incentivize brokers. This being said, ESG being "part and parcel" of both our Equities and Fixed Income processes, ESG is generally included in our overall assessment of the research output we expect from brokers.

<b>LEI 05</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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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 all 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

<b>LEI 06</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 06.1</b>	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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### Type of screening

- ☒ Negative/exclusionary screening

**Screened by**

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

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

Cluster munitions and land mines

- ☒ Positive/best-in-class screening

**Screened by**

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

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

ESG Checklist is part of each investment case and contributes to the overall assessment of the company.

- ☐ 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 and antipersonnel mines. Only, index funds are currently exempt from this policy when:

- the index used is an external sponsored index (e.g. MSCI), and
- the CIO has confirmed that if the stock(s) were omitted from the portfolio, then there would be a material adverse effect on the fund's tracking error.

Index funds tracking HSBC sponsored indices, such as the HSBC Economic Scale Index are not included in the exemption.

To enforce implementation, we publish twice a year a strict exclusion list based upon research from a third party research provider. This being said we can also challenge from time to time the appraisal of the third party when we have some insight about the company's actual activities and/or have had engagement with it.

**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 08****Voluntary****Additional Assessed****PRI 1**

<b>LEI 08.1</b>	Indicate which processes your organisation uses to ensure that fund criteria are not breached
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☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:

☒ Systematic

☐ Occassional

☒ 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.

## (C) Implementation: Integration of ESG issues

<b>LEI 10</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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We believe that environmental, social & governance issues can impact the long-term performance of companies and seek to include them in our investment processes to the extent that they are relevant.

As part of our overall risk assessment HSBC Group and HSBC Global Asset Management are long-standing participants in a number of environmental, social and governance groups, with a range of roles including establishing good practice standards, sharing information and experience, and collective pressure on investee companies. We include the ESG assessment as part of our comprehensive global risk mapping encompassing liquidity risks, counterparty risks, emerging market risk, etc. We regard our decision to 'mainstream' ESG issues as forward-looking and part of what will become an increasingly powerful trend in coming years.

As a global responsible financial institution, HSBC is well positioned indeed to understand that integrating Environmental, Social and Governance criteria will become increasingly important. Among those ESG issues, HSBC considers climate change to be the biggest single environmental challenge of this century. As such, it will impact the companies in which we invest.

At HSBC Global Asset Management, our first step was to launch a Socially Responsible Investment (SRI) Equity fund in 2001 soon followed in 2004 by a SRI Fixed Income fund. In response to client requests we have also set up mandates including dimensions such as ethical exclusion and/or an ESG overlay. To support the development of our SRI offer and also ESG integration within HSBC Global Asset Management, we launched in 2007 our "Global ESG Intranet Research Platform". This tool makes ESG information available and accessible to all our 550 investment function staffs. Furthermore, it retains historic ratings allowing analysis of issuers' ESG rating trend. It also provides easy online access to all research provided by third party providers like GMI, Eiris, Vigeo, oekom (country rating) and Ethix SRI Advisors (focusing on controversial weapons).

In 2010, a Global Head of ESG Research & PRI was appointed, Xavier Desmadryl, who reports to the Global CIO. We subsequently shifted from a model relying on a small team of ESG specialists to a much more integrated one where ESG integration has become one of the duties of each and every Equity or Credit analyst. ESG assessment is progressively becoming an intrinsic part of stock or bond analysis instead of being a separate exercise.

In order to achieve this goal a sectorial road map has been set up. It leverages the official GICS (Global Industry Classification Standard) 24 sector segmentation and is shared with all research teams. It highlights for each sector which are the key ESG issues, with potentially highest levels of financial materiality.

A checklist has also been created. Its purpose is to allow analysts to appraise the ESG quality of each investee company - in other words, how the company addresses its industry's ESG issues. Research teams have been trained to use these tools. The training sessions were essentially a learning by doing exercise as they mostly relied on the analysis of sector and country specific investment cases during which companies covered by the analysts were appraised in depth.

The ESG Intranet also allows us to: rate companies from 0 (worst rating) to 10 (best rating); rank all ratings; easily generate new SRI universes and back-test them; design tailor-made portfolios using a proprietary metrics-based flexible rating process; or capture clients values in portfolio construction.

Once a company has been included in a portfolio, environmental, social and governance issues can arise as part of the dialog with management and/or in the on-going review of the holding. This is more likely to be the case where there has been a change in the environmental, social and governance profile of the company, following a particular event, or where fiduciary issues arise.

In the long run, the objective of HSBC Global asset Management is to cover all portfolios holdings and ultimately to assess systematically the ESG quality of the stocks we have on our buy list prior to actually building the position. As of January 2014, we have covered more than 1,200 names and have still more 300 companies to research in order to achieve full coverage of our Equities and Fixed Income active corporate positions. The assessment does not cover Government Bonds or securities held only in pure replication Index Funds.

In June 2013, local CIOs nominated 22 ESG champions. Sitting within either equity or fixed income teams, their role is to ensure ESG is genuinely embedded in their respective teams' investment processes. They are also committed to attend global calls chaired by the Global Head of ESG Research. The purpose of the calls is to check whether enough progress is made, exchange best practices and to have a joint thinking about which tools should support our integration agenda going forward. The champions are based in all our core offices ranging from Hong Kong to Vancouver but also New York, Paris, London, Riyadh, Buenos Aires, Sao Paulo or Mexico.

In the second half of 2013 we also embarked on an ambitious ESG training program called the RI Academy. This comprehensive and CFA approved 20 hour on line course has been designed by RIAA (Responsible Investment Association Australasia) has been made compulsory for 61 people including the 22 champions above but also the core majority of our investment function hierarchy as people like local CIOs, strategy CIOs. This first enrollment is currently nearing completion.

Next steps. For the majority of actively managed funds, it is the responsibility of analysts to factor in environmental, social and governance issues as part of their initial investment thesis. We are currently working on tools to assist them in doing so more systematically. We have made all ESG information globally available and work constantly at identifying the most helpful and relevant ESG information and look permanently for the best data provider enabling us to get it. We have recently initiated a tender process to review third party ESG Research providers. The expectation is to upgrade our Emerging Markets coverage and to strengthen alignment with some global norms such as the UN Global Compact. To assess the quality of those providers' research output a research sample of 300 companies has been put together and the related research coverage is currently being tested.

We are also busy injecting the most accurate ESG data into the portfolio assessment and construction tool (the *Visualizer*) developed by our global quantitative research team. The objective is here to provide the portfolio managers with an instant vision of their portfolios' ESG quality and risks. To date data from GMI (assessing overall corporate governance) and AGR (measuring accounting and governance aggressiveness) have already been uploaded. New data sets covering more environmental and broad ESG aspects are currently being added. This will ultimately allow portfolio managers to match those additional ESG criteria with the profitability/valuation measures (Price to Book / Return On Equity being our preferred approach).

We leverage a very significant amount of ESG research in order to integrate ESG criteria in our mainstream Equities and Fixed Income processes; we consider they naturally supplement the traditional financial criteria we use in both our corporate credit and equities strategies. We believe that by activating this additional analytical lens, we are better fulfilling our fiduciary duty to manage our clients' money in their best interests. This relies upon a thorough risk/return assessment to which ESG research naturally

contributes.

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1	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	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 12	Voluntary	Descriptive	PRI 1
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LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ 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
- ☐ Other, specify
- ☐ None of the above

**LEI 12.2**

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 13****Voluntary****Additional Assessed****PRI 1****LEI 13.1**

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

- ☐ (Macro) economic analysis
- ☒ Industry analysis
  - ☐ Systematically
  - ☒ Occasionally
- ☒ Analysis of company strategy and quality of management
  - ☒ Systematically
  - ☐ Occasionally
- ☐ Idea generation
- ☒ Portfolio construction
  - ☐ Systematically
  - ☒ Occasionally
- ☒ Fair value/fundamental analysis
  - ☐ Systematically
  - ☒ Occasionally

**LEI 13.2**

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

- ☐ 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
- ☒ Other, specify
  - Qualitative approach and analysis**
    - ☒ Systematically
    - ☐ Occasionally

## ESG incorporation in passively managed listed equities

**LEI 14****Mandatory to Report Voluntary to Disclose****Descriptive****PRI 1**

**LEI 14.1**

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

☐ Yes☒ No**Outputs and outcomes****LEI 15****Voluntary****Descriptive****PRI 1****LEI 15.1**

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

☐ Screening☒ 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**LEI 16****Voluntary****Descriptive****PRI 1****LEI 16.1**

Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

a) Impacted funds' financial performance

Screening	Integration of ESG issues
<input type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input checked="" type="radio"/> No	<input type="radio"/> No

b) Reduced funds' risk or volatility

Screening	Integration of ESG issues
<input checked="" type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input type="radio"/> No	<input type="radio"/> No

c) Improved funds' ESG performance

<b>Screening</b>		<b>Integration of ESG issues</b>	
<input type="radio"/> Yes <input checked="" type="radio"/> No		<input type="radio"/> Yes <input checked="" type="radio"/> No	

<b>LEI 16.2</b>	Describe how you are able to determine these outcomes and your actual performance.
-----------------	--

No tools in place at present.

<b>LEI 17</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
---------------	------------------	--------------------	--------------

<b>LEI 17.1</b>	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 2
- ☐ ESG issue 3
- ☐ ESG issue 4
- ☐ ESG issue 5

## Communication

<b>LEI 18</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2,6</b>
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<b>LEI 18.1</b>	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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- ☐ We disclose it publicly
- ☒ We disclose it to clients and/or beneficiaries only

<b>LEI 18.3</b>	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

<b>LEI 18.4</b>	Indicate how frequently you typically report this information.
-----------------	--

- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ 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	Voluntary	Descriptive	PRI 2
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

We believe that environmental, social & 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 & analysts in the course of their dialogue with companies to the extent relevant to the investment thesis. We have a complementary rolling programme of ESG engagement, covering a proportion of all 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 contact both emerging and developed market companies. 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. We publish a short policy statement along these lines and intend to publish an annual summary of our engagement activity.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

Type of engagement	Reason for interaction
<b>Individual/Internal staff engagements</b>	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved 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 support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved 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 support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers
<b>LEA 02.2</b>	Additional information. [Optional]

We are in the process of signing the confidentiality agreement to allow participation in any relevant collaborative engagement through the Association of British Insurers' Investor Exchange. We are also members of the Global Institutional Governance Network and Asian Corporate Governance Association but do not have any recent examples of 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; the objective of these has been to inform our investment decision making. We believe that they also encourage improved ESG disclosure.

## Process

### Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
--------	-----------	---------------	-------

**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 how you identify and prioritise engagements.

The bulk of our engagement is conducted by our analysts and portfolio managers in the course of their investment work, meeting investee companies to assess them. ESG factors arise in this dialogue to the extent relevant to the investment thesis. Beyond that, we have embarked upon a programme of ESG engagement, partly as an exercise of stewardship for passively-held assets. A quarterly programme identifies specific concerns or themes and targets investee companies exposed to these. In our first quarter - actually, Q4 2013 -, we identified those companies with sizeable holdings (more than \$10 million) in our portfolios that had the worst external GMI ratings. Following consultation with local fund managers and analysts to test the concerns raised, we wrote to these companies to get their views regarding some of the issues that had contributed to their ratings. We are currently receiving replies and may follow up with conference calls or meetings. In the current quarter, we are writing to larger companies that we hold which are not signatories to the UN Global Compact. Other themes will be identified in consultation with investment senior management.

☐ No

**LEA 04**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA  
04.1**

Indicate if you define specific objectives for your engagement activities.

☐ Yes

☒ 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

**LEA  
04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

After contacting companies and pursued any interaction, we will track and report on whether they have amended their practices.

☐ No

### General processes for all three groups of engagers

<b>LEA 09</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1,2</b>
---------------	------------------	----------------------------	----------------

**LEA  
09.1**

Indicate if the 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
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

<b>LEA 10</b>	<b>Mandatory</b>	<b>Gateway/Core Assessed</b>	<b>PRI 2</b>
---------------	------------------	------------------------------	--------------

**LEA  
10.1**

Indicate if you track the number of companies you engage with.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input 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 checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

LEA  
10.2

Additional information. [Optional]

We just track engagement numbers from our global ESG engagement and that associated with UK voting. We are reviewing the extent to which we could capture how far ESG issues have been raised in other investment engagement. Indeed, engaging companies forms an intrinsic part of the way we manage money. As such numerous engagements are performed by all our investment teams in the normal course of their investment work. This type of engagement is by essence rather "informal" and is subsequently not easy to track within a very global organization like ours. Subsequently numbers provided later are to be viewed as raw estimates.

## Outputs and outcomes

LEA 11

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

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)
Individual / Internal staff engagements	2000

LEA  
11.2

Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

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

LEA  
11.5

Additional information. [Optional]

The figure above is an approximation; we don't have global data on all engagement, with 550 investment staff potentially engaging with companies in 16 different locations, it is hard to calculate a global engagement number.

LEA 12	Voluntary	Additional Assessed	PRI 2
--------	-----------	---------------------	-------

LEA 12.1	Indicate if your engagements in the reporting year covered E, S and/or G issues.
----------	--

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

LEA 12.2	Provide an estimated breakdown by E, S and/or G issues.
----------	---

	Individual / Internal staff engagements
--	---

	% Overlapping ESG issues
--	--------------------------

100

100%

LEA 13	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
----------	--

☒ Yes

LEA 13.2	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	9

☐ No

LEA  
13.3

Additional information.

This figure only covers our UK engagement around voting. It represents the number of occasions in which a company's change or commitment to change enabled us to change our intended vote. We also recorded a larger number of occasions in which a company had changed its practice in the year subsequent to us having raised an issue through our voting and related engagement.

Our systematic engagement around ESG issues for global companies is at too early a stage to start claiming company changes achieved.

## Communication

LEA 15

Mandatory

Core Assessed

PRI 2,6

LEA  
15.1

Indicate whether your organisation proactively discloses information on its engagements.

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

LEA  
15.3

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

### Engagement information disclosed

- ☒ 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  
15.4

Indicate how frequently you typically report engagements information

- ☐ Disclosed continuously (prior and post engagements)
- ☐ Disclosed quarterly
- ☒ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

## (Proxy) voting and shareholder resolutions



## Overview

LEA 16	Voluntary	Descriptive	PRI 2
LEA 16.1	Provide a brief overview of your organisation'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 our stewardship for client assets as part of our encouragement of good practice. We have developed global voting guidelines for our voting decisions.

Our approach recognises local differences; the guidelines are not overly prescriptive. They seek to protect investor interests and foster good practice. Independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills are amongst the key issues in our guidelines.

We vote in some 54 markets globally, including all markets that do not have overly burdensome barriers to voting, such as share blocking or unusual power of attorney requirements. Whether shares for a particular meeting are voted in the 18 markets we judge to be affected by such restrictions will depend upon how custodians operate these.

Our policy is applied at three levels: the UK& France, which have market-specific criteria; other developed markets, where the guidelines are applied as stated; emerging & frontier markets, for which guidelines are applied more flexibly.

We use the voting research& platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides 'custom' recommendations highlighting resolutions which contravene our guidelines.

For active holdings, ISS recommendations are endorsed or amended by fund managers before 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 our voting guidelines.

We do not generally file shareholder resolutions.

## Process

LEA 17	Mandatory	Descriptive	PRI 2
LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.		

Approach
----------

- ☐ 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) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on
--------------------

- ☐ 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) which 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) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
----------	-----------------------------------

As above in LEA 16.1, we have a different process for active& passive funds.

LEA 19	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
----------	---

- ☐ Obtain confirmation that votes have been lodged:
- ☒ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

LEA 19.2	Provide additional information on your organisation's vote confirmation efforts.
----------	--

We participated in a GIGN working group with other investors to improve the voting trail. This group met with other parties in the voting chain. To date, we have not seen a beneficial impact in the achievement of vote confirmation.

LEA 20	Voluntary	Additional Assessed	PRI 2
--------	-----------	---------------------	-------

LEA 20.1	Indicate if your organisation has a securities lending programme.
----------	---

- ☒ Yes

LEA  
20.2

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 21

Mandatory

Core Assessed

PRI 2

LEA  
21.1

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)
  - ☐ other, explain
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA  
21.2

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 nine companies in 2013, 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 before we could decide how to vote. We will also explain recent relevant contrary votes if we are engaging as part of our ESG engagement programme.

## Outputs and outcomes

LEA 22

Mandatory

Core Assessed

PRI 2

<b>LEA 22.1</b>	For listed equities where you and/or your service provider has 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%)
--	--------------------------------

	%
--	---

88

	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

<b>LEA 22.2</b>	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 voted at 4308 meetings globally, out of a possible 4872. Of the 564 meetings we did not vote, 323 were in markets where Power of Attorney requirements are cumbersome, 43 were for meetings where shareblocking or similar re-registration mechanisms were likely to be applied by custodians; the bulk of the remainder would have been due to inadequate or late provision of information.

☐ We do not track or collect this information

<b>LEA 22.3</b>	Additional information. [Optional]
-----------------	------------------------------------

Information reported here covers those offices voting through a platform that enables us to capture this information. These offices represent the bulk of equities under management.

<b>LEA 23</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 23.1</b>	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.
-----------------	--

☒ Yes, we track this information

<b>LEA 23.2</b>	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 proposals	<div> <div></div> <div>%</div> </div> 88.5
Against (opposing) management proposals	<div> <div></div> <div>%</div> </div> 10.5
Abstentions	<div> <div></div> <div>%</div> </div> 1

100%

<b>LEA 23.3</b>	For the reporting year, describe your approach towards voting on shareholder resolutions.
-----------------	---

We voted on 1,080 shareholder proposals. On governance issues, we generally voted for resolutions to improve governance in line with our voting guidelines, where there was evidence that the company was falling short of best practice. On environment& social issues, we generally voted for resolutions calling for more reporting or transparency from a company and against those requiring a particular course of action. The discrepancy between votes FOR and votes with management suggests that we voted FOR around half of all shareholder resolutions, although we do not track this information.

☐ No, we do not track this information

<b>LEA 23.4</b>	Additional information.
-----------------	-------------------------

As for LEA 22, this analysis reflects those offices using a voting platform that enables statistical analysis of this kind; other offices are largely following the same policies and we would expect voting behaviour to be broadly in line with the analysis above.

<b>LEA 24</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
---------------	------------------	--------------------	--------------

<b>LEA 24.1</b>	Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.
-----------------	---

☐ Yes

☒ No

## Communication

LEA 26

Mandatory

Core Assessed

PRI 2,6

LEA  
26.1

Indicate if your organisation proactively discloses information on your voting activities.

- ☒ 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  
26.2

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

- ☐ Yes  
☒ No

LEA  
26.3

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

### Reporting 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

### Reporting 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

<b>LEA 26.4</b>	Indicate how frequently you typically report voting information.
---------------------	--

Reporting to the public	Reporting to clients/beneficiaries
<input type="radio"/> Continuously (primarily before meetings)	<input type="radio"/> Continuously (primarily before meetings)
<input type="radio"/> Continuously (soon after votes are cast)	<input type="radio"/> Continuously (soon after votes are cast)
<input type="radio"/> Quarterly or more frequently	<input type="radio"/> Quarterly or more frequently
<input checked="" type="radio"/> Between quarterly and annually	<input checked="" type="radio"/> Between quarterly and annually
<input type="radio"/> Less frequently than annually	<input type="radio"/> Less frequently than annually
<input type="radio"/> Other, specify	<input type="radio"/> Other, specify

<b>LEA 26.5</b>	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

<b>LEA 26.6</b>	Additional information. [Optional]
---------------------	------------------------------------

We have previously disclosed statistical information for voting by funds managed in the UK and in France. In the US and Canada, all voting was disclosed as required by local regulations. Our disclosure on the first site listed above is a new development.

# HSBC Global Asset Management

## Reported Information

### Public version

#### Direct - Fixed Income

## PRI disclaimer

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## Overview

FI 01	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	PRI 1
-------	---------------------	-----------------------	-----------------	-------

### FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

Fixed income – corporate

#### Strategies

- ☐ Passive
- ☒ Active – quantitative (quant)

Percentage of internally managed fixed income - corporate

☒ <10%

**Report on your strategies that represents <10% of corporate fixed income**

☐ Yes

☒ No

☐ 10-50%

☐ >50%

- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - corporate

☐ <10%

☐ 10-50%

☒ >50%

FI 02	Mandatory to Report	Voluntary to Disclose	Peering	General
-------	---------------------	-----------------------	---------	---------

### FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.

<b>Credit quality</b>	<b>Fixed Income - Corporate</b>	
<b>Investment grade</b>	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	
<b>High yield</b>	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	
<b>Distressed</b>	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	

**FI 02.2**

Provide a breakdown of your fixed income investments between primary and secondary market.

<b>Market</b>	<b>Fixed Income - Corporate</b>	
<b>Primary market (new issues)</b>	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	
<b>Secondary market</b>	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	

## ESG incorporation in actively managed fixed income

**FI 03**

**Voluntary**

**Descriptive**

**PRI 1**

**FI 03.1**

Provide a brief overview of how you incorporate ESG issues in fixed income investments.

See our answer in LEI 10.1 as the ESG approach applied to Fixed income investments greatly resembles what applies to Equities.

ESG criteria are taken into account at the credit analysts level. Our usage of ESG for credit is solely insofar as it impacts the validity of the investment decision per se, as a component of the calculation of risk and return and not for any other purpose.

## Fixed Income - Corporate

### Implementation processes

FI 04	Mandatory	Gateway/Core Assessed	PRI 1
FI 04.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.		

#### 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 corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div>
	100

- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed fixed income - corporate
---

100%

**FI 04.2**

Describe your primary reasons for choosing a particular incorporation strategy.

As with equities, 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**

Voluntary

Additional Assessed

**PRI 1****FI 05.1**

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

**Type of ESG information**☒ Raw ESG company data

Describe who provides this information.

Bloomberg, Company meetings, annual reports, third party reports

☒ Issuer-related analysis or ratings

Describe who provides this information.

GMI, Vigeo, Eiris, oekom

☒ Sector-related analysis or ratings

Describe who provides this information.

GMI, Vigeo, Eiris

☒ Country-related analysis or ratings

Describe who provides this information.

oekom

- ☐ Screened bond list
- ☐ Issue-specific analysis or ratings
- ☐ Other, specify

**FI 05.2**

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

We use a combination of sources enabling us to form in house and holistic views of the issuers we are considering for investment purposes. We look at governance-related information coming mostly from GMI, use controversial weapons screenings sourced from Ethix. We also check global ESG ratings provided by Vigeo and use raw data mostly sourced from Bloomberg. We track controversies and breaches of international conventions through Eiris.

## (A) Implementation: Screening

**FI 06**

**Mandatory**

**Descriptive**

**PRI 1**

**FI 06.1**

Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.

### Type of screening

- ☐ Negative/exclusionary screening
- ☐ Positive/best-in-class screening
- ☒ Norms-based screening

### Screened by

- ☐ UN Global Compact Principles
- ☐ Universal Declaration of Human Rights
- ☐ International Labour Organization Conventions
- ☐ United Nations Convention Against Corruption
- ☐ OECD Guidelines for Multinational Enterprises
- ☒ Other, specify

We exclude those companies with a proven involvement in the production and or marketing of controversial weapons like cluster munitions and anti personnel mines.

	Description
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See above

<b>FI 06.2</b>	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.
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We publish twice a year a strict exclusion list which applies to all strategies - to the exception of passive strategies - in all geographies. The exclusion process is monitored by our Global Risk and Compliance departments.

<b>FI 07</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>FI 07.1</b>	Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.
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- ☒ Comprehensive research is undertaken or sourced to determine issuers' ESG performance
- ☐ Issuers 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 issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- ☒ A committee or body with representatives independent of the individuals who conduct ESG 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

<b>FI 08</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 08.1</b>	Indicate which processes your organisation uses to ensure that fund criteria are not breached in corporate fixed income investments.
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- ☒ Checks are performed to ensure that issuers meet the funds' screening criteria. These checks are:
  - ☒ Systematic
  - ☐ Occasional
- ☒ Automated IT systems prevent investment managers from investing in excluded bonds 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

FI 08.2

If breaches of fund screening criteria are identified, describe the process followed to correct those breaches.

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.

## (C) Implementation: Integration of ESG factors

FI 10

Voluntary

Descriptive

PRI 1

FI 10.1

Describe how you integrate ESG issues into investment decision-making processes.

ESG criteria are a component of every credit research investment decision. ESG is regarded and weighted as other aspects of the investment decision, whether quantitative or qualitative. ESG criteria overlap with the qualitative analysis of our credit analysis. ESG analysis often acts as early warning signals of credit deterioration, indicating such developments as fraud, product liability and environmental degradation. As a result of poor ESG results creating additional risk, credit research may require a higher expected return or entirely recommend against investment in an issuer.

FI 11

Mandatory

Core Assessed

PRI 1

FI 11.1

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 12	Voluntary	Descriptive	PRI 1
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FI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ 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
- ☐ Other, specify
- ☐ None of the above

FI 12.2	Describe how ESG information is held and used by your portfolio managers.
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- ☒ 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

FI 12.3	Additional information.
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We have made all the third party ESG research available to all investment staff via a dedicated ESG intranet. Simultaneously all the internal ESG reviews/checklists we have produced - more than 1200 to date - are shared through a tool called Sharepoint.

## Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
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FI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
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### Fixed Income - Corporate

- ☒ Narrow down or prioritise the investment universe
- ☒ Buy / sell / weight decisions
- ☐ Other, specify



FI 15.2

Additional information.

In the first step of the credit research process, the analysts exclude any company for which they think negative ESG practices could cause the bonds price to drop over time. Depending on the severity of the outcome of the ESG analysis, the bonds may be excluded from the investment universe or the bonds could receive a negative recommendation which is communicated to the portfolio managers.

FI 16

Voluntary

Descriptive

PRI 1

FI 16.1

Indicate if you believe (by applicable strategy) that incorporating ESG factors has:  
(a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c)  
Improved funds' ESG performance.

## Fixed Income - Corporate

a) Impacted funds' financial performance

Screening	Integration of ESG issues
<input type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input checked="" type="radio"/> No	<input type="radio"/> No

b) Reduced funds' risk or volatility

Screening	Integration of ESG issues
<input checked="" type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input type="radio"/> No	<input type="radio"/> No

c) Improved funds' ESG performance

Screening	Integration of ESG issues
<input type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input checked="" type="radio"/> No	<input type="radio"/> No

FI 17

Voluntary

Descriptive

PRI 1

FI 17.1

Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.

☒ ESG issue 1

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/>	Corporate
	ESG issue and explanation
	We avoided several issuers from the banking sector (Netherlands, Spain) whose governance standards were clearly below sector standards.
	ESG incorporation strategy applied
<input type="checkbox"/>	Screening
<input checked="" type="checkbox"/>	Integration
<input type="checkbox"/>	Combination of ESG incorporation strategies
	Impact on investment view or performance
	By avoiding these names, we invested in companies with better ESG practices. As a result, we were able to outperform our benchmark.

- ☐ ESG issue 2
- ☐ ESG issue 3
- ☐ ESG issue 4
- ☐ ESG issue 5

## Communication

FI 18	Mandatory	Core Assessed	PRI 2,6
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FI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
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- ☐ We disclose it publicly
- ☒ We disclose it to clients/beneficiaries only

FI 18.3	Indicate the information your organisation proactively discloses to clients/beneficiaries regarding your approach to ESG incorporation.
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- ☒ Broad approach to ESG incorporation
- ☐ Detailed explanation of ESG incorporation strategy used

**FI 18.4** Indicate how frequently you typically report this information.

- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

**Engagement in fixed income investments****Fixed Income - Corporate**

FI 19	Voluntary	Descriptive	PRI 2
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**FI 19.1** Indicate if you engage with corporate issuers.

- ☒ Yes

**FI 19.2** Describe your organisation's approach to engagement in corporate fixed income.

The bulk of our engagement is conducted by our analysts and portfolio managers in the course of their investment work. ESG factors arise in the dialogue they might have with investee companies. Beyond that, we have embarked upon a programme of ESG engagement, partly as an exercise of stewardship for passively-held assets. A quarterly programme identifies specific concerns or themes and targets investee companies exposed to these. In our first quarter - actually, Q4 2013 - , we identified those companies with sizeable holdings (more than \$10 million) in our portfolios that had the worst external GMI ratings. Following consultation with local fund managers and analysts to test the concerns raised, we wrote to these companies to get their views regarding some of the issues that had contributed to their ratings. We are currently receiving replies and may follow up with conference calls or meetings. In the current quarter, we are writing to larger companies that we hold which are not signatories to the UN Global Compact. Other themes will be identified in consultation with investment senior management.

- ☐ No