


Type of engagement	Reason for interaction
Individual/ internal staff engagements	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company related ESG issues</li> <li><input checked="" type="checkbox"/> To influence corporate practice/ strategy/ the need to understand or</li> <li><input checked="" type="checkbox"/> To engage/ improve ESG disclosure</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage. Reason: staff</li> </ul>
Collaborative engagements	<ul style="list-style-type: none"> <li><input type="checkbox"/> To support investment decisionmaking in &amp; company related ESG issues</li> <li><input type="checkbox"/> To influence corporate practice/ strategy/ the need to understand or</li> <li><input type="checkbox"/> To engage/ improve ESG disclosure</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage. Reason: collaborative engagements</li> </ul>
Service provider engagements	<ul style="list-style-type: none"> <li><input type="checkbox"/> To support investment decisionmaking in &amp; company related ESG issues</li> <li><input type="checkbox"/> To influence corporate practice/ strategy/ the need to understand or</li> <li><input type="checkbox"/> To engage/ improve ESG disclosure</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage. Reason: service providers</li> </ul>

# RI TRANSPARENCY REPORT

## 2014/15

HSBC Global Asset Management

## About this report

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

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

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

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

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

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

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

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	-	n/a							✓
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	🔒	n/a	✓						
LEI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
LEI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
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	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
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	✓	Public		✓					
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 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

2074

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

OO 03.1

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

- Yes
- No

OO 03.3

Additional information. [Optional]

HSBC Global Asset Management signed the PRI principle on June 2006 for all its subsidiaries.

OO 04

Mandatory

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

30/11/2014

OO 04.2

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

	trillions	billions	millions	thousands	hundreds
Total AUM		453	841	663	109
Currency	USD				
Assets in USD		453	841	663	109

OO 04.5

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%	<10%
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	<10%	<10%
Other (2), specify	0	0

'Other (1)' specified

Balanced

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

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

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.

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.

- We incorporate ESG issues into investment decisions on our internally managed assets
- We engage with companies on ESG issues via our staff, collaborations or service providers
- We cast our (proxy) votes directly or via service providers
- We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- None of the above

OO 11	Mandatory	Gateway	General
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**OO 11.1** 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.

- Fixed income – corporate
- Fixed income – government
- Fixed Income – other
- Property
- Cash
- Other (1)
- None of the above

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

Balanced

**OO 11.2** 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
- Property
- Other (1)
- None of the above

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

Balanced

OO 12	Mandatory	Gateway	General
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**OO 12.1** The modules and sections that you will be required to complete are listed below.

*This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. 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. Fixed Income and Infrastructure are voluntary.*

**Core modules**

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

**RI implementation directly or via service providers**

Direct - Listed Equity incorporation

Listed Equity incorporation

Direct - Listed Equity active ownership

Engagements

(Proxy) voting

Direct - Fixed Income

Fixed Income - Corporate

**Closing module**

Closing module

# 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	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)
Describe the progress achieved	1,500 ESG reviews (Checklists) have been produced by both Equity and Fixed income teams.

Add responsible investment objective 2

Objective 2	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)
Describe the progress achieved	Four providers selected: MSCI Research, GMI, Ethix SRI Advisors, oekom covering 6,000 issuers globally will allow us to extend our views on unacceptable practices

Add responsible investment objective 3

Objective 3	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.
Describe the progress achieved	Implementation of quantitative ESG Data in either Equities or Fixed Income Front Office tools (Visualizer and CorpRed respectively) is in progress.

**OA 06.2**

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.

Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Continue to firmly position ESG as a means to upgrade overall investment risk monitoring
Key performance indicators	Circulate each month a global list of high risk names requiring a thorough and systematic ESG risk assessment prior to being invested.

Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Further develop stewardship and engagement-related practices
Key performance indicators	Engage with high risk stocks to assess their actual ESG issues or interact with companies we have voted against in order to justify our views.

Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Keep on upgrading ESG-related reporting
Key performance indicators	Strengthen engagement reporting targeting institutional investors. Explore inclusion of ESG related KPIs - GHG emissions ...- in fund reports.

<b>OA 06.3</b>	Additional information.
----------------	-------------------------

During the reporting year we have completed a thorough review of our portfolio of ESG research providers essentially to maximise our EM coverage. Given our Asian and LATAM footprint, this ensures an improved alignment between our ESG activities and daily mainstream asset management activities. This also enables us this year to make ESG a compulsory part of the pre-investment due diligence. Emphasis is on the higher risk names, where investment in these companies will have to be authorised by the local CIO. To obtain this approval, investment teams will be required to submit a diligence document which outlines their justification and rationale for investment. These documents will be recorded and ultimately reviewed by the most senior investment professionals within the organisation.

It is also worth mentioning that during the reporting year the Global Head of ESG Research has visited and held roadshows in most of our main locations: Hong Kong, Taiwan, Mumbai, New York, Montréal, Vancouver, Istanbul, London in order to inform and receive buy-in from relevant stakeholders to this upcoming and increasingly stringent ESG process.

**Governance and human resources**

<b>OA 07</b>	Voluntary	Descriptive	General
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<b>OA 07.1</b>	Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.
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In 2010, a Global Head of ESG Research and a Global Head of Corporate Governance were appointed. Both of these individuals report to the Global CIO. They are members of the Global Investment team which comprises the following senior members of staff: the Global CIO, the Regional CIO LATAM, the Regional CIO North America and Global CIO Fixed Income, the Front-Office COO, the Head of Performance and Risk Monitoring, the Global CIO Liquidity, the Global Head of Credit Research, two Senior Economists, the CIO UK, the Regional CIO Asia and Global CIO Equity, the Deputy Head of Equities, the Global Head and ESG Research and the Global Head of Corporate Governance jointly in charge of overseeing and implementing Responsible Investment. This clearly illustrates our integrated model, with ESG integration and Proxy Voting an intrinsic part of each investment team's responsibilities. Furthermore, ESG assessment - to the extent relevant to the investment thesis - is integral to both our Equities and Corporate Fixed Income investment processes.

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

<b>OA 08</b>	Mandatory	Gateway/Core Assessed	General
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<b>OA 08.1</b>	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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**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
    - 24 local ESG Champions**
      - Oversight/accountability for responsible investment
      - Implementation of responsible investment
      - No oversight/accountability or implementation responsibility for responsible investment

<b>OA 08.3</b>	Additional information. [Optional]
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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 24 ESG Champions, all members of our front office investment teams. At a global level, the entire process operates under the oversight of our Global Heads of ESG Research and Corporate Governance and, ultimately, of our Global CIO.

<b>OA 09</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>General</b>
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<b>OA 09.1</b>	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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**Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee**

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

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

**Global Head of ESG Research**

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

**Portfolio managers**

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

**Investment analysts**

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

**Other role**

**Global Head of Corporate Governance**

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

**Other role**

**24 local ESG Champions**

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

OA 09.3

Provide any additional information on your organisation’s performance management, reward and/or personal development processes in relation to responsible investment.

ESG champions are local agents for change and must act as the ESG reference point for their respective teams. They are subsequently in charge of training their colleagues on the use of the supporting ESG research and tools. On an ongoing basis they may also be asked to assist in providing ESG-specific content and answers to related RFI or RFP questions for Product, Prospect or Client-specific proposals as requested. Going forward, they will have to report on the due diligence documents, ESG checklists, edited executive summaries prepared by their team/office, as required by the updated process that is being implemented this year.

### Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

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

Principles for Responsible Investment

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

- Basic
- Moderate
- Advanced

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

HSBC Global Asset Management Mexico has been asked by PRI Secretariat to produce an ESG integration best practice/ business case for Latam local debt. Previously, HSBC AMG had been a long standing member of the PRI Fixed Income workstream and, as early as 2005 our Global Head of ESG Research had been called to be one of the 50 experts who actually designed the UN PRI.

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
- 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]

Within the frame of the French SIF also called FIR Forum for Responsible Investment, HSBC Global Asset Management (France) chairs one of the Commissions covering 'issuers relations' which is responsible for 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 (Association Française de Gestion) - Commission ISR,

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

- Basic
- Moderate
- Advanced

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

We chaired until February 2013 the Working Group in charge of updating the Transparency Code for SRI Funds.

- Other collaborative organisation/initiative, specify

Chaire "Finance Durable et Investissement Responsable"

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

- Basic
- Moderate
- Advanced

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

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

- Other collaborative organisation/initiative, specify

AFG (Association Française de Gestion) - Corporate Governance Commission

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

- Basic
- Moderate
- Advanced

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

As members of this Commission and under the PRI clearing house umbrella, we participated in a campaign led by Phitrust in Paris, advocating via a letter, that CAC 40 listed companies reconsider the double voting rights principle inherent to the enforcement of the "Florange law".

- Other collaborative organisation/initiative, specify

OA 11

Mandatory

Core Assessed

PRI 4

**OA 11.1**

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

Yes

**OA 11.2**

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

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

No

**OA 11.3**

Additional information. [Optional]

January 2014 : Organized an Engagement focused seminar, which was the result of a partnership between French SIF and UKSIF  
September 2014 : VDBO/ Utrecht Seminar, presented the merits of Fixed Income ESG integration to a large panel of Dutch Pension Funds

December 2014 : MEDEF conference on ESG reporting, presented investors' expectations in terms of ESG reporting to a panel of ~100 corporates (MEDEF is the French employers' trade union)

HSBC Global Asset Management is one of the sponsors of the Chaire Finance Durable and Investissement Responsable, a coalition of assets managers sponsoring two leading universities: Polytechnique and Economic School of Toulouse. One its founders, Jean Tyrole earned this year a Nobel prize.

**OA 12**

**Voluntary**

**Additional Assessed**

**PRI 4,5,6**

**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.

Yes

- Yes, individually
- Yes, in collaboration with others

**OA 12.2**

Select the methods you have used.

- Endorsed written submissions to governments, regulators or standard-setters developed by others
- Drafted your own written submissions to governments, regulators or standard-setters
- Participated in face-to-face meetings with government members or officials to discuss policy
- Other, specify

**OA 12.3**

Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

Yes, publicly available

No

No

**OA 12.4**

Additional information.

Cf answer LEI 10.1

## ESG issues in asset allocation

**OA 13**

Voluntary

Descriptive

**PRI 1**

**OA 13.1**

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

Yes

No

**OA 14**

Voluntary

Descriptive

**PRI 1**

**OA 14.1**

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

**OA 14.2**

Indicate the percentage of your total AUM invested in environmental and social themed areas.

% of total AUM

1.3

**OA 14.3**

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

	Area
--	------

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

**SRI Sustainable Responsible Investment  
Climate Change**

	Asset class invested
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- Listed equity
- Fixed income - corporate

No

## Innovation

OA 18	Voluntary	Descriptive	General
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<b>OA 18.1</b>	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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Yes

OA 18.2

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 undertaken through the completion of a template called, for the time being, the ESG checklist. It helps analysts to identify each company's strengths and weaknesses. These checklists are produced by our mainstream analysts located across our 16 offices, not by a dedicated centralized or specialized team. Analysts can leverage a wealth of research from various ESG third parties, with up to 6,000 companies covered. The supporting research is hosted on an intranet and is available to all investment team members. To date more than 1,500 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 and frontier. Our ESG integration is evolving. By Q2 2015, our ESG intranet is set to produce a two-page executive summary for circa 5,000 companies. The first page will contain ESG information from MSCI Research for "E" and "S" and GMI for the "G" pillar. In accordance with our 30 sectorial segmentation, relying on MSCI and the weight of each ESG pillar, we will develop an internal rating allowing us to rank companies from the best to the worse. Those ratings will be calculated via the Visualizer (for Equities) and the ESG intranet (for Fixed Income). Then, the second page will detail the United Nation Global Compact Ten Principles assessment from Ethix SRI Advisors. The front page of the Executive Summary will show an aggregated risk signal: High Risk, Medium Risk, Low Risk deriving from a combination of the aforementioned rating and UNGC's assessment. The objective of this Executive Summary is to provide our c.500 Portfolio Managers and Analysts with an instant ESG view and norm based screening for their investment targets. Starting from this global and synthetic assessment, investment teams will have access to detailed information, facts and history.

If an issuer is identified as High Risk or Medium Risk, the investment teams will have to produce an additional ESG analysis ("Due Diligence"). This document will be key to obtaining local CIO approval, a pre-requisite to have the right to buy a new name or maintain a position should the company's risk profile change.

No

### Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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OA 19.1	Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.
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Yes

OA 19.2	Indicate who has reviewed, validated and/or assured your reported information.
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- Reviewed by Board, CEO, CIO or Investment Committee
- Validated by internal audit or compliance function
- Assured by an external independent provider, specify name

**OA 19.3**

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

The review of reported information is led by the Global Product Specialist for Responsible Investment with the support and contribution of the Global Heads of ESG Research and Corporate Governance. The final draft is circulated to the Global CIO of Equity, the Global CIO of Fixed Income, the Global Head of Credit Research, Deputy Head of Equities and Global Head of Product Equity and Responsible Investment. Their edits are integrated in a final draft prior to obtaining Global CIO and Compliance approvals.

No

# HSBC Global Asset Management

## Reported Information

### Public version

### Direct - Listed Equity Incorporation

## PRI disclaimer

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



## Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
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**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
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**LEI 02.1** Provide a brief overview of how you incorporate ESG issues into 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.
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### 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
- Thematic + integration strategies

Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)	 100
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- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed listed equities
--

100%

LEI 03.2	Describe your primary reasons for choosing a particular ESG incorporation strategy.
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Our principal strategy is integration as we believe that ESG factors can impact investment performance over time. We have indicated screening plus integration as we exclude stocks with exposure to Land Mines and Cluster Munitions across all strategies (excluding pure index-replication strategies). Such an exclusion is a requirement under Luxembourg law, where our flagship SICAV is domiciled, and which we have also extended to all our strategies wherever they are domiciled. In addition by Q2 2015, we will have finalised a specific ESG assessment for companies that are violating one or more of the UN Global Compact ten principles or that are identified as High Risk or Medium Risk by our in-house ESG rating system. For such companies, Portfolio Managers and/or Analysts will have to produce a detailed ESG specific review called "Due Diligence". This document goes way beyond the existing ESG "Executive Summary" and "checklists" and will be submitted to Local CIOs for their approval. If an allegedly risky stock or bond is not approved, Investment Teams will not be permitted to buy it and may have to sell it if it is an existing holding within a portfolio.

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.
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### Type of ESG information

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

**Indicate who provides this information**

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

**Indicate who provides this information**

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

**Indicate who provides this information**

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

**Indicate who provides this information**

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

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

**Indicate who provides this information**

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

<b>LEI 04.2</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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External ESG research providers: MSCI research, GMI, Ethix SRI Advisors and oekom;

Sell-side research: Reuters/Factiva;

Internal ESG research is additionally gathered through questioning companies in the course of our regular one-to-one meetings, investment analysis/due diligence and 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 do not isolate the ESG output to incentivise brokers. This being said, ESG being "part and parcel" of both our Equity and Fixed Income processes, ESG is generally included in our overall assessment of the research output we expect from brokers and in the feedback we give.

<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.

## (B) Implementation: Thematic

<b>LEI 09</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**LEI 09.1**

Indicate the type of sustainability thematic funds or mandates that your organisation manages.

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

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

<b>LEI 10</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**LEI 10.1**

Describe how you integrate ESG factors into investment decision making processes.

We strongly believe that environmental, social and governance issues can impact the long-term performance of companies. As such, we are increasingly including them in our investment appraisals. ESG assessment plays a role in our comprehensive global risk map, which encompasses risks such as liquidity, counterparty and political risk. Our decision to 'mainstream' ESG issues will hopefully become the industry norm in coming years. At HSBC Global Asset Management, we began by launching a Socially Responsible Investment (SRI) Equity fund in 2001, which was followed by an SRI Fixed Income fund in 2004. Moreover, in response to client demand we have created mandates with ESG exclusion filters and/or an ESG overlay. To support the development of our SRI offering and promote ESG integration within HSBC Global Asset Management, we launched our "Global ESG Intranet Research Platform" in 2007, accessible to all our investment staff (around 500 people). This tool maintains historic ratings allowing for an analysis of each issuer's ESG rating trends. It also provides online access to all research provided by third party providers such as MSCI Research, GMI, Ethix SRI Advisors and oekom. Ethix is one of the specialist providers focussing on assessing companies' involvement in weapons and conformity with the UN Global Compact. We use oekom for countries and other unlisted entities ratings (including fixed income). Total coverage now exceeds 6,000 companies. The selection of current providers - finalised in June 2014 - resulted from a formal tender process in which all Equities and Corporate Fixed Income investment teams were directly involved. Our 16 offices reviewed a sample of 300 companies and checked the accuracy and relevance of different providers' outputs. The breadth and depth of the Emerging Markets coverage and ability to assess the issuer's conformity with global norms such as the UN Global Compact have been key selection criteria. In 2010, a Global Head of ESG Research and a Global Head of Corporate Governance were appointed. They both report to the Global CIO. We also moved from a model relying on a small team of ESG specialists to a more integrated approach where ESG issues are now covered directly by all Equity and Credit analysts. In the long run, the objective of HSBC Global Asset Management is to cover the holdings of all portfolios and systematically assess the ESG quality of all buy candidates prior to purchase. For the time being, this assessment does not cover Government bonds. We have been building out an infrastructure for our investment teams in order to achieve our goal of full ESG integration. Firstly, we have trained our Equities and Fixed Income staff on the nature and relevance of ESG, many of them being new to this topic. Training sessions started in 2010 and essentially consisted in "a learning by doing exercise" as they typically relied on the analysis of sector and country specific investment cases. Subsequently, in 2011 we created the ESG checklist. In the form of an Excel questionnaire, it allows analysts to rate and comment on the ESG quality of each investment case. In just 15 questions, the list touches on the degree to which a company understands, monitors and mitigates its industry's ESG issues. Until now, 1,500 such checklists have been produced. The next step has been to help investment teams "focus on what truly matters", namely to research in depth those financially material ESG criteria. This is precisely the purpose of the ESG Roadmap. Also initiated in 2011, this reference document highlights the key ESG issues for each industry. The initial version has just been extensively refurbished with the help of the investment teams. To enforce alignment with both our Equities and Fixed Income processes and to be consistent with our newly hired ESG providers, we reframed it around a bespoke 30 sector segmentation (derived from the GICS, Global Industry Classification Standards). Its design has been a thorough and collaborative process running from Q3 2014 to January 2015. It has benefited from systematic reviews, numerous inputs and comments from all Equity and Fixed Income teams. To strengthen the local commitment to our ESG integration initiative, local CIOs were asked to nominate 22 ESG champions in June 2013. Today, 24 ESG champions within the Equity or Fixed Income teams sit in all 16 investment offices (London, Hong Kong, Paris, Riyadh, Sao Paulo, Vancouver, New York ...). Their role is to ensure ESG is truly embedded in their respective team's investment processes. They also attend regular global calls chaired by the Global Head of ESG Research. The purpose of the calls is a forum to check on progress, exchange best practices and to think about the best tools supporting deeper integration. During the year, they coordinated the assessment of potential new ESG research providers and the review of the ESG Roadmap. 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 was designed by RIAA (Responsible Investment Association Australasia) recently taken over by the UN PRI. This training was compulsory for 61 people including the ESG champions and senior staff such as the global, local and strategy CIOs. In the second half of 2014, alongside the hiring of the new ESG research providers and the redesign of the ESG Roadmap, we decided upon a major upgrade of the ESG Intranet. In addition to its information sharing functionalities, we can now calculate, for up to 5,000 companies, an aggregate 0-10 ESG rating as well as a risk category along one of three levels: high risk, medium risk, low risk. The same rating functionality has been developed in the Visualiser to support Equities ESG integration. The numeric ratings are built by combining MSCI and GMI datapoints whose respective weightings depend on the relevance of the criterion as identified in the roadmap. For instance, for Banks and Financials, the Governance weighting (including board structure, corruption, bribery and instability) would be allocated a 60% weighting. But for Utilities and Automotives, 50% of the aggregate weighting would be constituted by the environmental factor. The numeric rating is supplemented by a UN Global Compact compliance assessment provided by Ethix. From Q2 2015, we will capture all these assessments in automatically generated Executive Summaries providing investment teams with a snapshot of each company's ESG strengths and weaknesses. Indeed, brief ESG and UNGC related paragraphs sourced directly from the ESG third parties will contribute to illustrate and justify the calculated risk assessments. Building on this upgraded infrastructure we can readily generate new SRI universes and back-test them; design tailor-made portfolios or capture clients' own values in portfolio construction. Needless to say the 5,000 risk assessments generated will be used to further embed ESG in our mainstream investment practices. We have

made the completion of a "due diligence" for all high and medium risk companies compulsory. This major step to ESG integration is championed by our Global CIO and was formally endorsed in Q4 2014 by all regional CIOs, strategy CIOs and local CIOs. This due diligence will supplement and go beyond - be more specific than - the aforementioned checklists and executive summaries. Being a thorough ESG inclusive investment case, the "due diligence" will contribute even more to the decision making process: it will be reviewed by the local CIO who will then decide whether to purchase, keep or sell the security under review. This process will be progressively implemented during H2 of this year. Moreover, for all existing positions, Environmental, Social and Governance issues as captured in the checklists and summaries will be double checked and included in an on-going dialogue with management and/or company review, especially when the ESG profile of a company changes, following a particular event. In such cases, we will initiate formal engagement with the company. We are also busy entering the most accurate ESG data into the portfolio assessment and construction tools used by the investment teams. Among these are the aforementioned Visualiser developed by our global quantitative research team to support our Equities franchise, CorpRed - a Fixed Income front office tool, and also HSBC Analytics - a risk monitoring tool used and maintained by our Investment Governance team. The objective is to provide portfolio managers with a snapshot of their portfolios' ESG quality and risks in their everyday tools. To date data from GMI (assessing overall corporate governance) and AGR (measuring accounting and governance aggressiveness) have already been uploaded. MSCI and Ethix data are currently being added. This will ultimately allow portfolio managers to match those additional ESG criteria with profitability / valuation measures (for Equities) or credit spreads assessments (for Fixed Income). In conclusion, we believe we are better fulfilling our fiduciary duty to clients by adding an additional ESG lens. We view this year's developments as a further step towards promoting best practice in this endeavour.

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



<b>LEI 11.2</b>	Additional information. [Optional]
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As described in 10.1, we first base our E, S, G analysis on inputs from third party research providers leveraged to create an in-house ESG rating from which we finally derive a risk label. This is something we do for c.5,000 companies. Those companies' main ESG characteristics are captured in the automated Executive Summaries, providing investment teams with a concise ESG SWOT analysis. For the riskiest companies, PMs and analysts have then to prepare an in depth due diligence. This ESG inclusive investment case leverages other kinds of inputs: sell-side research, Bloomberg data, CSR reports and also the outcomes of a potential engagement. This process is systematic and applies to all our Equities and Corporate Fixed Income strategies.

<b>LEI 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>LEI 12.1</b>	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

<b>LEI 12.2</b>	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

<b>LEI 12.3</b>	Additional information.
-----------------	-------------------------

See process described in 10.1

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

<b>LEI 13</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**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
  - Qualitative approach and analysis
- Other, specify
  - Qualitative approach and analysis
    - Systematically
    - Occasionally

**ESG incorporation in passively managed listed equities**

<b>LEI 14</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**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**

<b>LEI 15</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 15.1</b>	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
-----------------	---

- Thematic
- Integration of ESG issues

Select which of these effects followed your ESG integration:
--

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

<b>LEI 15.2</b>	Additional information.
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See process described in 10.1: As part of the ESG enhancements to our process, a local CIO can decide to "veto" a company defined as High Risk from an ESG perspective.

<b>LEI 16</b>	Voluntary	Additional Assessed	PRI 1
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<b>LEI 16.1</b>	Indicate whether your organisation measures how your approach to ESG issues in Listed Equity investments has affected financial and/or ESG performance.
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- We measure whether our approach to ESG issues impacts funds' financial performance
- We measure whether our approach to ESG issues impacts funds' risk or volatility
- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

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

This is a project we are busy developing and which we plan to have finalised for the beginning of H2 of this year. The uploading of third party ESG data points and set up of an ESG rating functionality in the Visualiser and CorpRed will enable us to track investment in those companies which are deemed to be High Risk or Medium Risk. This will be shown in scatter charts. We will also measure, for instance, the impact of screening out such companies on the Alpha Generation potential or on the overall fund's volatility or Beta. Simultaneously, the inclusion of ESG inputs and decisions in HSBC Analytics is meant to allow us to track ESG risk differences between funds, teams, offices, etc. We will also be able to monitor the efficiency and timeliness of each team's ESG integration process: ie. have High Risk and Medium Risk companies undergone adequate due diligence, are the related decisions documented and rooted enough, etc. Again, we will be much better positioned to measure the financial impact of excluding or leaving underweight stocks identified as risky.

<b>LEI 17</b>	Voluntary	Descriptive	PRI 1
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<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 and explanation
<p>German utilities RWE's focus on carbon intensive coal-fired electricity generation turned out to become a disadvantage. At a time when GHG emissions are more and more under scrutiny, we make the assumption such externalities will likely threaten RWE's profit generation capability - if not the business model itself - in the future.</p>
ESG incorporation strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
Downgrade

ESG issue 2

ESG issue and explanation
<p>Kardemir is an integrated Turkish steel company. On June 23, 2014, an "unfair competition" file litigated against the company on the allegation that the company procures priority delivery rights to its shareholders and its preferential sales conditions distorts competitive market conditions. There were also news flows related to this issue dated January 2015. According to a press release given by former president of KAHDER, an association founded by Kardemir local rulers, official appraisers prepared a report that states Kardemir BoD members have caused unfair competition, as the company procures priority delivery right to its shareholders, and its preferential sales conditions hurt competitive market conditions.</p>
ESG incorporation strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
<p>We had overweight (OW) position in this stock in our funds as of June 2014 and started to trim our OW positions following the newsflows. Our decision to trim positions in this stock not only depended on deteriorating corporate governance but also worsening sector outlook as well. As of today, we have neutral position in this stock.</p>

ESG issue 3

ESG issue and explanation
<p><b>Complex Corporate Governance at a Korean company</b></p> <p>In our view, the risk remains high that Dongbu Insurance will engage in supporting activities for troubled affiliates as progress on voluntary restructuring of the Dongbu Group is behind schedule. Posco has been identified as the main (sole!) bidder for steel assets but the new Posco CEO is minded to divest non-core assets to improve balance sheet and credit ratings.</p> <p><b>Background</b></p> <p>Dongbu Insurance is indeed the crown jewel of a 2nd tier conglomerate, Dongbu Group (Korea's 17th largest chaebol), which in November 2013 entered into 'voluntary workout'. Under the administration of Korea Development Bank (KDB), Dongbu Group is required to dispose of assets to start paying back some W3.3trn owed to creditors including KDB, Woori etc to reduce total debt to W3trn (debt ratio to 170% from 270%) by 2015 and avert a liquidity crisis. Little progress has been made on the disposal front, raising concerns that yet again Dongbu Insurance would be asked to bail out its ailing affiliate companies. In the past, Dongbu Insurance had purchased both equity and bond instruments of its affiliates despite repeated assurances to investors that they would refrain from supporting the group.</p>
ESG incorporation strategy applied
<p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>
Impact on investment decision or performance
<p>Those Governance concerns have triggered a company's valuation discount despite the fact Dongbu Insurance has performed well over the past year in anticipation of structural change and rising bond yields.</p>

- ESG issue 4
- ESG issue 5

## Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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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 18.5</b>	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

**LEI 18.6**

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
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LEA 01.1	Provide a brief overview of your organisation's approach to engagement.
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We believe that environmental, social and governance (ESG) factors can have a long-term impact on the performance of companies. We recognise we have a fiduciary responsibility for the oversight of companies in which we have invested on behalf of our clients. ESG issues are raised by our fund managers and analysts in the course of their dialogue with companies to the extent relevant to the investment thesis. We have a complementary 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.

As highlighted in the 2015 objectives section, we are building out our engagement activities through engaging systematically companies in which we are invested from amongst the 200-300 we have identified as "High risk". Whether we own them in our active or passive strategies, we view such a constructive dialogue as a good way to further explore and understand their underlying risks, as well as to encourage companies in their management of these risks. We also take this opportunity to encourage improvements in company governance in line with our voting guidelines.

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

**LEA 02.2** Additional information. [Optional]

We are members of the Global Institutional Governance Network and Asian Corporate Governance Association but do not have recent noteworthy examples of our own participation in collaborative engagement with companies initiated through these groups. We have participated in collaborative engagement on ESG issues organised by third parties such as UKSIF and brokers, as well as the PRI Clearinghouse. The objective of these has been to better inform our investment decision making and also to advocate better ESG standards. A recent example of our participation of collaborative engagement has been around the 'one share one vote' principle in France, in line with our voting guidelines. We have indicated our willingness to participate in the new UK Investor Forum but have not yet been invited to do so, on the basis of our holdings in relevant companies. We also encourage improved ESG disclosure.

**Process**

**Process for engagements run internally**

<b>LEA 03</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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**LEA 03.1** Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

Yes

**LEA 03.2**

Describe 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, including meeting investee companies to undertake relevant analysis, with ESG factors being part of this dialogue to the extent relevant to the investment thesis. These engagements are discussed and reviewed during the internal meetings of the relevant investment teams. Beyond that, we have embarked upon a programme of ESG engagement, partly as an exercise of stewardship for passively held assets.

In the past year, we have continued our engagement with companies with sizeable holdings in our portfolios and the worst external GMI ratings. We also engaged with 50 investee companies in energy intensive industries which had not responded to the Carbon Disclosure Project. In the coming year, we expect to engage with 'High-Risk' companies as defined by our own filtering of external research on ESG risk and Global Compact non-compliance.

Going forward, we will keep on putting a strong emphasis on engaging 200-300 High Risk and Medium Risk names identified thanks to our ESG rating and scoring system. Through establishing a dialogue with such companies we can champion ESG good practices and assess their actual level of ESG preparedness.

No

**LEA 04****Mandatory****Core Assessed****PRI 2****LEA 04.1**

Indicate if you define specific objectives for your engagement activities.

Yes

- Yes, for all engagement activities
- Yes, for the majority of engagement activities
- Yes, for a minority of engagement activities

No

**LEA 04.2**

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

Yes

- Yes, in all cases
- Yes, in the majority of cases
- Yes, in the minority of cases

**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

**Process for engagements conducted via collaborations****LEA 05****Mandatory****Core Assessed****PRI 2**

**LEA 05.1**

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

- Yes
- No

**LEA 06**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA 06.1**

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

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

**LEA 06.2**

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

- Yes
  - Yes, in all cases
  - Yes, in the majority of cases
  - Yes, in the minority of cases

**LEA 06.3**

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

This depends upon the issue. We are currently involved in collaborative engagement around protection of 'one-share, one-vote' in France and remuneration in the UK. Both of these engagements will reach a conclusion with voting at company meetings later in the year. An assessment of the impact of our engagement will be a key factor in determining our votes on these issues.

- No

### General processes for all three groups of engagers

**LEA 09**

**Voluntary**

**Additional Assessed**

**PRI 1,2**

**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
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of engagements your organisation participates in.
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Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input 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
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> 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 track engagement numbers from our global ESG engagement and those associated with UK voting; local investment teams also track their regular engagements with companies.

## Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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LEA 11.1	Indicate the number of companies with which your organisation engaged during the reporting year.
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	<b>Number of companies engaged</b> (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	3000
Collaborative engagements	60

**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
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

**LEA 11.3** Indicate what percentage of your collaborative engagements you were a leading organisation on during the reporting year. [Optional]

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

**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
Collaborative engagements	<input type="checkbox"/> Environmental <input type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

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

Individual / Internal staff engagements

% Environmental only

10

% Social only

5

% Corporate Governance only

25

% Overlapping ESG issues

60

**100%**

Collaborative engagements

% Corporate Governance only

100

**100%**

<b>LEA 13</b>	Voluntary	Descriptive	<b>PRI 2</b>
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**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	8
Collaborative engagements	

No

**LEA 13.3** Additional information.

The number given reflects UK companies where the company gave us sufficient assurance of change that we were able to amend our intended vote against or abstention. The issues typically related to commitments to appoint more independent directors where the board did not have sufficient independent representation or to publish details of performance criteria related to incentive awards. We do not have systematically gathered information on changes achieved following our 'mainstream' engagement.

**LEA 14** Voluntary Descriptive PRI 2

**LEA 14.1** Provide examples of the engagements that your organisation carried out during the reporting year.

Add Example 1

Topic or ESG issue	Engage with companies scoring lowest on external ESG screens
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To raise with companies held in our portfolios our concerns about their low ESG scores, to see how far these reflected our own investment view and how far the companies were addressing the issues concerned.
Scope and Process	We reviewed the issues of concern with our internal investment teams. We wrote to 24 companies and had follow-up exchanges with a smaller number.
Outcomes	<p>Our internal review revealed a high level of awareness amongst investment staff of the issues raised regarding investee companies. In a small number of cases, they felt that the external research did not capture recent developments or had misunderstood the nature of an issue - these companies were typically withdrawn from the process.</p> <p>Identifying the appropriate contact in the companies concerned was often challenging - many of the companies identified were in emerging markets.</p> <p>The response rate of companies was disappointing. The exercise has highlighted to us the resource intensity and persistence required for systematic engagement outside the cycle of regular investment meetings. This has transformed our approach to planning future engagement.</p>

Add Example 2



Topic or ESG issue	Lack of response to CDP questionnaire, even from energy-intensive companies in major indices
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To encourage an improved response rate to the CDP questionnaire, which we value in general and use as part of the investment process of our climate change fund. To demonstrate to companies that investors are interested in the CDP and look to companies to hold themselves accountable by these means.
Scope and Process	We wrote to 50 investee companies in energy intensive sectors that had failed to respond to the CDP questionnaire for a number of years. We had follow-up exchanges with a small number.
Outcomes	The response rate was also disappointing, though it was clear that some companies at least had individuals who understood the issue of monitoring and reporting on emissions and were able to engage on reasons for / against participation in the questionnaire.  A small number of companies - two or three - told us they would respond to the CDP in the coming year, where there had not previously done so.

Add Example 3

Topic or ESG issue	Cross-directorships at an Indian company
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To communicate to an Indian company our concern over external directorships held in common on their board.
Scope and Process	In the course of a governance review, our investment team became concerned about external directorships held in common by a number of board members. They highlighted their concerns to management in the course of an engagement.
Outcomes	The company concerned undertook board reconstitution over the course of subsequent months.

Add Example 4

Topic or ESG issue	Indian infrastructure finance firm seeking a banking licence for conversion into a commercial bank.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To communicate to the company our concerns that the proposed move into banking went beyond their core competency of infrastructure investment, carried execution risk and would be value dilutive to shareholders.
Scope and Process	We held conference calls and meetings with management to communicate our concerns.
Outcomes	The company decided to proceed with their plans, which they felt gave them a more robust and diversified business model. They did agree to greater transparency about their banking strategy to improve investor understanding.

Add Example 5

Topic or ESG issue	Loss of one-share one-vote following passage of 'Loi Florange' in France
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	To persuade companies to take advantage of one-off chance to maintain one-share one-vote though passing a shareholder resolution to protect the principle in their own company articles.
Scope and Process	We co-signed a letter from investors to all companies with one-share one-vote, highlighting the importance to investors of this principle, saying we would look carefully at their actions. We subsequently wrote individually to all the companies in this position to warn that we would vote against directors at companies which did not propose a resolution to maintain one-share one-vote. This correspondence has prompted a number of calls and meetings with companies.
Outcomes	We believe that some companies will take the action required to maintain one-share one-vote. This will be a key issue in the coming French proxy season.

Add Example 6

Add Example 7

Add Example 8

Add Example 9

Add Example 10

## 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 15.5

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 15.6

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.

In 2014, we voted in 71 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 voting these for the company concerned.

Our policy is applied at three levels: the UK and France, which have market-specific criteria; other developed markets, where we apply a global 'good practice' standard; and emerging and frontier markets, for which guidelines are applied more flexibly.

We use the voting research and 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 prior to voting. Fund managers' instructions are also applied where active holdings overlap stocks held through passive strategies.

Other passive holdings are voted automatically by ISS in line with our voting guidelines.

We do not generally file shareholder resolutions.

## Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
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### 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]
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As above in LEA 16.1, we have a different process for active and passively managed funds.

LEA 19	Voluntary	Descriptive	PRI 2
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<b>LEA 19.1</b>	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 received by the company:
  - for a majority of votes
  - for a minority of votes
- Participate in projects to improve the voting trail and/or to obtain vote confirmation
- None of the above

<b>LEA 19.2</b>	Provide additional information on your organisation’s vote confirmation efforts.
-----------------	--

Our voting platform provides confirmation when valid votes have been received. This does not necessarily mean they have been accepted and is not available for all markets.

<b>LEA 20</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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<b>LEA 20.1</b>	Indicate if your organisation has a securities lending programme.
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- Yes

<b>LEA 20.2</b>	Indicate how voting is addressed in securities lending programme.
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**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

<b>LEA 20.3</b>	Additional information. [Optional]
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HSBC Global Asset Management does not receive any revenues from securities lending on client funds, although other intermediaries may do so.

<b>LEA 21</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 21.1</b>	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

<b>LEA 21.2</b>	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 32 companies in 2014, new information or a change of approach from the company allowed us to change our vote. In other markets, we do not have a systematic process for informing companies of our intended votes, and would normally only do so if we had a question to raise prior to deciding how to vote. We will also explain recent relevant contrary votes if we are engaging as part of our ESG engagement programme.

## Outputs and outcomes

<b>LEA 22</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<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.
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- We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

95

	Specify the basis on which this percentage is calculated
--	--

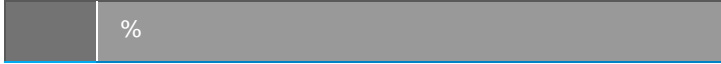
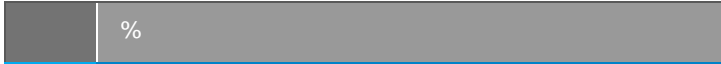

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted
- We do not track or collect this information

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

Yes, we track this information

**LEA 23.2** Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	 89.5
Against (opposing) management recommendations	 9.5
Abstentions	 1

100%

**LEA 23.3** For the reporting year, describe your approach towards voting on shareholder resolutions.

Our approach to governance-based shareholder proposals reflects the principles of our voting policy - in other words if we vote against management for failing to adopt good practice on an issue, we would normally vote for a shareholder resolution requiring them to do so. For other ESG shareholder resolutions, we typically support greater disclosure and requirements for a company to have a policy on a relevant ESG issue, but do not support resolutions that seek to impose such a policy or other duties.

No, we do not track this information

**LEA 24** Voluntary Descriptive PRI 2

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

Yes  
 No

**LEA 25** Voluntary Descriptive PRI 2

**LEA 25.1** Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

Add Example 1

Topic or ESG issue	Engagement around UK voting
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To inform in advance every UK company at which we intended to vote against or abstain on a resolution of our intention to do so, giving them the opportunity to respond.
Scope and Process	We wrote in advance to 140 companies out of the 640 meetings at which we were voting. 100 companies responded, in some cases prompting a further exchange of views.
Outcomes	In 32 cases, new information or a change of approach allowed us to change our vote.

Add Example 2



Topic or ESG issue	Governance issues at Romanian investment company
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To ensure that a Romanian investment company in which we had a significant stake paid an appropriate dividend and made progress with governance improvements, whilst not falling foul of somewhat opaque concert party rules.
Scope and Process	At the annual general meeting, governance disputes resulted in neither alternative dividend resolution being approved by shareholders. We ensured that we were able to cast our full votes at the subsequent meeting - in a cumbersome Power of Attorney market which we would not normally vote. We also wanted to support emerging improvements in governance without direct contact with the parties concerned, which could have risked concert party findings - as impacted some other foreign investors - resulting in a loss in voting rights.
Outcomes	A resolution to approve a satisfactory dividend was approved at the subsequent meeting - with our votes representing more than the balance of victory. At least one reformist director has been accepted onto the board.

- Add Example 3
- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

## 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.

Indicate how much of your voting record you disclose

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

Indicate what level of explanation you provide

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

**LEA 26.4**

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

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Between quarterly and annually
- Less frequently than annually
- Other, specify

**LEA 26.5**

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

Indicate how much of your voting record you disclose

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

Indicate what level of explanation you provide

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

**LEA 26.6**

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

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Between quarterly and annually
- Less frequently than annually
- Other, specify

**LEA 26.7**

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

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

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

# HSBC Global Asset Management

## Reported Information

### Public version

#### Direct - Fixed Income

## PRI disclaimer

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

## Overview

FI 01

Mandatory to Report Voluntary to Disclose

Gateway/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.

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

Market	Fixed Income - Corporate
Primary market (new issues)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<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 Corporate Fixed income investments is very similar to the one applying to Equities. ESG criteria are indeed taken into account by Credit Analysts in a very similar way to that of Equities analysts. The objective is to review ESG risks as part of the due diligence phase for those rated companies. For unrated entities, not covered by MSCI, GMI and/or Ethix, analysts are required to prepare an ESG checklist and subsequently score those names themselves. This is integral to the Fixed Income investment process, and was reviewed as recently as the Credit Seminar held in London early February this year. Another difference between Equity and Fixed Income stems from the fact that credit analysis includes many unlisted issuers for which ESG information gathering is more challenging. Supranationals, agencies, state-owned firms, etc. must all be covered.

**Fixed Income - Corporate**

**Implementation processes**

FI 04	Mandatory	Gateway/Core Assessed	PRI 1
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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 style="background-color: #0072bc; height: 20px; width: 100%;"></div> <p>100</p>
---	--

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

	Total actively managed fixed income - corporate
--	---

100%

<b>FI 04.2</b>	Describe your primary reasons for choosing a particular incorporation strategy.
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As with equities, our fiduciary duty justifies overall ESG integration, whilst the legal framework predominantly urges us to screen out issuers involved in Cluster Munitions and/or Anti Personnel Mines.

<b>FI 04.3</b>	If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]
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As explained above we apply, ex ante, a global exclusion to those companies with a proven involvement in the production and/or marketing of controversial weapons - cluster bombs, anti personnel mines - and their key components. This is naturally combined with the global ESG integration strategy described in depth in question 10.1 of the Listed Equities section.

<b>FI 05</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 05.1</b>	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.
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**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.
---

MSCI Research, GMI, Ethix SRI Advisors, oekom

- Sector-related analysis or ratings

Describe who provides this information.
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MSCI Research, GMI, Ethix SRI Advisors, oekom

- Country-related analysis or ratings

Describe who provides this information.
---

oekom

- Screened bond list
- ESG 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 MSCI Research and use raw data mostly sourced from Bloomberg. We track controversies and breaches of international conventions of which those of UN GC ten principles through Ethix SRI Advisors. Altogether, this helps us building a risk hierarchy where High Risk and Medium Risk companies are singled out because they have to go through an additional due diligence prior to being bought, held or eventually sold.

**(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 controversial weapons like cluster munitions and antipersonnel mines and are cautiously checking UNGC compliance: proven non-compliance might trigger exclusion following due diligence.

**Description**

The above is scheduled to be up and running during Q2 2015. Controversial weapons related exclusions have, however, been applied since 2010.

**FI 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.

1 - Land Mines and Cluster Munitions: In any case, respective to international conventions and treaties, no HSBC Global Asset Management (AMG) entity shall invest in securities of third parties involved directly in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel mines, across its entire actively managed investment range. Twice a year we publish a strict exclusions list which applies to all strategies - with the exception of passive strategies - and this in all geographies. The exclusion process is monitored by our Global Risk and Compliance departments. 2 - AMG focuses its Sustainability Risk investment policy on sensitive issues which may have a high adverse impact on people or on the environment and/or are violating international standards like those underlying the ten principles of the UN Global Compact. In line with the HSBC adherence to UN Global 10 Principles, AMG has to develop means to comply with these principles in all its activities. AMG listens to customer expectations, selects the most relevant extra financial rating agencies, works with internal Credit and Equities Analysts when developing its policies. This has been achieved by the appointment of a new set of Extra-financial Rating agencies and the development of a new ESG rating system for listed and non-listed corporate issuers. The new providers are: - Ethix SRI Advisors (Norms Based Screening allowing us to comply with UN GC ten principles and to identify issuers involved in Land Mines and Cluster Munitions), - GMI (specialist of Corporate Governance), - MSCI (Intangible Value ESG Assessment) and - oekom (ESG assessment of states and unlisted companies) We identify unacceptable companies as companies that violate one or more of the ten principles of the UN Global Compact. This list is revised monthly. 3 - We also identify companies with an allegedly high - or medium - level of ESG risk according to our in house ESG rating methodology (as described in LEI 10.1). We do not strictly screen out companies in the bottom 20th percentile of our universe in terms of ESG rating but we require Investment Teams to undertake enhanced "due diligence" prior to obtaining local CIO approval to buy or veto. The list of High and Medium Risk companies is revised monthly. In all cases above, we rely on external Extra-financial rating agencies, namely Ethix SRI Advisors for UN CG ten principles, GMI, MSCI Research for global ESG assessment and oekom for Govies. In any case, outside of companies that are excluded for legal reasons, (i.e. Land Mines and Cluster Munitions), all investment decisions require an investment rationale and prior approval by the local CIO. Otherwise, issuers must be excluded.

**FI 07****Mandatory****Core Assessed****PRI 1****FI 07.1**

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

- 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

FI 07.2	Additional information. [Optional]
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As mentioned in Question 10.1 of the Listed Equity section, investment teams have been involved at all steps of the set up of our ESG integration process from the selection of the ESG research providers to the definition of the ESG issues as highlighted by the ESG roadmap. And ultimately, once ESG ratings have been produced, they are not taken for granted and are systematically challenged by the Credit Analysts who then leverage their in depth knowledge, insight, of the various issuers to help us form a solidly grounded view.

FI 08	Voluntary	Additional Assessed	PRI 1
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FI 08.1	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.
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Land Mines and Cluster munitions: 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. Companies that violate one or more of the ten principles of the UN Global Compact or are ranked in the last 20th percentile of our internal proprietary ESG rating. Investment in those companies are subject to an ESG review submitted to the Local CIO who will then decide if the company will be included in portfolios or not.

This ESG dimension is currently being added to our portfolio monitoring tool called HSBC Analytics.

### (C) Implementation: Integration of ESG factors

FI 10	Voluntary	Descriptive	PRI 1
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FI 10.1	Describe how you integrate ESG issues into investment decision-making processes.
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ESG criteria are a component of each and every credit research related investment decision. ESG is regarded and weighted along with other aspects of the investment decision, whether quantitative or qualitative. ESG criteria overlap with the qualitative analysis of our credit analysts. ESG analysis often acts as an early warning signal of credit deterioration, indicating such developments as fraud, product liability and environmental degradation. Such poor ESG results can trigger an additional risk which has to be priced in. For instance, such an issuer might require a higher expected return to justify incremental risk.

FI 11	Mandatory	Core Assessed	PRI 1
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**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**

**FI 12.1**

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

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Company information and/or ratings on ESG are updated regularly
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

**FI 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

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. These providers were tested in depth by Investment Teams prior to contract. Simultaneously all the internal ESG reviews/checklists we have produced - more than 1,500 to date - are shared through a tool called Sharepoint. During Q2-2015 c5,000 Executive Summaries will be available to all investment staff.

## 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.
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In the first step of the credit research process, termed "minesweeping", the analysts exclude any company for which they think negative ESG practices could cause the bonds price to deteriorate 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. As already explained, we then allocate each issuer an ESG score, the worst having to undergo enhanced "due diligence" in order to obtain local CIOs approval. If the due diligence is not fully convincing, they may be excluded.

FI 16	Voluntary	Descriptive	PRI 1
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FI 16.1	Indicate whether your organisation measures how your approach to ESG issues in Fixed Income investments has affected financial and/or ESG performance.
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- We measure whether our approach to ESG issues impacts funds' financial performance
- We measure whether our approach to ESG issues impacts funds' risk or volatility
- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

FI 16.2	Describe how you are able to determine these outcomes.
---------	--

We plan to measure all these aspects through HSBC Analytics which, for the time being is just starting to include the ESG dimensions allowing the kind of monitoring described above. This system is scheduled to be up and running in H2 this year.

FI 17	Voluntary	Descriptive	PRI 1
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FI 17.1	Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.
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ESG issue 1

Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate
ESG issue and explanation
<p>Governance issues for Luxottica On October 13, 2014, Luxottica shares fell 9.2% after the publication of a press release announcing that six weeks after the resignation, for "strategic reasons", of former CEO Andrea Guerra who had spent 10 years as head of the company, new CEO Enrico Cavatorta, (former CFO, with 15 years' tenure at the company) also resigned following disagreements on the governance structure.</p> <p>Roger Abravanel, an independent director, also stepped down from the board for the same reasons.</p> <p>Massimo Vian, former COO, was appointed co-CEO of operations and products whereas Luxottica's founder Leonardo Del Vecchio took over the role of interim CEO while looking for a co-CEO of markets.</p> <p>According to press reports, Cavatorta left the company after a debate over the appointment to the board of a person close to Luxottica's founding family. However, Del Vecchio, the 79-year-old billionaire, who still owns a 61.36% stake in the company through the family holding company Delfin, denied that he was considering his children for management roles at the company.</p>
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
<p>Two successive resignations of CEOs and that of an independent director tend to reveal deep disagreement between the company's founder and its top management, seemingly on governance issues. This is not good for business and the situation could take a long time to normalize as the company may struggle to attract strong candidates with an international background for the role. We recommend a more cautious stance on the name and change our recommendation from overweight to market weight.</p> <p>Market reaction/financial impact</p> <p>On the Luxottica 2.625% 02/2024 (in euros), z-spread widened by 14 bps from 50 to 64 bps on the news translating into a loss of 0.76%.</p> <p>On the Luxottica 3.625% 03/2019 (in euros), z-spread widened by 12 bps from 33 to 45 bps on the news translating into a loss of 0.38%.</p>

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

## Communication

FI 18

Mandatory

Core Assessed

PRI 2,6

**FI 18.1**

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.

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

**FI 18.5**

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

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

**FI 18.6**

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

**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.

- No