

HSBC Investments

HSBC Group Investment Businesses Our Approach to Responsible Investment

1.0 Introduction

HSBC Group Investment Businesses comprises three separate investment management entities: HSBC Investments, Halbis and Sinopia. Together these businesses provide a broad range of investment solutions for clients of the HSBC Group¹.

As an investment manager, our fiduciary duty is to add economic value to our clients' portfolios over the long-term. At HSBC, we believe that environmental, social and corporate governance factors can impact this long-term corporate performance and investment returns. We, therefore, take an interest in how companies manage these issues, and, on behalf of our clients, encourage companies to adhere to the highest standards of business conduct.

To underpin this core belief we are a signatory of the United Nations Principles for Responsible Investment. These provide a voluntary framework to help institutional investors incorporate environmental, social and corporate governance issues into investment analysis, decision-making and ownership practices. We are progressively implementing these Principles across our investment businesses. HSBC is also an active member of the United Nations Environment Programme Finance Initiative and co-chairs its Asset Management Working Group. This group explores the linkages between environmental, social, and corporate governance issues and investment decision-making.

2.0 Standards

As a global investor, we recognise that legislation and best practice standards vary regionally and we must remain sensitive to this. However, as a minimum we expect the companies in which we invest to comply with the national legislation which applies to them. We also encourage companies to work towards best practice standards of corporate governance, environmental and social management where this will contribute to long-term business success. Whilst standards may vary regionally, there are a number of internationally recognised norms, conventions and standards that guide corporate conduct. Examples include the United Nations Global Compact, the Universal Declaration of Human Rights, the ILO Core Conventions and the OECD Guidelines for Multinational Enterprises.



¹ For more information about HSBC Group Investment Businesses see back page of this document.

HSBC Investments

3.0 Corporate Governance

Good corporate governance helps to align the interests of company management with those of its shareholders. Where possible, we seek to maintain constructive dialogue with company management. We encourage companies to implement corporate governance frameworks in line with applicable country codes and international standards such as the OECD Principles of Corporate Governance. In many jurisdictions we exercise our voting rights as a means to signal our views to company management. We have developed detailed guidelines to guide our voting decisions, but will, as appropriate, consider resolutions on a case-by-case basis taking into account all available information. We generally provide institutional clients with details of our corporate governance voting and engagement activity as part of our standard client reporting package.

4.0 Environmental & Social Impacts

We believe the way in which companies manage their relations with stakeholders can have an impact on business performance. These stakeholders encompass employees, local communities, wider society, governments, supply chains, customers and the natural environment. There is a wide range of environmental and social issues which could be relevant for a company depending on the industry in which it operates and its specific business profile. Examples of typical issues which a company might need to consider and manage are shown below.

Environmental	Social
Natural resource consumption	Labour rights & conditions
Climate change	Human rights
Waste generation & disposal	Local community relations
Land contamination	Impacts on wider society
Air & water pollution	Consumer protection

We encourage companies to implement appropriate policies and management processes, to effectively manage the environmental and social aspects of their business. We believe that environmental and social issues can become new sources of risk or opportunities for companies, and that companies' ability to respond to them can therefore act as an early signal of long-term competitiveness.

5.0 Monitoring

We continually monitor the environmental, social and corporate governance performance of the companies in which we invest. This information is collated centrally by our dedicated in-house analysts and disseminated to investment teams. Where research reveals poor performance and potentially significant risks, or by contrast, where it reveals good

HSBC Investments

performance and hidden sources of value creation, the portfolio managers will then have the ability to incorporate this in investment decisions as appropriate.

6.0 Engagement

Building on our sector-specific analysis of environmental, social and governance issues and on our understanding of industry best practices, we strive to engage with management to encourage improved performance with the aim to reduce risk and/or protect shareholder value. We aim to be supportive and constructive in our engagement efforts and believe that engagement is most effective when conducted in a private and confidential manner. Engagement will often take the form of direct dialogue between our analysts and/or portfolio managers and company management.

Where engagement with company management has failed to bring about change or alleviate our concerns, we may consider using our voting rights to express our position, or reduce or divest our holding and communicate this to the company.

7.0 Disclosure

To help investors understand how companies are managing key risks and opportunities related to environmental, social and corporate governance issues we encourage companies to disclose relevant information. This might include information about policies and processes, current and historical performance data, as well as targets and objectives for the future. To enable consistent and comparable disclosure, the use of common reporting frameworks and indicators is supported. We increasingly invite companies to focus on environmental and social issues that have a material impact on the company's financial performance and to highlight these issues to mainstream investors. We also participate in collaborative industry-wide initiatives, such as the Carbon Disclosure Project, to signal investors' interest in improved disclosure on important environmental, social and governance issues, such as greenhouse gases emissions.

HSBC Investments

October 2007

This policy will be reviewed periodically and revised as necessary.

Further Information

Cecile Churet

SRI Analyst & PRI Coordinator

cecile.churet@hsbcinvestments.com

Tel: + 44 (0) 20 7024 0655

Xavier Desmadryl

Global Head of SRI Research

xavier.desmadryl@hsbcinvestments.com

Tel: + 33 (0) 1 41 02 49 34

Paul de Marcellus

Global Product Specialist for SRI

paul.demarcellus@hsbcinvestments.com

Tel: + 33 (0) 1 41 02 46 30

HSBC Group Investment Businesses

HSBC Group Investment Businesses comprises three separate investment management entities; HSBC Investments, Halbis and Sinopia. Together these businesses provide a broad range of investment solutions for the HSBC Group. HSBC Investments is the global investment solutions business of the HSBC Group which aims to be an expert in the development and delivery of a broad range of solutions for all clients, drawing on internal investment capabilities when appropriate and external managers as required. External investment management is accessed through HSBC's global Multimanager unit which is a core part of HSBC Investments. Halbis is an active investment manager focused on delivering sustainable value-added performance in selected areas of the global market such as European equities, value-added fixed income, Asian and Emerging Markets equities, and some alternative strategies. Sinopia is HSBC's specialist quantitative investment manager.