

# 2025 Stewardship Plan

Today, we and many of our customers contribute to greenhouse gas emissions. We have a strategy to reduce our own emissions and to develop solutions to help our clients invest sustainably. For more information visit <https://www.assetmanagement.hsbc.com/about-us/net-zero>.



**HSBC** Asset Management

## 5. Stewardship themes

In this section, we outline our engagement themes and key actions that we believe mitigate risk and/or enhance value and therefore encourage investee companies to work towards in order to address the relevant issues associated with these themes.

These actions provide guidance on good practices. We recognise that issuers are at different stages of progress. In practice, we adapt our approach to reflect each organisation's specific circumstances, maturity and risk exposure. Our aim is to set engagement objectives that are clear, actionable and tailored to the capabilities and context of the issuers we engage with. This includes a strong focus on regional context, particularly for emerging markets and developing economies (EMDE), to ensure we strike the right balance between meaningful change and the specific nuances of each region.

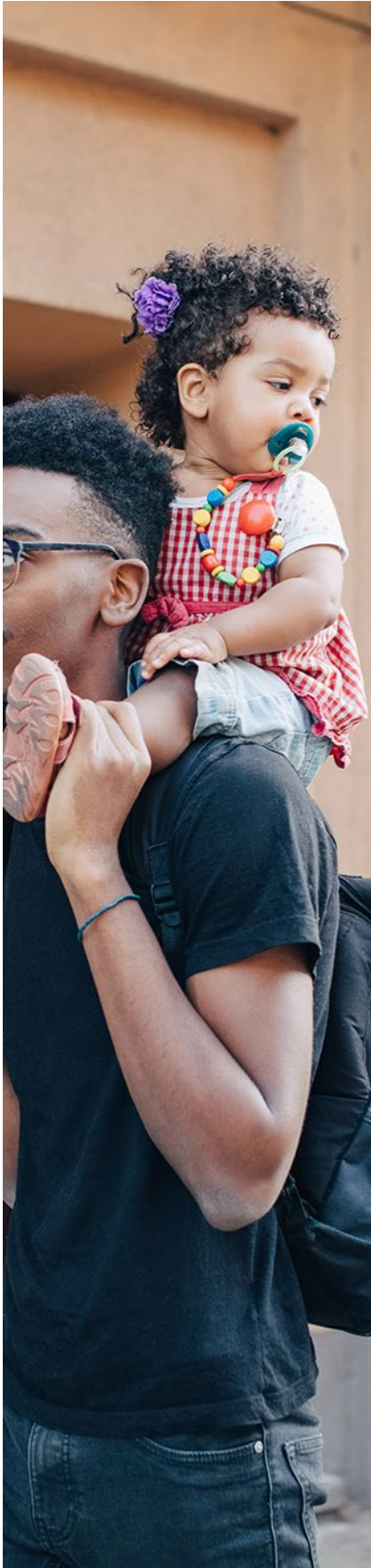
The key actions we outline are not exhaustive, and we acknowledge that many of our themes are interconnected, with each potentially influencing and being influenced by the others.

### Overview of themes

Theme	Key engagement topics		
Corporate Governance	}	Board effectiveness Accountability	Market standards Disclosures
Climate Change	}	Strategy Risk and reporting Adaptation	Just Transition Governance
Bioeconomy and Natural Capital	}	Strategy Risk and reporting	Governance Engagement
Human Rights	}	Policy Board oversight Due diligence	Grievance mechanisms and remediation Ongoing monitoring Disclosures
Talent and Opportunity	}	Working conditions Fair reward Inclusion and belonging	
Trusted Technology and Data	}	Technology and data risks Security and protection	Privacy and digital rights Technology and data solutions

## 5. Stewardship themes

### Talent and Opportunity



#### Why we engage

Significant investment opportunities can arise from societies becoming more economically inclusive, with a greater number of people having higher incomes and wealth to spend and invest. In our own portfolios, we have observed through our engagement that companies providing good working conditions and fair rewards report to have employees who are more engaged and productive, thereby driving our investee companies forward through loyalty, innovation, and excellent customer service. Academic research has found a link between employee satisfaction and firm value for countries with flexible labour markets, with companies listed among the “Best Companies to Work For” outperforming their peers in stock market performance.<sup>22</sup> Research has also found that the positive relationship between employee satisfaction and outperformance is particularly strong during market downturns, which can be beneficial for investors, employees, and wider society.<sup>23</sup>

While the specific outcomes of diversity can vary based on a range of factors – such as company culture and governance – diversity of experiences, skills, viewpoints and backgrounds is increasingly recognised by investors and other stakeholders as a way to bring broader perspectives to decision-making, and enhance the ability to navigate complex challenges. Gender diversity has been positively linked with firm performance,<sup>24</sup> although the broader social context remains important in determining the strength of this relationship.<sup>25</sup>

#### Issues relating to this theme include:

Access & Affordability	Employee Engagement
Labour Relations	Inclusion & Belonging
Health & Safety	Social Inclusion Opportunities

22. Edmans, A., Pu, D., Zhang, C., & Li, L. (2023). Employee satisfaction, labor market flexibility, and stock returns around the world. *Management Science*. Forthcoming. <https://doi.org/10.2139/ssrn.2461234>.

23. Boustanifar, H., & Kang, Y. D. (2021). Employee satisfaction and long-run stock returns, 1984-2020. *Financial Analysts Journal*, 78(3), 129-151. <http://dx.doi.org/10.2139/ssrn.3933687>.

24. Brahma, S., Nwafor, C., & Boateng, A. (2021). Board gender diversity and firm performance: The UK evidence. *International Journal of Finance and Economics*, 26(4), 5704-5719. <https://doi.org/10.1002/ijfe.2089>.

25. Zhang, L. (2020). An institutional approach to gender diversity and firm performance. *Organization Science*, 31(2). <https://doi.org/10.1287/orsc.2019.1297>.

## 5. Stewardship themes

### Talent and Opportunity

#### Engagement approach

We highlight good practices below and encourage priority companies, where talent and opportunity are relevant issues, to work towards these.

Working conditions	<ul style="list-style-type: none"><li>◆ Ensure robust steps are taken to protect the health and safety of workers.</li><li>◆ Develop thoughtful employee training programs and opportunities for career progression.</li><li>◆ Provide a formal platform for workers to give feedback to management and strong, safe mechanisms for staff to raise ethical concerns.</li><li>◆ Disclose, via public reporting, high-quality information and narratives on working conditions, career development, and worker voice, allowing investors to understand how companies develop and manage talent.</li></ul>
Fair reward	<ul style="list-style-type: none"><li>◆ Provide living wages to staff,<sup>26</sup> visibility and flexibility in working hours, and other meaningful benefits such as broad-based share ownership schemes.</li><li>◆ Disclose and reduce pay gaps in accordance with applicable legal and regulatory requirements.</li><li>◆ Ensure executive team pay is reasonable within the company and societal context</li></ul>
Inclusion and belonging	<ul style="list-style-type: none"><li>◆ Improve diversity, including of backgrounds, skills, experiences, and viewpoints, at all levels, including the board, senior management, and the wider workforce, through appropriate hiring, training and promotion processes.</li><li>◆ Collect, publish, and monitor granular diversity data, disaggregated by seniority and regions/countries of operation.<sup>27</sup></li><li>◆ Set time-bound targets for improvement on diversity metrics where permitted under applicable law.</li><li>◆ Take steps to ensure that everyone feels included and respected. These steps should cover different stages of employment, including hiring, training, promotion, and daily work arrangements.</li><li>◆ Periodically measure and report on the progress of inclusion initiatives.</li></ul>

26. Defined by the Global Living Wage Coalition as: 'The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.' Please refer to the following link for further information: <https://www.globallivingwage.org/about/what-is-a-living-wage/>.

27. We are aware of certain market-specific circumstances that make data collection challenging, and we tailor our engagements to reflect this.

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