

Stewardship (Engagement and Voting) Policy

March 2025



Overview

Our Stewardship Policy covers listed assets (equities and fixed income) held by funds manufactured in the following HSBC AM locations: US, UK, France, Germany, Hong Kong, and Singapore unless otherwise stated. This includes listed alternative asset classes but excludes other alternative asset classes and strategies managed by HSBC AM, as well as excluding funds held in our multi-asset strategies managed by third parties. We aim to incorporate other entities within our Stewardship Plan in the future.

We recognise our responsibility for the stewardship oversight of companies and other issuers whose securities we hold on behalf of our clients. We seek to exercise responsible stewardship to protect and enhance value for clients. Stewardship is one of the core components of our approach to responsible investment.

We were early signatories to the Principles for Responsible Investment in 2006 and to the UK Stewardship Code in 2010. In 2020, the Financial Reporting Council introduced a new assessment process for signatories to the UK Stewardship Code, and we have continued to be accepted as a signatory since this change was introduced.¹ We are also signatories to stewardship codes in Hong Kong, Taiwan, Singapore and Japan.² We keep our participation in other stewardship codes under review.

Monitoring issuers

- ◆ HSBC AM recognises the impact that relevant sustainability matters can have on companies' investment returns and risk profile.
- ◆ We manage our clients' assets according to a range of different investment strategies. We aim to consider sustainability matters in our investment processes to the extent that they are relevant to the strategy and asset class concerned, and have the potential for financial impact on investee and portfolio performance and value creation.
- ◆ Active fundamental equity and fixed income portfolio managers and analysts undertake analysis of issuers, including relevant considerations such as financial, operational, sectoral and sustainability matters.
- ◆ We carefully monitor companies and other issuers held in fundamental active portfolios both before and during the period of our investment. Our monitoring covers strategy, financial and non-financial performance and risk, capital structure, social and environmental impact, and corporate governance, as appropriate based on jurisdiction.
- ◆ We consider information from in-house sustainability research, third-party sustainability research and data, insights from our virtual sector teams, as well as information gathered from issuer engagement. Due diligence may be triggered by issuers in breach of our policies or risk thresholds, or if they do not meet the minimum requirements of a HSBC AM fund or product.
- ◆ We also use sustainability metrics to monitor and manage the financial risks of active fundamental and active quantitative portfolios, with varying levels of oversight depending on the nature of the portfolio.

¹ At the time of publishing this policy, HSBC Global Asset Management (UK) Ltd is recognised as a signatory to the UK Stewardship Code for 2024.

² HSBC Global Asset Management (Hong Kong) Ltd is a signatory to the Security and Futures Commission of Hong Kong's Principles of Responsible Ownership, HSBC Global Asset Management (Taiwan) Ltd is a signatory to Taiwan's Stewardship Principles for Institutional Investors, HSBC Global Asset Management (Singapore) Ltd is a signatory to the Singapore Stewardship Principles for Responsible Investors, and HSBC Asset Management (Japan) Ltd is a signatory to Japan's Stewardship Code.

Engagement

- ◆ Engagement with issuers helps us to evaluate relevant sustainability risks and opportunities and encourage better practices to enhance and protect shareholder value.
- ◆ Our publicly available Stewardship Plan provides an overview of our engagement approach and is updated annually. Our current Stewardship Plan is available at: [Stewardship - Individual Investor \(hsbc.co.uk\)](https://www.hsbc.co.uk/stewardship-individual-investor).
- ◆ Engagements are typically carried out by stewardship specialists and by investment teams. Engagements may be conducted in a variety of manners, including through in-person meetings, calls, letters or digital communications, site visits, with other stakeholders as appropriate, or through industry bodies.
- ◆ We maintain a Priority List of issuers for engagement. This helps us to assess and prioritise issuers for engagement; monitor current engagement capacity and available resources; and support the co-ordination and collaboration of engagement activities across different teams. The existence of a Priority List process does not preclude engagement activity taking place with issuers not on the list.
- ◆ Engagement activities with issuers, including those on the Priority List, are recorded using internal engagement recording tools, which enable the tracking of engagement progress, including on sustainability topics.
- ◆ If a company shows insufficient progress in response to our requests for change and we believe the lack of progress may increase risk or harm value, we may initiate our stewardship escalation process.
- ◆ Investment teams may also engage with companies as part of their ongoing monitoring and analysis processes; these engagements are focused on financial and operational performance.

Industry engagement and system stewardship

- ◆ We may participate in systemic, or system, stewardship activities to address risks and opportunities affecting the wider market or financial system, when relevant to our client portfolios and consistent with applicable legal requirements.
- ◆ Examples of system stewardship activities include industry engagement initiatives with other asset managers and owners, public policy engagements, as well as engagements with index providers, service providers, and other stakeholders as appropriate.
- ◆ HSBC Asset Management acts independently in its investment and voting decisions. We do not coordinate investment or voting decisions with any members of any industry engagement body.

Fund-driven stewardship

- ◆ Fund-driven stewardship can support sustainability objectives where appropriate for selected client portfolios in our sustainable investment product range. Engagements related to fund-driven stewardship are added to our Priority List.
- ◆ Certain sustainability-labelled funds, such as those falling under the SRI Label from the French Government (“Label ISR de l’État Français”) and the UK’s Sustainability Disclosure Requirements (SDR) framework, may be required to comply with local regulations regarding engagement and escalation strategies.

Voting

- ◆ Exercising voting rights at company meetings is a core part of our stewardship activities. It is in our clients' investment interests to ensure high standards of behaviour in the markets issuers operate in.
- ◆ We aim to vote on all equities for which clients have given us voting authority, except where this is not practical for reasons such as share blocking or overly burdensome power of attorney requirements.³
- ◆ We publish our Global Voting Guidelines online to communicate our voting expectations clearly and fairly to issuers and to our clients. These are updated annually and apply across US, UK, France, Germany, Hong Kong, and Singapore unless otherwise stated.⁴ Our Global Voting Guidelines are available at: [Responsible investing - policies](#).
- ◆ In most instances, proxy service providers may be used to provide voting research and support voting operations and disclosure. This may include the automation of relevant votes in line with our voting guidelines, and provision of custom voting recommendations based on our voting guidelines and detailed instructions. In doing so, proxy service providers act in an agency capacity, and we retain full control over final voting decisions to ensure that we are acting in the best interests of our clients.
- ◆ We monitor the quality of service from our proxy service providers, including an annual review to evaluate performance and identify areas for improvement.
- ◆ In some cases, we may vote differently from our voting guidelines or custom voting recommendations. Such decisions are subject to additional governance and oversight.

Investment implications and escalation options

- ◆ Engagement activities may inform investment decision-making, including the inclusion or exclusion of issuers within specific funds or their respective fund universes, or the introduction of investment restrictions on a security (e.g., "do not add"). This may include investment decisions related to HSBC AM policies and commitments, as well as sustainability due diligence processes as appropriate.
- ◆ When engaging with and voting proxies with respect to the portfolio companies in which we invest our clients' assets, we do so on behalf of and in the best interests of the client accounts we manage and do not seek to change or influence control of any such portfolio companies.
- ◆ Potential stewardship escalation options include, but are not limited to, dialogue with senior management or board members, including written communications, and participation in industry initiatives. For companies where we hold publicly listed shares, escalation options also include voting against certain management proposals, including director (re)elections, and co-filing shareholder proposals.
- ◆ The escalation options chosen, and the order and timescales in which they are taken, will vary by issuer depending on the specific context. We also consider market and region-specific nuances such as cultural expectations, geopolitical challenges, and local regulations and practices.

³ Share blocking refers to a practice where the trading of shares is blocked after voting instructions are given ahead of a shareholder meeting.

⁴ In Germany, voting is done through an external body, Master-KVG.

- ◆ Decisions to escalate are guided by several factors, including the issuer's responsiveness to our requests and timeliness in enacting change; the relevance of the issue and its potential to negatively impact shareholder value; and the potential for our chosen escalation activity to effectively address the issue.

Stewardship governance

- ◆ Oversight of stewardship activities relating to this policy is embedded within our governance framework, including the ESG Investment Committee, the Sustainability Forum, and the Stewardship Committee.

Conflicts of interest

- ◆ Our engagement and voting is focused on advancing and protecting the interests of our clients as investors in companies and other issuers.
- ◆ We recognise that actual and potential conflicts of interest may arise in our engagement and voting. Oversight of conflicts of interest is embedded within our governance framework, and we have established policies, procedures and protocols to identify and manage such conflicts.
- ◆ The HSBC Asset Management Conflicts of Interest Policy is published online: [Conflict of interest - HSBC Asset Management UK](#).

Reporting

- ◆ Reporting on our engagement and voting is available to clients in line with their requirements.
- ◆ Our voting statistics are available publicly in our [Proxy Voting Dashboard](#).
- ◆ Further information about our stewardship activities is published annually in our UK Stewardship Code submission, available on the Financial Reporting Council's website.

Review of policy

- ◆ We conduct regular reviews of our policy, generally on an annual basis, though this may vary.

Important Information

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. The performance figures contained in this document relate to past performance, which should not be seen as an indication of future returns. Future returns will depend, inter alia, on market conditions, investment manager's skill, risk level and fees. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries and territories with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries and territories in which they trade.

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