

Stewardship Plan

February 2024



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> The information presented concerns the activity of HSBC Asset Management globally. We draw your attention on the fact that the numbers presented and the commitments listed are not necessarily a direct reflection of those of HSBC Asset Management in the various jurisdictions.



HSBC Asset Management

| Opening up a world of opportunity

Through our stewardship activities such as engagement and voting at company meetings, we aim to deliver long-term value to our clients and the issuers that we invest in. Stewardship is a powerful tool, which seeks to drive positive change, mitigate risk and enhance the value of companies we invest in. Engagement, whether through direct discussion with companies or collaborative engagement with other stakeholders, is integral to providing valuable insights for more informed investment decision making and driving change where it is needed.

Stewardship creates value for investors through:



Driving growth

Stewardship means acting in the best interests of asset owners. This means holding company boards accountable for the execution of strategies that are risk-based and which deliver long term value to stakeholders. It also complements our ability to spot emerging sustainability themes.



Managing risks

Stewardship activities can encourage companies to evaluate how they will navigate the constantly changing landscape of emerging risks.



Improving transparency and disclosure

Better disclosure means less uncertainty for investors, potentially leading to lower costs of capital and the ability to finance positive change. Additionally, through the disclosure process, companies can gain added insights into their businesses, leading to changes that enhance growth and risk management.



Delivering positive social and environmental outcomes

Stewardship can encourage issuers to act with a deeper understanding of their environmental and social impact. This is with an aim to mitigate negative impacts and maximise positive outcomes, including stakeholder value.

The purpose of the HSBC Asset Management (“HSBC AM”) 2024 Stewardship Plan (“the Plan”) is to communicate our general approach to stewardship across our thematic priorities.



In Section 2 of the Plan, we set out our six-part approach to how we exercise stewardship.

1 Identifying core engagement themes

4 Monitoring engagement progress

2 Prioritising companies

5 Voting at company meetings

3 Carrying out engagements

6 Escalation

In Section 3, we have provided a high-level overview of our approach to stewardship governance.

In Section 4, we provide further information on our core engagement themes.

The Plan complements our Engagement Policy and Global Voting Guidelines, which are published separately.

2.1 Identifying core engagement themes

Each year we outline our core engagement themes and a set of high-level expectations that we aim to encourage portfolio companies to aspire and work towards, particularly those with high-risk exposure. In developing our core themes, we take into account their relevance to our investment teams.

Historically, we have primarily approached stewardship across our platform. In 2024, we are also increasingly linking our stewardship themes to our Environmental, Social and Governance (ESG) and sustainable fund strategies more directly.

For 2024, our core themes are:



Climate Change



Biodiversity and Nature



Human Rights



Corporate Governance



Diversity, Equity and Inclusion



Inclusive Growth and Shared Prosperity



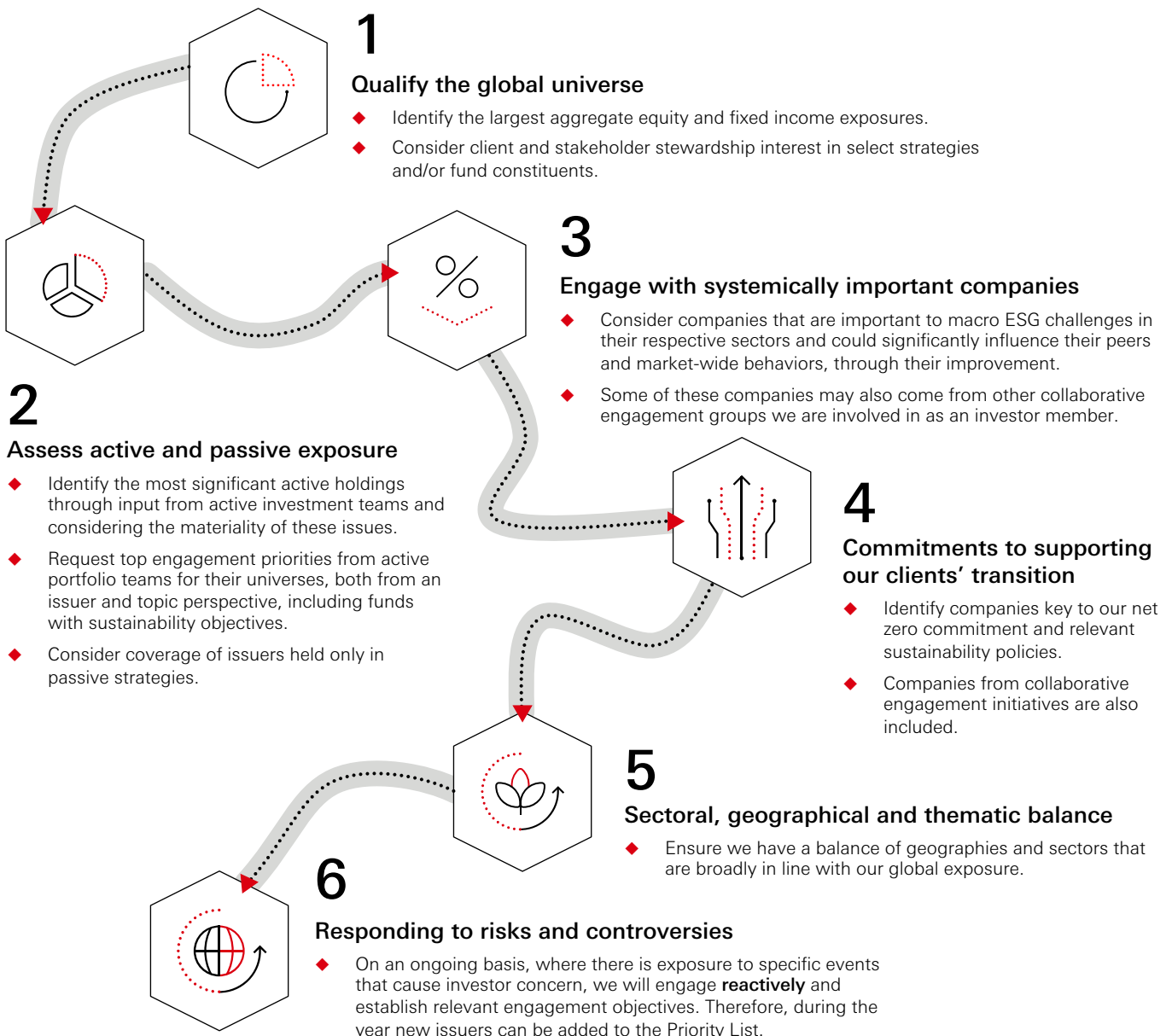
Trusted Technology and Data

An overview of these themes and examples of our expectations are set out in Section 4. These examples are not exhaustive, and we will generally tailor objectives to take into account a company's level of maturity, circumstances and risk exposure.

2.2 Prioritising companies

HSBC AM identifies companies for proactive engagement through the creation of a Priority List. This list constitutes a set of companies, where we aim to conduct detailed analysis and engagement led by a member of the stewardship team in collaboration with the covering investment analyst, where relevant.

The Priority List may change over the year, for example, to reflect changes in our exposures to certain companies or to be able to respond to controversies as they arise. **It covers a diverse range of sectors and geographies across active and passive equity and fixed income portfolios.** The creation of the Priority List is guided by a six-step process:



2.3 Carrying out engagements

Engagements are led by portfolio managers, analysts and the stewardship team.

Investment and stewardship teams work together to conduct research, develop engagement plans and objectives, and hold dialogue with issuers. Additionally, the stewardship team, based in London and Hong Kong, provide regional, sectoral and thematic expertise in conducting engagements and in assessing sustainability performance.

HSBC AM's approach to stewardship spans across active, passive and systematic equity strategies, as part of our commitment to deliver long-term value.

While our approach is consistent as defined within this plan, the lead engager may be a member of the stewardship team or an investment team, depending on the investment strategy.



Types of engagements

Proactive

engagements led by portfolio managers, analysts and the stewardship team

We proactively engage with companies in the Priority List reviewed on an annual basis, based on the process and methods set out in this Plan.

Reactive

engagement based on controversies identified

Should a controversy arise through the year, we may engage with the company on addressing the issue of concern, including plans for remediation and incident or controversy management depending on nature and severity of the issue. This engagement will be led by the covering investment analyst with input, where required, from a member of the stewardship team.

Based on the issues raised and the significance of the controversy identified, we will escalate our concerns and/or consider suitable follow-up action according to the escalation process.

Collaborative engagements

HSBC AM participates in a number of collaborative engagement initiatives to drive a positive change in behaviours of issuers and other stakeholders through engagement. Collaborative initiatives typically provide us with specialist research, resources, insights and knowledge that we can use as required. Collaboration also helps us to amplify our impact as a minority investor (particularly with companies that are otherwise challenging to engage with), ultimately to enhance value for our clients.

HSBC Asset Management acts independently in its investment and voting decisions. We do not coordinate investment or voting decisions with any members of any collaborative engagement body.

Topic	Examples of collaborative initiatives
Corporate Governance	Emerging Market Investors Alliance Asian Corporate Governance Association
Climate Change	Climate Action 100+
Biodiversity and Nature	FAIRR Initiative Nature Action 100
Human Rights	PRI Advance
Diversity, Equity and Inclusion	30% Club UK Investor Group Board Diversity Initiative, Hong Kong
Inclusive Growth and Shared Prosperity	Workforce Disclosure Initiative (WDI) Good Work Coalition (GWC)
Trusted Technology and Data	World Benchmarking Alliance Digital Inclusion Swedish Pension Funds Council on Ethics initiative on Big Tech

Policy

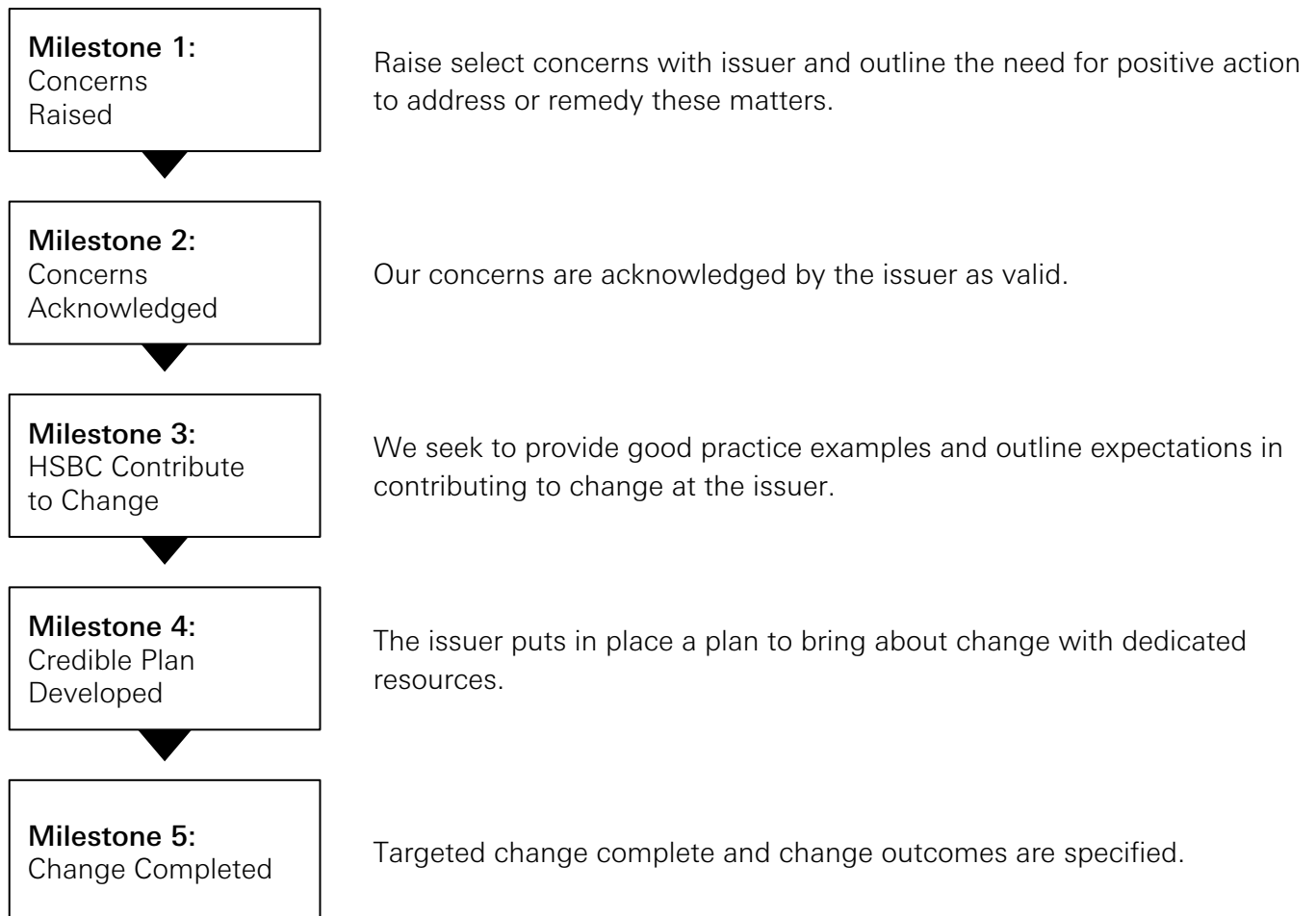
engagement

We aim to identify opportunities to engage in conversation with regulators, government or monetary authorities, or via our memberships in industry or green finance associations, in providing a perspective into the development of policy. Our engagement with regulators may also be in response to an industry consultation on ESG practices, including the launch of new ESG frameworks, disclosure or assurance standards.

2.4 Monitoring engagement progress

When we engage with companies and other stakeholders, we identify Specific, Measurable, Achievable, Relevant and Timebound (SMART) objectives to achieve the desired outcomes, tracking progress and milestones over time.

We track progress on objectives against five milestones:



If we do not observe sufficient progress or traction, our escalation process may be applied. When evaluating inadequate progress and possible failure to meet our objectives, we take into account market and region-specific nuances such as cultural expectations, geopolitical challenges, local regulations and practices. Escalation may be initiated by a member of the stewardship or investment team, in discussion with the responsible portfolio manager.

2.5 Voting at company meetings

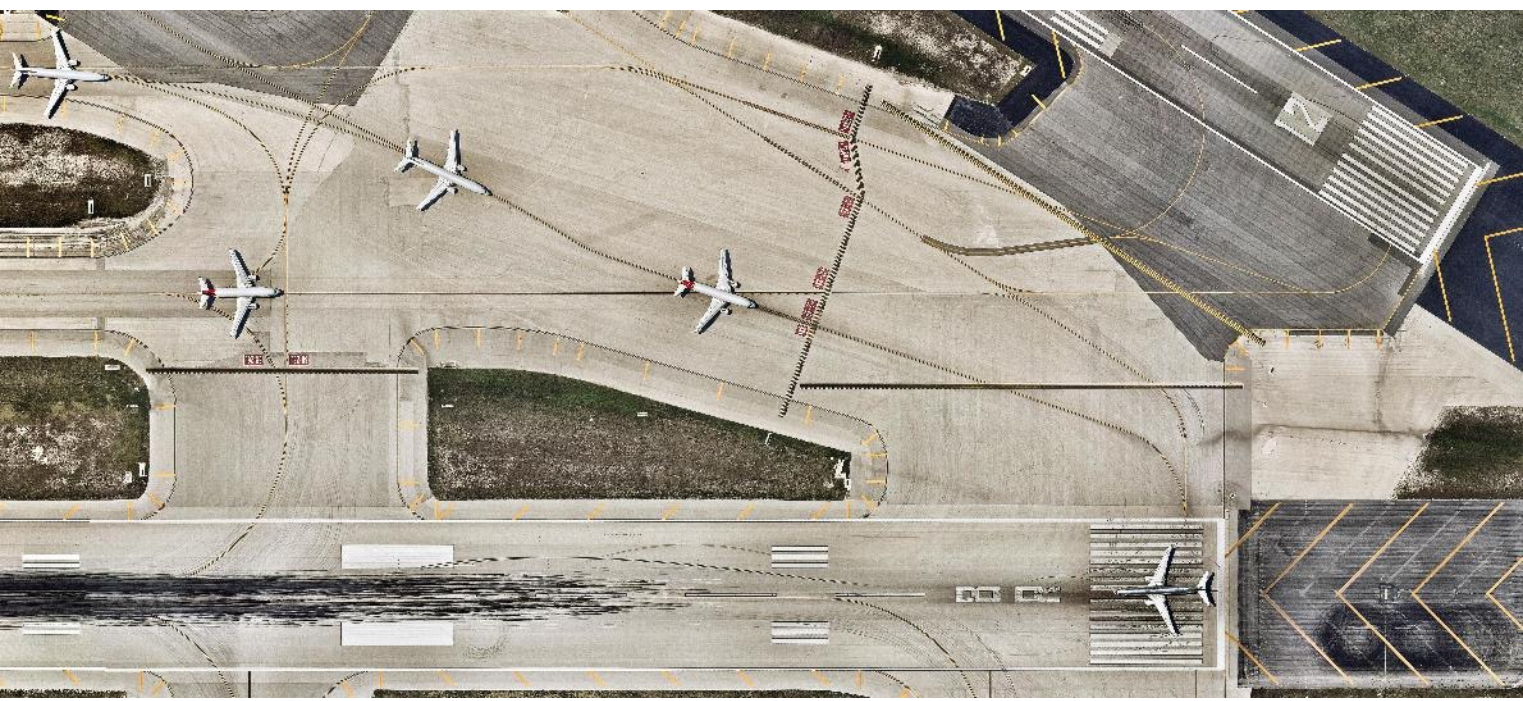
Exercising our voting rights is a core part of our stewardship activity and broader responsible investment approach.

For companies on the Priority List, we will aim to engage on any ESG issues or risks of concern throughout the year, and in particular prior to their Annual General Meetings (AGMs) in collaboration with respective analysts and/or portfolio managers. We will also review relevant material and engage with the company to communicate our expectations, discussing the details of any shareholder or management proposal that has been tabled for our consideration.

The objective would be to communicate our expectations and ensure that our Global Voting Guidelines are being effectively deployed, and to hold boards accountable at AGMs for the management of ESG issues.

Where possible, our Global Voting Guidelines are communicated to companies in the Priority List in advance of a meeting.

Our Global Voting Guidelines are updated annually and can be found on the page 'Policies and Disclosures' of our public website.



2.6 Escalation

Escalation in stewardship prioritises engagement over divestment.

If we divest, we will be in a disadvantaged position to influence beneficial outcomes.

However, we may divest from active funds as a last resort if we deem engagement to be unsuccessful, and where there has been no change implemented over a reasonable time period.

The decision to escalate is determined by several factors.

For example, when an issuer does not respond to our communications, or when collaborative engagement fails to drive change or address unduly negative impacts that are likely to impact shareholder value.

Options for escalation should be considered early in each engagement, setting clear expectations to prevent escalation where it can be avoided.

We are explicit about the information we seek and why we are suggesting a particular course of action to prevent expectations mismatch and misunderstanding on either side.

Our considerations for escalation, include but are not limited to:



Has the issuer or its board ignored repeated attempts to discuss improvements, disclosure or risk oversight?



Has the company, C-Suite or board become unresponsive to the extent that our engagement hasn't resulted in improvement?



Is our view shared by other investors and stakeholders on the market?



Have we satisfied our internal guidelines?

Potential Escalation Tools

Email or letter to senior management or board

Meeting with senior representatives / board members

Voting

Collaborative engagement (private)

Shareholder proposal

Calling a shareholder meeting

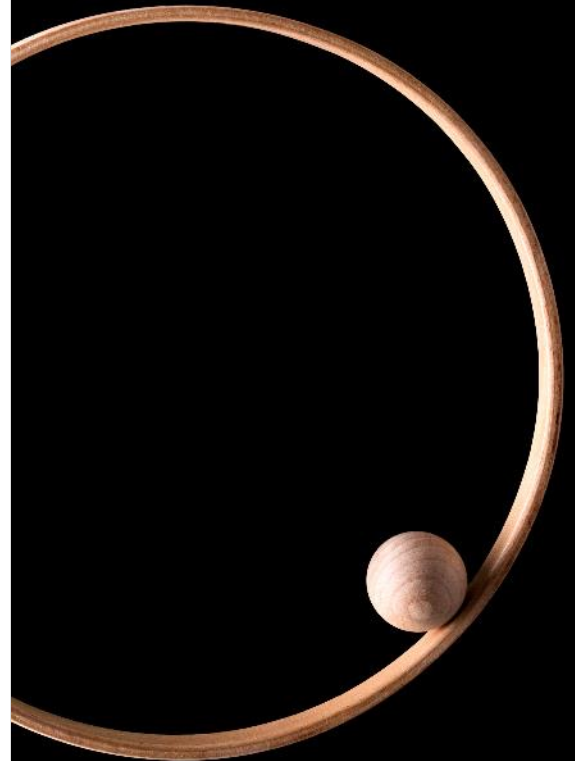
We may use some or all of the methods of escalation outlined in the illustration above and may change the order on a case-by-case basis.

Material escalations will be noted and monitored at the Stewardship Committee and where necessary will be raised to the Sustainability Forum.

The Stewardship Plan is proposed by the stewardship team and approved by the ESG Investment Committee and Sustainability Forum, which include our Global Chief Executive Officer, Global Chief Investment Officer and other senior executives. The Plan is reviewed at least once a year. Our approach to voting is outlined within our Global Voting Guidelines, addressing corporate governance and ESG issues.

For Conflicts of Interests, please refer to our standalone policy published [online](#).

The Stewardship Committee oversees the implementation and delivery of the Stewardship Plan, Global Voting Guidelines and stewardship aspects of any ESG-related policies. Comprising representatives across key asset classes, the Sustainability Office, Legal, Risk and Compliance, it helps to identify and adapt to new priorities/themes that may arise, determine industry involvement, facilitate/address controversial issues, and track progress. It will also review top-down engagement themes and ensure alignment with investment priorities.



In the following pages, we have outlined a set of high-level expectations for each core theme.

We recognise that ESG topics do not exist in silo but may impact and depend on each other.

Example: Relationship of Human Rights theme to other core themes.

Theme	Examples of links to Human Rights
Climate Change	<ul style="list-style-type: none">◆ Just and inclusive transition◆ Exploitation of key transition minerals
Biodiversity and Nature	<ul style="list-style-type: none">◆ Harm on local communities as a result of adverse environmental impacts◆ Cultural rights and land ownership of indigenous peoples in areas of rich biodiversity or natural capital
Inclusive Growth and Shared Prosperity	<ul style="list-style-type: none">◆ Right to decent work, safe working conditions and fair wages◆ Freedom of association◆ Fair executive pay in relation to employees and society
Diversity, Equity and Inclusion	<ul style="list-style-type: none">◆ Equal opportunity◆ Freedom from discrimination
Trusted Technology and Data	<ul style="list-style-type: none">◆ User data privacy and cybersecurity◆ Responsible artificial intelligence

Corporate Governance

As companies face an increasingly complex, and often uncertain, macro environment driven by geopolitical, regulatory and stakeholder demands, good corporate governance plays an ever-important role in effective decision making, compliance and risk management. This allows for the creation of long-term value for shareholders whilst having regard for wider stakeholders. As such, we expect our investee companies to adopt high standards of corporate governance, as we believe this is fundamental to their business success.

Boards are responsible for maintaining high standards of governance of their companies. Collectively, directors play an important role to oversee the corporate strategy implementation, values and behaviour, and ensure alignment with shareholder interests. They are also fundamental to a company's management of risks and opportunities as well as capital allocation, including decisions related to environmental and social sustainability.

Engagement approach

We reference the International Corporate Governance Network (ICGN)'s Global Governance Principles (2021)¹, the G20/OECD Principles of Corporate Governance (2023)² as well as local codes.

Board effectiveness

- ◆ When setting engagement objectives, we recognise the interconnectedness of different governance issues. For example, the separation of the Chair and CEO roles, overall board independence and diversity levels are all closely linked to the board's succession planning, which may be influenced by the presence of a controlling shareholder, a highly influential leader, or entrenched culture and values.
- ◆ For directors to succeed in discharging their duties and responsibilities, we consider a number of attributes, including but not limited to board leadership, independence, diversity, succession planning and composition and effectiveness of board-level committees.

Accountability

- ◆ We expect corporate strategies and incentive structures to align with – and for the board to act to protect – minority shareholder interests. This typically includes appropriate levels and structure of remuneration, guardrails against over-concentration of power (e.g. through weighted-voting rights), as well as sound capital management and shareholder return policies.
- ◆ We also engage companies on business continuity, incident management, anti-bribery and corruption, whistleblowing mechanisms and audit effectiveness.

Market standards

- ◆ We aim to engage with regulators and respond to market consultations that seek to enhance corporate governance, either directly with standard setters or via industry associations. In 2024 we will also focus on stock exchanges and index providers in our engagements.
- ◆ We participate in industry organisations and initiatives. These include the ICGN, where we are a member of the Human Capital Committee; the Asian Corporate Governance Association (ACGA); the Investment Association UK; the Board Diversity Initiative (Hong Kong), amongst others that have specific focus on ESG topics.

1. More information available at <https://www.icgn.org/icgn-global-governance-principles>

2. More information available at <https://www.oecd.org/corporate/principles-corporate-governance/>

Disclosures

- ◆ We support adoption of IFRS sustainability disclosure standards, and we support assurance of disclosures to improve investor trust and confidence.

Voting implications

Over the years we have established and enhanced our Global Voting Guidelines, which sets out our approach to exercising voting rights on behalf of our clients. The guidelines provide further details on our expectations across governance topics, including the board's role, executive remuneration, capital management, shareholder rights, audit and accounts.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.



Climate Change

Climate change continues to reshape our world, with far reaching and systemic impacts. The costs for inaction are increasingly clear. To address these risks, we have seen policy makers and regulators act to reduce emissions, improve climate reporting and risk management, while facilitating the movement of capital to companies at the forefront of the transition.

Key to our approach is our commitment to net zero. HSBC AM is a member of the Net Zero Asset Managers initiative³. In this context, we commit to supporting the goal of net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C, and are guided by the Net Zero Investment Framework. Our engagements align and support these overarching strategic objectives.

Further details on our net zero commitment can be found [here](#).

Engagement approach

We encourage priority companies where Climate Change is a material issue to:

Climate strategy

- ◆ Set a net zero ambition from the company covering all material areas of business and operation, aligned with the objectives of the Paris Agreement.
- ◆ Develop clear short and medium-term emission reduction targets, for both scope 1, 2 and material scope 3 emissions.
- ◆ Set out sector-based decarbonisation strategies supporting the achievement of the company's net zero target, inclusive of climate solutions and objectives to grow green revenue.
- ◆ Set out capital expenditure plans to support the company's net zero targets and objectives.
- ◆ For companies covered under our Energy or Thermal coal policies to set out credible transition plans (see details below).

Climate risk and reporting

- ◆ Publish comprehensive climate risk disclosure and scenario planning, including details on assumptions used e.g. carbon pricing. We encourage companies to align with the recommendations of the TCFD and report in accordance with IFRS S2.
- ◆ Disclose emissions data and independent assurance of this information, including emission reduction trajectories (absolute and intensity).

Climate governance including lobbying

- ◆ Ensure senior management are accountable for the company's climate strategy and there is sufficient board oversight of material climate risks.
- ◆ Publish a Paris-aligned climate lobbying position, consistent with an overall net zero outcome.

3. More information available at <https://www.netzeroassetmanagers.org/>

Just Transition

- ◆ Commit to a Just Transition.
- ◆ Set out how the company has engaged with stakeholders, including workers, suppliers and communities on identifying impacts associated with the energy transition in their climate strategy.
- ◆ Identify risks and opportunities related to a Just Transition and develop a suitable approach to addressing Just Transition considerations.
- ◆ Integrate Just Transition objectives within transition plans. This may include specific metrics or objectives in relation, but not limited to employee training and development, green job creation, safeguarding workers' rights, support to affected communities, social dialogue, among others.

Voting implications

We believe that the board should be responsible for the company's climate change strategy and the oversight of relevant issues. Where the strategy or actions of a company in a carbon intensive sector fall short of that required for low carbon transition we may vote against the re-election of the chair or relevant board director.

We assess "say-on-climate" resolutions put forward by companies on a case-by-case basis. Our support of the proposal is contingent on factors such as our assessment of the climate strategy proposed, the scope of any targets, management oversight and accountability, and capital expenditure plans. We typically support proposals to introduce a regular "say-on-climate" resolution, regular reporting on climate or a vote on climate transition plans.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.

Thermal Coal Policy

In September 2022, we published a [policy](#) outlining our commitment to phase out active investment in thermal coal. Under this policy, we will continue to engage with issuers, prioritising those in which we have the highest exposure. Our engagement focuses on companies with more than 10 per cent revenue exposure to thermal and/or metallurgical coal.

We expect that companies who derive revenue from coal above this threshold provide suitable TCFD-aligned or equivalent reporting. We may vote against the re-election of company chairs where this disclosure remains weak.

Energy Policy

Guided by our [Energy Policy](#) and the Net Zero Investment Framework, we will engage with and assess transition plans of listed issuers responsible for around 70 per cent of relevant emissions. By the end of 2024, we will have commenced engagement with oil and gas and power and utilities companies in this group; we already engage with many of them.

We will assess their transition plans in line with an IEA Net Zero Scenario, including aspects such as plans to reduce carbon exposure and develop alternative energy sources, alignment of capital expenditure, timelines for transition, interim emission reduction targets and quality of climate risk management disclosure and emissions reporting. These aspects of the transition will inform the engagement objectives we set for issuers, as well as our assessment of progress towards meeting our 2030 interim emissions reduction target and net zero objective.

Biodiversity and Nature

Biodiversity and nature have become key topics for financial institutions, not only because they have an impact on it through the companies they invest in, but also because declining biodiversity and nature poses significant risks. Economic activities that either directly or indirectly depend on biodiversity and natural resources will be negatively impacted if there is a decline in the raw materials that companies rely on, and compounded over time this could cause macroeconomic instability. Companies that negatively impact biodiversity and nature also run regulatory and reputational risks as regulators and the public pay more attention to the topic and seek companies with business models that help to restore rather than degrade biodiversity and nature.

Biodiversity and nature loss is a broad and complex issue that we believe can be approached through a focus on key topics including but not limited to deforestation, agricultural practices (including soil health), responsible husbandry (including animal welfare and the issue of antimicrobial resistance), natural resource overexploitation, pollution (air, water, land), and the circular economy.

Engagement approach

We encourage priority companies where Biodiversity and Nature is a material issue to:

Ambition

- ◆ Publicly recognise the importance of biodiversity and nature loss, and to commit to minimising their negative impacts, as well as to conserve and restore ecosystems across their operations and value chains by 2030.

Assessment

- ◆ Assess the impacts, dependencies, risks, and opportunities on biodiversity and nature across their operations and value chains.

Targets

- ◆ Set time-bound and science-based targets based on their specific impacts, dependencies, risks, and opportunities, and include information about baselines and methodologies used.

Implementation

- ◆ Develop a company-wide plan on how they will achieve this. We believe that companies should prioritise action where they can contribute the most positively to biodiversity and nature, such as a zero-deforestation policy, or a commitment not to operate in or source from biodiversity sensitive areas as examples.

Governance

- ◆ Establish and disclose board level and management oversight to ensure accountability and transparency, and be clear about the scope of activities covered. It should also provide for upskilling on the topic for employees.

Engagement

- ◆ Work across value chains to learn and share best practice, and to work in collaboration with Indigenous Peoples and Local Communities when they are affected.
- ◆ Work to positively influence system-level change through their participation in trade associations, interactions with policy makers and other stakeholders.

Regular reporting

- ◆ Publicly disclose on nature and biodiversity progress at least annually in their sustainability reports and in reporting frameworks such as CDP. We also encourage companies to work towards reporting under frameworks such as the Taskforce for Nature-related Financial Disclosures (TNFD).

In addition to the above expectations that broadly align with those of Nature Action 100, we have industry and sector specific expectations that we will engage on. We acknowledge that setting targets is complex, that science-based sectoral pathways and universal metrics continue to develop, and that there can be certain data challenges. As a continuously developing topic, addressing biodiversity and nature loss will require resource with skills and knowledge. We encourage companies to access the many public resources, while during engagements we will seek to share best practices as we work towards positive outcomes.

Voting implications

We may vote against the chair of the board or the relevant board director of companies where we have identified biodiversity and nature loss as a material issue, but that fail to take appropriate steps to address it. We have a biodiversity and nature watch list, informed by internal and external sources that also inform our engagements. We also consider supporting shareholder proposals on biodiversity and nature related topics where we believe doing so would help to address our expectations.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.



Human Rights

Business has an important role and responsibility in respecting human rights. This is also important from a regulatory, reputational, operational and supply chain risk perspective.

We recognise that human rights issues are complex, can be politicised, and in some cases are beyond the control and influence of the investee company (e.g. where state actors are involved).

Adverse human rights impacts may arise in any sector in different ways, but some industries, geographies or business models may be at heightened risk. Alleged human rights violations in a portfolio company may present risks to our clients' investments.

In recent years, we have seen increasing scrutiny of human rights impacts of business operations and their supply chains. This includes more human rights legislation and regulations being introduced or proposed around the world requiring businesses to manage human rights risks, and provide appropriate disclosures.

Engagement approach

We encourage priority companies where Human Rights is a material issue to:

Human rights policy

- ◆ Establish a public policy committing to respect human rights, ideally aligned with a global standard such as the [UNGP](#), [UNGC](#), or the [OECD MNE guidelines](#).

Board oversight

- ◆ Provide evidence of board and senior management oversight of human rights commitments, practices and performance.

Due diligence

- ◆ Develop a robust due diligence process to identify and assess human rights impact on stakeholders in its operations, products and services and value chain. The approach may vary depending on industry, geography or business model.
- ◆ Take steps to avoid causing or contributing to adverse human rights impacts.

Grievance mechanisms and remediation

- ◆ Provide grievance channels that are accessible and free from retaliation.
- ◆ Where violations are found, ensure timely investigation and develop corrective action plans. Consider third-party opinions, and provide impacted stakeholders with effective remedy and communications.

Ongoing monitoring

- ◆ Ensure findings are integrated into relevant business processes, and monitor for evolving and emerging risks on an ongoing basis.

Disclosures

- ◆ Provide greater transparency through disclosures across these areas, including relevant metrics, targets and case studies.

Voting implications

For companies that are considered to be non-compliant with UNGC Principles 1 to 6, or if they fall below our expectations in other reference benchmarks, we may vote against the re-election of the chair or relevant board director.

We may change our use of third-party reference benchmarks and expectations over time, as companies' management of salient human rights issues evolve.

We support resolutions which call for enhanced disclosure on social issues. These include resolutions calling for human rights impact assessments and access to remedy processes according to the UN Guiding Principles for Business and Human Rights (UNGPR).

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.



Diversity, Equity and Inclusion (DEI)

There have been many studies which demonstrate that diversity can have a positive impact on companies in many ways⁴. Despite the trend improvements over the years, gender inequality remains a big challenge in many markets as does board gender diversity. Globally, a high number of issuers still have less than 30 per cent women on their boards⁵. This varies by region. In the US and UK, we have seen notable improvements in racial and ethnic diversity on the boards and related disclosure in recent years, following the Parker Review in the UK and the Black Lives Matter movement. In addition to diversity on the board, diversity among the executive team and senior management is equally important for the success of business⁶. Yet the diversity among top executives tends to be lower than that on the board. For example, only 33.5% of executive committees or their direct reports at UK companies are women, while board gender diversity has reached 40.2% in 2022⁷ and a similar difference is observed in other markets.

Engagement approach

We encourage priority companies where DEI is a material issue to:

Diversity

- ◆ Improve diversity at all levels for under-represented groups, including the board, senior management and wider workforce, through appropriate hiring, training and promotion processes.
- ◆ Collect, publish and monitor granular diversity data, disaggregated by seniority and regions/countries of operations⁸.
- ◆ Set time-bound targets for improvement on diversity metrics.

Equity and Inclusion

- ◆ Take steps to ensure that everyone, including under-represented groups, feels included and respected. The steps should cover different stages of employment, including hiring, training, promotion and daily work arrangements.
- ◆ Periodically measure and report on progress of equity and inclusion initiatives.

Voting implications

The board should comprise directors with an appropriate range of skills and experiences. Diversity in gender, race, ethnicity and background are amongst the factors we consider when assessing board composition. We generally vote against the re-election of the nomination committee chair of companies where there is insufficient gender balance (typically female representation) on the board. In addition to having sufficient diversity in the board room, we believe that the board should also be responsible for ensuring diversity among senior management. We may vote against the chair or relevant board director at large companies in the US, UK and Western Europe where there is no woman in the executive team or equivalent.

We support resolutions which call for enhanced disclosure on social issues. These include resolutions for reporting of gender and ethnicity pay gaps in markets where it is possible.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.

4. Examples include <https://www.pwc.co.uk/financial-services/assets/pdf/pwc-diversity-is-the-solution.pdf>, <https://30percentclub.org/wp-content/uploads/2023/03/Evidencing-the-Contribution-of-Gender-Balance-to-Board-Effectiveness-Lintstock-and-30-Club.pdf>, Morgan Stanley, HERS Update: Gender Diversity Continues to Drive Alpha, 2023 For the avoidance of doubt, HSBC AM does not guarantee the performance of investments.

5. Global Gender Gap Report 2023 by World Economic Forum (June 2023) - https://www3.weforum.org/docs/WEF_GGGR_2023.pdf

6. Diversity wins: How inclusion matters by McKinsey & Company (May 2020) - <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

7. FTSE Women Leaders Review (Feb 2023) - <https://ftswomenleaders.com/wp-content/uploads/2023/03/ftse-women-leaders-review-report-2022-v2.pdf>

8. We are cognisant of market-specific circumstances which make data collection challenging. We will therefore set appropriate objectives for each issuer in our engagement coverage depending on its profile and position.

Inclusive Growth and Shared Prosperity

Inequality within countries has been rising for the past few decades, particularly in western nations⁹ and we hold concerns that this growth, taken to extreme levels, could create economic and social risks. At the macro, system wide level, income and wealth gaps may result in consumers lacking spending power to create growth opportunities for various sectors of the economy, whilst also lacking resilience to economic shocks. Very high inequality can also be associated with a range of other negative social outcomes. For example, it was found that for every 1% rise in OECD country income inequality, there were 4% and 5% more cases and deaths per million respectively during Covid-19¹⁰.

In contrast, we believe that there are significant investment opportunities arising from societies becoming more economically inclusive, with more people having a meaningful stake in prosperity that they co-create. We also believe that shared prosperity can be a powerful force for raising workforce engagement and productivity within corporates in whom we invest, which can boost growth and lower costs sustainably.

Our approach to engagement

We encourage priority companies where Inclusive Growth and Shared Prosperity is a material issue to:

Fair reward

- ◆ Provide living wages¹¹ to staff, working hours consistency and flexibility, and other meaningful benefits to workforces such as broad-based share ownership schemes.
- ◆ Disclose and reduce gender and ethnicity pay gaps.
- ◆ Ensure executive team pay is reasonable within the company and societal context, particularly in relation to the median household income of the country where the leadership team is based.

Working conditions

- ◆ Ensure robust steps are taken to protect the health and safety of workers.
- ◆ Develop thoughtful employee training programs and opportunities for career progression.
- ◆ Provide a formal platform for workers to give feedback to management, and strong and safe mechanisms for staff to raise ethical concerns.
- ◆ Monitor and disclose high quality information and narrative on working conditions and how they are changing over time.

9. [World - WID - World Inequality Database](#)

10. 'COVID-19 and income inequality in OECD countries' by John Wildman. The European Journal of Health Economics 22 (2021): 455-462.

11. 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.' [What is a Living Wage? - Global Living Wage Coalition](#)

Voting implications

We believe that executive pay should be set at a level which rewards company leaders sufficiently according to the size and complexity of their businesses without exacerbating social inequality. For North America and Western Europe, we use a proprietary framework to determine the level of CEO pay which we believe is appropriate, taking into consideration company size in terms of market capitalisation and the number of employees. Should the average pay of the CEO over three years exceed the level we believe is appropriate, we may vote against relevant proposals such as the remuneration policy, report, and re-election of the remuneration chair if we believe very high pay is persistent.

We believe that boards have a responsibility to oversee management's requirement to create a safe, harmonious, and prosperous relationship between direct and third-party workers, executives, and employee representative groups. We will vote against directors responsible for employee oversight, or corporate social responsibility, if there is strong evidence of persistent weak management behaviours towards the workforce at the company both in absolute and sector relative terms, and also if we also believe workforce issues are very material to the company's success.

We generally support resolutions in line with our inclusive growth and shared prosperity beliefs, such as those related to; CEO-worker pay gaps, health and safety disparities, sick pay, labour rights, fair drug pricing, living wage provision for all employees, and fair lending practices.

Finally, in the interest of companies creating platforms for staff to provide feedback to management and be involved in strategic planning, we do support directors appointed from the workforce, where possible.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.



Trusted Technology and Data

The importance of digital connectivity, along with the flow of and access to information is vital to support a global community that can contribute to inclusive growth, prosperity and promote sustainable development. Over the last 12 months, we've seen the financial and legal fallout of several failed digital currency firms, the rise of Artificial Intelligence (AI) and Machine Learning (ML), a battle for chip and semiconductor dominance along with the emergence of the metaverse. The UK government, EU and SEC amongst others have introduced new legislation and guidance related to digital technologies and services. We are witnessing an evolving landscape regarding technology and data. There are various challenges and opportunities posed by this digital age and the significance of accessing information, the implications of shutdowns, censorship and use of technology with socio-economic implications is under constant scrutiny.

Engagement approach

We encourage companies where Trusted Technology and Data is a material issue to:

Technology and data risks

- ◆ Identify and report on how the company is managing ESG and financial risks that may arise from their provision of, or use of, technology and data (including bias and misinformation).

Security and protection

- ◆ Take steps to protect cyber security, including within cyber supply chains.
- ◆ Integrate effective protection, security and prevention strategies into technology and data-related policies.
- ◆ Carry out an independent review and verification of technology and data-related policies.
- ◆ Adopt international standards regarding information security, cybersecurity and privacy protection e.g. ISO/IEC 27001.

Privacy and digital rights

- ◆ Educate employees and users regarding data collection, storage, processing and dissemination.
- ◆ Safeguard data and user rights to privacy, and carry out enhance due diligence on any business model or operations carrying a risk of rights infringement.
- ◆ Take steps to uphold, protect and respect human rights within a digital environment e.g. by implementing an independent and expert-driven committee to protect digital human rights in both real and digital environments.

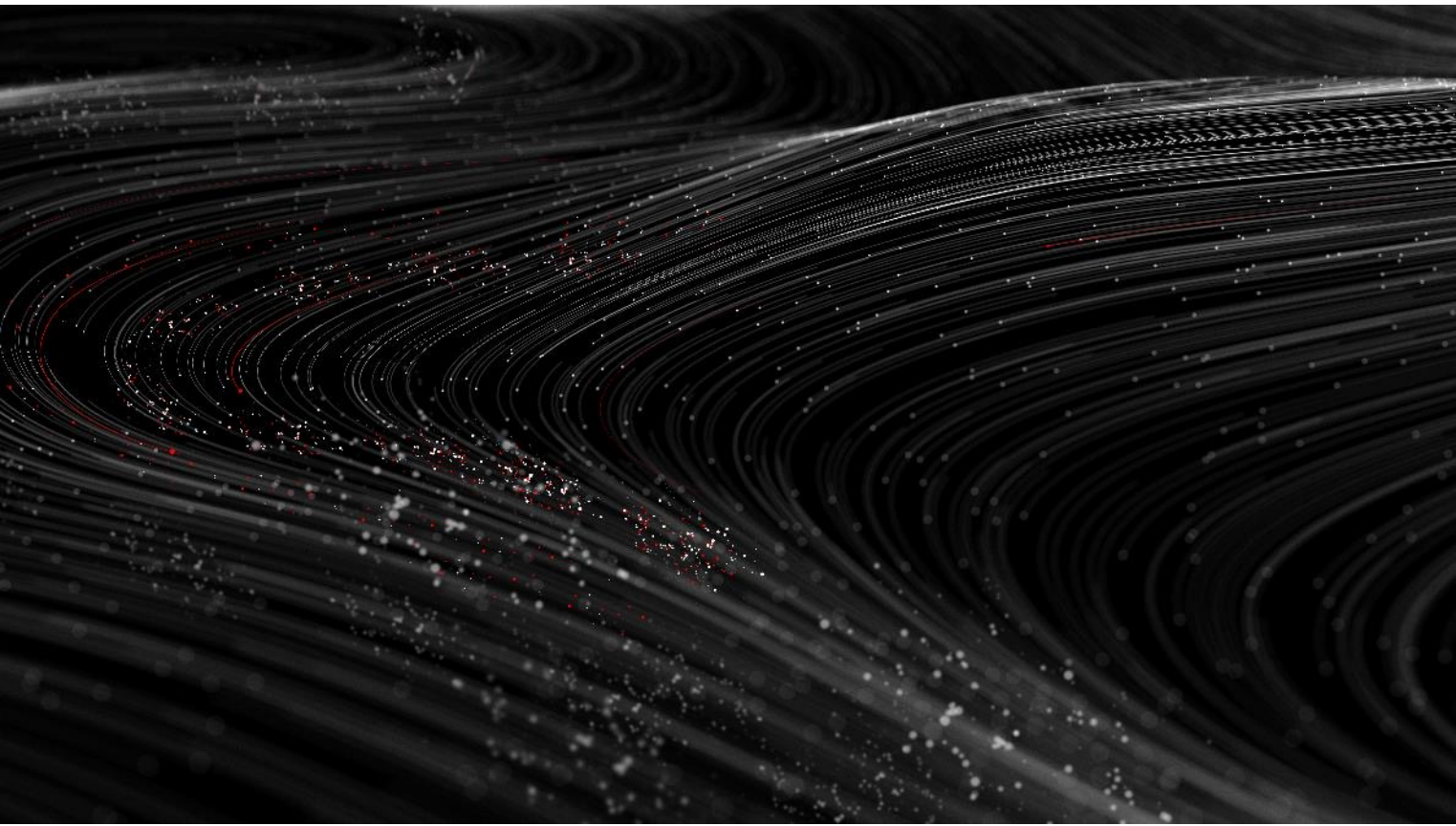
Technology and data solutions

- ◆ Identify opportunities for technology and data solutions that address environmental and social practices.

Voting implications

Ever increasing global use of technology and data has created challenges from a socio-economic and ethical perspective. We will support proposals that request greater transparency of the management of information and disinformation, along with enhanced insights into the use of artificial intelligence (AI) and algorithmic systems. This can include but isn't limited to business operations, intellectual property and financial results.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.



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