

Submission ID

P39006

Region

Hong Kong

Category

Corporate Responsibility and Strength

Name of firm

The Hongkong and Shanghai Banking Corporation Limited

1. Firm-level Commitment to active engagement/stewardship. Please select the statement(s) that describe your approach to stewardship[i].

We have a clearly articulated, explicit, publicly available policy/framework on investing responsibly across ALL our strategies, including non-ESG, non-SRI strategies

2. Which ESG materiality framework are you currently using for benchmarking and/or using for reporting?

The Task Force on Climate-Related Financial Disclosures (TCFD)

Additional remarks, if any (maximum 250 words)

We have developed a proprietary algorithm to produce issuer ratings, issuer rankings and ESG portfolio evaluations. Our tool helps us provide Executive Summaries for each issuer, covering: their ESG rating and rank (in percentile) within their industry sector; an absolute risk level based on a Global Compact compliance assessment (using Sustainalytics, ISS-ESG (formerly ISS Ethix and ISS Oekom)); and a relative risk level with commentaries on ESG issues (using MSCI's ESG Research).

The ESG rating calculation engine helps us calculate an aggregate 0 (worst) -10 (best) ESG rating for approximately 10,000 companies. The ratings are available on the primary proprietary front office tools used by portfolio managers across the equity and fixed income investment teams. These ratings are essential to integrating ESG considerations in our quantitative security assessment processes.

The numeric ratings are built by combining MSCI ESG Research and other data. In determining the weighting of the E, S, and G factor weights in the rating process, we have defined the relevance of each factor for all industry groups.

We carry out an ESG analysis of all potential investments alongside the financial analysis using proprietary ESG databases and third-party analysis, to help identify possible high-risk names when screening and rating stocks. Each security is rated high, medium or low.

3. Are you a Signatory/Member of the following sustainable programs?

Yes

Selected: Yes - Please select relevant sustainable programs.

Principle Responsible Investment (PRI)

United Nations Global Compact (UNGC)

Carbon Disclosure Project (CDP)

Task Force on Climate-Related Financial Disclosures (TCFD)

4. Firm-level Responsible Investment Policy: Our firm has a clear responsible investment policy set out to govern our organization's stewardship policy [iv]:

Key stewardship objectives

Prioritization approach of ESG factors and their link to engagement issues and targets

Prioritization approach depending on entity (e.g., company or government)

A specific approach to climate-related risks and opportunities

Escalation strategies

Conflicts of interest

Details on how the stewardship policy is implemented and which elements are mandatory, including how and when the policy can be overruled

Additional remarks, if any (maximum 250 words)

We would like to supplement our answer on Question 3 that we also support UN Global Compact and have developed standalone policies and statements on: Banned Weapons; Biodiversity; Climate Change; Human rights. These policies are applicable to all asset classes and investment strategies.

5. What percentage of your assets under management does your stewardship policy cover? AUM coverage:

(A) Listed equity

100

(B) Fixed income

100

(C) Private equity

100

(D) Real estate

0

(E) Infrastructure

100

(F) Hedge funds

100

6. Firm-level Responsible Investment Policy Disclosure [iv]: Indicate which of your responsible investment policy elements are publicly available and provide links:

The overall approach to responsible investment

Guidelines on environmental factors

Guidelines on social factors

Guidelines on governance factors

Approach to stewardship

Approach to exclusions

Definition of responsible investment and how it relates to our fiduciary duty

Definition of responsible investment and how it relates to our investment objectives

Managing conflicts of interest related to responsible investment

Additional remarks, if any (maximum 250 words)

<https://www.global.assetmanagement.hsbc.com/about-us/responsible-investing>

<https://www.global.assetmanagement.hsbc.com/-/media/files/attachments/common/resource-documents/stewardship-and-conflicts-of-interest-en.pdf>

<https://www.assetmanagement.hsbc.com/about-us/responsible-investing>

7. Governance Oversight [iv]: Who, in your organization's board, chief-level staff, investment committee, and/or head of a department have formal oversight and accountability for responsible investment?

Chief-level staff (e.g., Chief Executive Officer (CEO), Chief Investment Officer (CIO), or Chief Operating Officer (COO))

8. Governance Implementation [iv]: In your organization, which internal or external roles have responsibility for implementing responsible investment?

Chief-level staff (e.g., Chief Executive Officer (CEO), Chief Investment Officer (CIO), or Chief Operating Officer (COO))

Portfolio managers

Investment analysts

Dedicated responsible investment staff

9. Corporate Risk Management: Please select all statements that apply to your firm:

The annual bonus may be clawed back if a staff member has acted out of alignment with investors' interests during any year. Examples include, but are not limited to, taking risks exceeding target investors' risk profile, trading for personal benefit over investors', making representations to distributors/investors/the public/regulators/other parties that obscure the actual situation of a fund or the firm, among other possible infringements of fiduciary or moral responsibility to investors

An independent director leads our compensation committee to ensure objectivity and fairness for employees at all levels

We have clear, unambiguous procedures AND protections for whistleblowing

Members of our board of directors include the Chief Compliance Officer (who is NOT also concurrently playing the role/s of CEO, Chairman, or another individual who is already on the board)

Members of our board of directors include our Chief Risk Officer (who is NOT also concurrently playing the role/s of CEO, Chairman, or another individual who is already on the board)

10. Corporate Citizenship: Please select all statements that apply to your firm:

Our company has a matching program for staff's donations to various pre-approved philanthropic efforts

Our employees have four or more paid days off to do volunteer work each year.

11. Transparency about material redemptions[i]: This question relates to your firm's duty of care toward intermediaries and, ultimately, end investors. When a fund experiences material redemptions, when does your firm inform investors and/or intermediaries[ii]?

We do not inform investors/intermediaries

12. Transparency about key man events: When the key manager/s responsible for a Fund have resigned, are retiring, will be transferred to a different responsibility, are indisposed, seriously ill, going on maternity leave, or are otherwise incapacitated, when do you inform investors[ii]?

We inform investors/intermediaries within 10 business days

13. Skin in the game: Does your firm have a policy requiring the key portfolio managers to invest their personal wealth into the funds they manage, as external investors, with no special concessions on the SAME terms?

The question of skin in the game is not applicable

Additional remarks, if any (maximum 250 words)

Investment professionals may invest their own capital in the funds they manage. The proportion of these investments is confidential information. All employees are bound by our internal staff dealing rules, which are monitored by Compliance.

14. AUM change, 3Y: How has your firm's total assets under management (AUM)[iii] changed in the last 3 years?

Increased more than 30%

Additional remarks, if any (maximum 250 words)

Question is not applicable to the investment manager.

Additional remarks, if any (maximum 250 words)

Question is not applicable to the investment manager.

17. Compliance: Has your firm, or its officers, breached any regulatory, legal or other compliance thresholds in the last 5 years?

Yes, and we'd like to explain the breach and any remedial, preventative steps taken in maximum 250 words.

Please explain the breach and any remedial, preventative steps taken in maximum 250 words.

In Jan 2021, HSBC Holdings exited its three-year deferred prosecution agreement with the Criminal Division of the Department of Justice (DoJ) (the 'FX DPA'), regarding fraudulent conduct in connection with two particular transactions in 2010 and 2011. HSBC Holdings entered into the FX DPA in Jan 2018, following the conclusion of the DoJ's investigation into HSBC's historical foreign exchange activities. The FX DPA expired in Jan 2021 and, in Aug 2021, the charges deferred by the FX DPA were dismissed. HSBC Holdings plc is a large financial institution with substantial domestic and international operations and numerous domestic and foreign affiliates. As such, HSBC Holdings plc and/or its affiliates are periodically party to litigation, investigations and other proceedings. However, there is no current, pending or threatened litigation that in our reasonable belief would materially affect HSBC Global Asset Management (Hong Kong) Limited in performing our duties under client agreements or in performing our investment responsibilities.

HSBC Global Asset Management (Hong Kong) Limited and HSBC Investment Funds (Hong Kong) Limited were the subjects of disciplinary proceedings by the SFC of HK in April 2020. For details, please refer to the attached SFC press release dated 7 April 2020.

Further disclosures for HSBC Group can be found in the 'Legal Proceedings and Regulatory Matters' set out in Note 34 on the financial statements of the Annual Report and Accounts 2020.