

HSBC Responsible Investment Funds Europe Equity Green Transition

HSBC Asset Management's 'do no significant harm' (DNSH) assessment of issuers as part of its sustainable investment process includes consideration of principal adverse impacts (PAI). It involves a holistic analysis of the company's multiple sustainability impacts rather than focusing on a single factor. All relevant PAIs are thus examined and integrated into the investment process according to an approach that combines exclusions (sectoral, the most severe ESG controversies, norms-based exclusions, etc.) with voting and shareholder engagement activities to instil and maintain a positive change dynamic within companies.

Compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

Issuers considered in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational are excluded. Companies are also assessed according to international standards such as the OECD Guidelines for Multinational Enterprises.

Sustainable investment objective of the subfund

- Selection of issuers according to a thematic approach.
- Selection of issuers with good ESG practices according to a best-in-class approach.
- Exclusion of issuers in violation of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.
- Exclusion of shares of companies involved in the production of controversial weapons or their components, in the defence sector, in the production of tobacco, in thermal coal activities, in the nuclear industry, or in the exploration, production, and exploitation of fossil fuels.
- Careful consideration of environmental issues through voting and engagement activities.

Investment strategy

The investment strategy of this subfund uses the following approaches:

- Thematic approach,
- Best-in-class approach,
- Exclusion of shares issued by companies involved in 'excluded' activities.
- Engagement and voting activities.

Proportion of investments

The various stages of the investment process allow the subfund to commit to a minimum of 90% of assets in sustainable investments with an environmental objective.

The balance consists of cash and cash equivalents.

Monitoring of the sustainable investment objective

Funds are monitored to ensure that the portfolios meet the non-financial criteria and, where applicable, internally established thresholds.

First-level controls are performed by teams independent of management (investment restrictions team and risk team).

HSBC's sustainable investment methodology is available on the management company's website: www.assetmanagement.hsbc.fr/fr/retail-investors/about-us/responsible-investing/policies.

Methods and Data sources and processing

HSBC relies on a proprietary ESG analysis model with data supplied by non-financial rating agencies and the management company's internal research.



Our investment team relies on information available in the Global ESG Research Intranet tool Data which is sourced from the following providers: MSCI ESG Research, ISS ESG, S&P Trucost, Sustainalytics, RepRisk, FTSE Green Revenues, Carbon4, Iceberg Datalab (IDL), GAIA Research, Equileap and Denominator.

HSBC Asset Management verifies the data used. For the portfolio's ESG rating, the data are weighted by coefficients reflecting our analysis of the various business sectors and their respective ESG impacts.

Limitations to methods and data

The management company relies on non-financial data providers. As a result, the company is subject to certain operational and data quality risks associated with reliance on third-party service providers and data sources. Furthermore, data coverage may be limited depending on the type of issuer (small caps, certain high-yield issuers) and by the geographical area of the issuer (particularly for emerging countries). When non-financial data are not available in our suppliers' databases, we initiate a qualitative analysis and possibly exchanges with the company to supplement our assessment. HSBC Asset Management is not aware of any methodological limitations likely to prevent the attainment of the sustainable investment objective.

Due Diligence

Our monitoring of companies and all other issuers held in actively managed portfolios, by analysts, management teams, investment restrictions, and the risk department, is quantitative and qualitative and includes the sustainability score, strategy, financial and non-financial performance constraints, risks, capital structure, social and environmental impact, and corporate governance. For the purposes of this monitoring, we use our in-house research and the ESG research of independent providers and brokers.

Lastly, our teams in charge of voting and shareholder engagement activities can support the investment teams in the ESG assessment of issuers.

Engagement policies

Our approach to shareholder engagement incorporates several levers for action, including 1) direct dialogue with companies, 2) exercising voting rights, and 3) a gradual escalation procedure with companies when the ESG risks or controversies to which they are exposed are not managed.

We prioritise dialogue and interaction with companies in which we have significant positions, but also depending on the importance of the environmental or social issues identified.

Furthermore, every year, we define engagement themes that we consider to be key.

Important information

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the UCI presented. If you have any doubts as to the suitability of the presented product in relation to your investment objectives and risk profile, please contact your advisor.

Updated on: 30 April 2024