



Stewardship developments in listed assets

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2023 Stewardship highlights

1

Co-winner of Environmental Finance's 2023 "ESG Engagement Initiative of the Year, Asia". This award recognises the work of the first investor-led group, including HSBC Asset Management, to file a climate resolution in Japan¹.

2

Co-filing two resolutions, including a resolution at a large natural resources firm's 2023 AGM asking for disclosure on how its projected thermal coal production aligns with pathways for limiting global warming to 1.5°C.

3

Engaging as part of industry collaborative initiatives across all our 2023 thematic priorities including:

- ◆ Climate change – Climate Action 100+, IIGCC
- ◆ Biodiversity & nature-based solutions – FAIRR, Nature Action 100
- ◆ Human rights - PRI Advance
- ◆ Diversity, Equity & Inclusion (DE&I) - 30% Club UK Investor Group, Board Diversity Hong Kong and French Diversity Group
- ◆ Inclusive growth & shared prosperity - Workforce Disclosure Initiative, Good Work Coalition
- ◆ Public Health - Access to Medicine
- ◆ Trusted Technology & Data - Swedish AP Funds Council on Ethics' Big Tech and Human Rights initiative

4

Leadership highlights: hosted Hong Kong PRI Stewardship Forum, presented on the Just Transition at PRI's China workshop, co-chaired the ASIFMA Asset Management ESG Committee, presented at the European Commission's 2023 European Business and Nature Summit, and co-authored the Finance for Biodiversity Target Setting Framework.



Note:

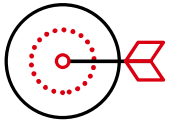
1. [Environmental Finance Sustainable Investment Awards 2023](#)



Case study 1: Escalating our concerns at a leading Asian auto company

We have been engaging the company on climate change, DE&I and corporate governance.

Objectives



- ◆ To better align business strategy with the goals of the Paris Agreement, including setting a science-based target to reduce GHG emissions
- ◆ To assess and report alignment of lobbying activities with the goals of the Paris Agreement
- ◆ To have at least two female directors or 20% women on the board of directors
- ◆ To reduce cross-shareholdings by at least 30%

Engagements



- ◆ Engaged with the company (on five occasions) in 2022, including escalating concerns about board diversity to an independent director
- ◆ Engaged with the company further (on six occasions) in 2023, including a site visit to one of the company's manufacturing plants and collaborating with other investors as part of Asian Corporate Governance Association's Japan Working Group

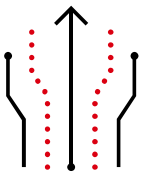
Voting



In 2023, voted against:

- ◆ two directors relating to concerns about the company's cross-shareholdings
- ◆ two directors relating to our concerns about board diversity, independence of the board and a further one director relating to our concerns about independence of the board
- ◆ Supported a shareholder proposal requesting greater disclosure of the company's climate-related lobbying activities

Outcomes



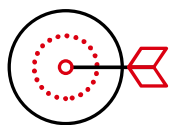
- ◆ Company's GHG emission reduction target has been validated by Science Based Targets Initiative, demonstrating alignment of its target with the goals of Paris Agreement
- ◆ Improved disclosure of climate-related lobbying activity although the company has not yet fully assessed alignment of its lobbying activities with goals of the Paris Agreement
- ◆ Currently has only one woman on the Board of Directors
- ◆ Sold shares in a business that has led to a significant reduction in cross-shareholdings



Case study 2: Collaborating to promote good practice at a UK supermarket

We have been engaging the company on inclusive growth and shared prosperity. We saw an opportunity for the company to take a leadership position in the industry.

Objectives



- ◆ Become a Real Living Wage accredited employer
- ◆ Disclose proportion of third-party workers not paid living wages, and aim to rectify this as part of accreditation

Engagements



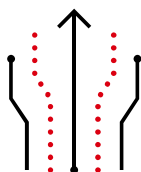
- ◆ Held meetings with Board members and senior leaders of the company in 2022, including the Chair, CEO and Head of HR to discuss our concerns that the company was not doing enough to address related living wage business risks such as high turnover
- ◆ Continued to engage with the company over 2023, raising the issue on three occasions, including again with the CEO

Voting



- ◆ In 2022, co-filed a resolution with other asset managers and asset owners asking the company to commit to paying a living wage to all workers. We also voted against the company's remuneration report
- ◆ In 2023, we voted against both the company's remuneration report and remuneration policy

Outcomes



- ◆ While the company has not yet pursued Real Living Wage accreditation, we are pleased to see it increasing wages above the Real Living Wage rate
- ◆ During the co-filing process, the supermarket agreed to raise outer London wages to the Real Living Wage rate for London – a wage rise for 19,000 staff
- ◆ Since the filing, the company's wage rates have not fallen below the Real Living Wage rate. The company has also uplifted wages for its third-party security staff. In the past few years, colleague engagement and labour productivity have both improved.
- ◆ Early in 2024, the company raised wages by 9% for 120,000 staff to maintain wages above the Real Living Wage rate.

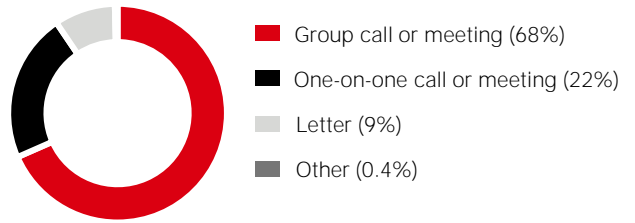
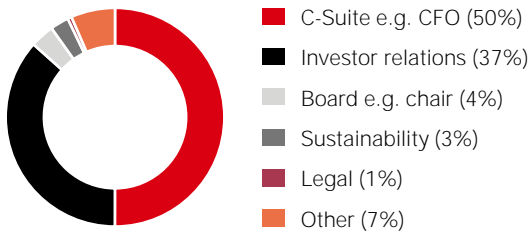


Engagement in numbers

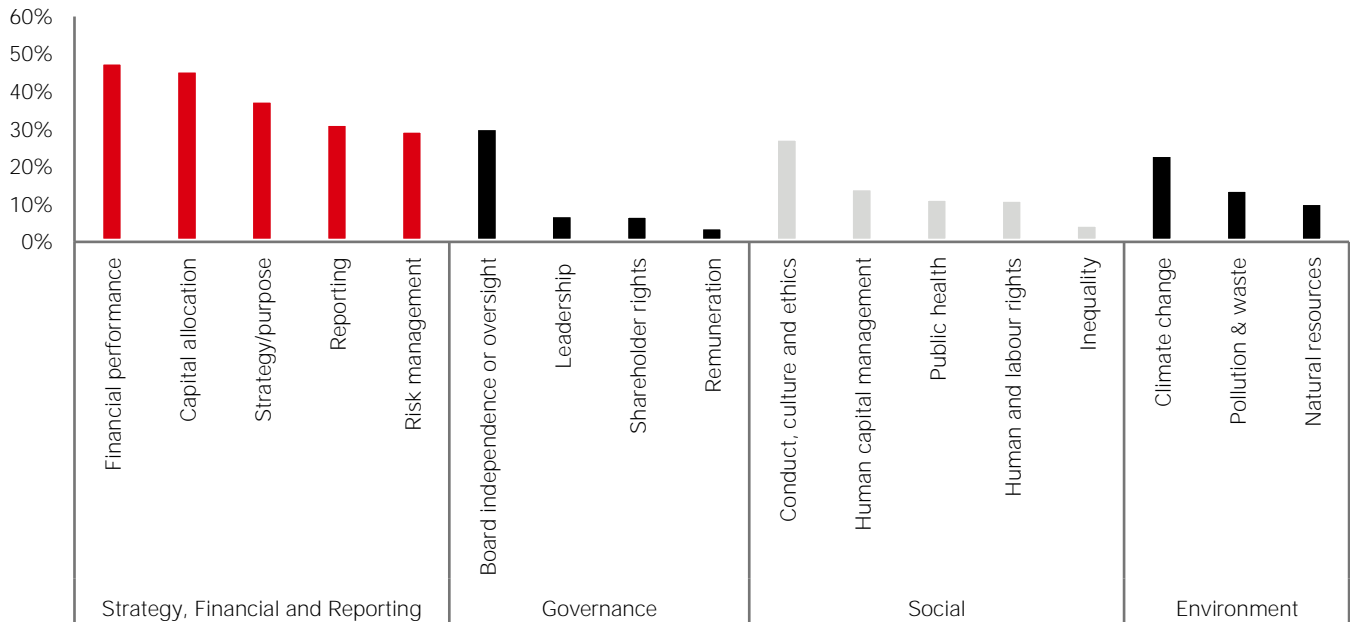
In 2023, we engaged over 1,200 companies on over 2,000 occasions¹ (“engagement events”). Most of our engagement events relate to gathering information and insights from the companies we invest in, which include one-to-one meetings or calls as well as group earnings calls, roadshows and investment updates covering a range of topics. Around 250 of our engagement events, with almost 200 companies, were “outcomes-based” where we are seeking change from the company and which we track over time.

Engagement event attendee²
Attendee, % of engagement events

Engagement event format²
Format, % of engagement events



Topics covered in engagement events³
Topic, % of engagement events covering topic



Note:
¹ totals are subject to rounding
² This data represents engagement activity undertaken from 1 January 2023 to 31 December 2023. This data was extracted from our engagement database in January 2023 and represents all activity logged. Engagement related data is estimated and not verified. Actual figures may vary, and you should not place reliance on this data.
³ Totals may not equal 100% due to rounding.
⁴ Multiple topics may be discussed in one engagement event.

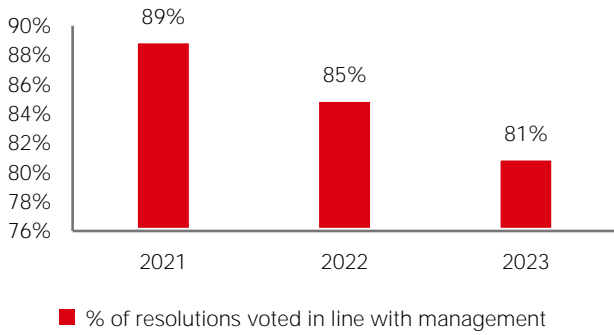


Voting in numbers

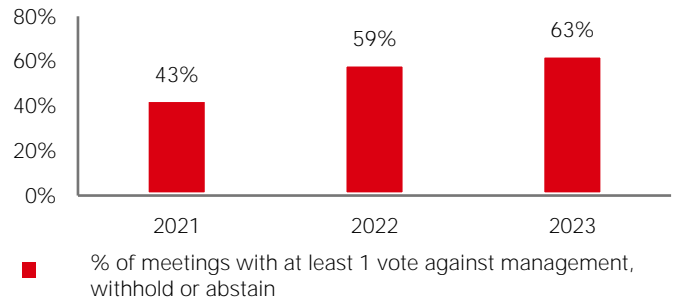
In 2023, HSBC AM voted at more than 10,000 meetings, with over 100,000 resolutions¹.

Alignment with management

Proposals voted in line with management

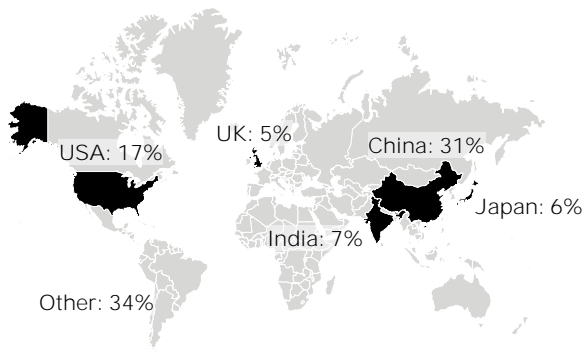


Meetings with at least one vote against, withheld or abstained for a management proposal



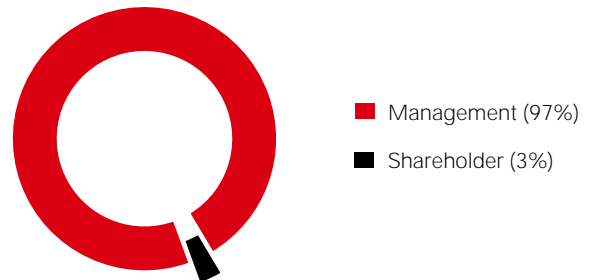
Votes by geography

By geography, the top five markets account for 65 per cent of the total votes cast.

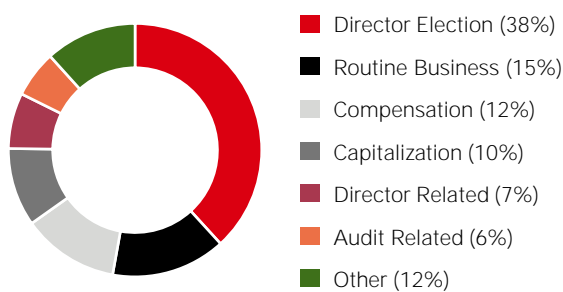


Votes by type of proposal

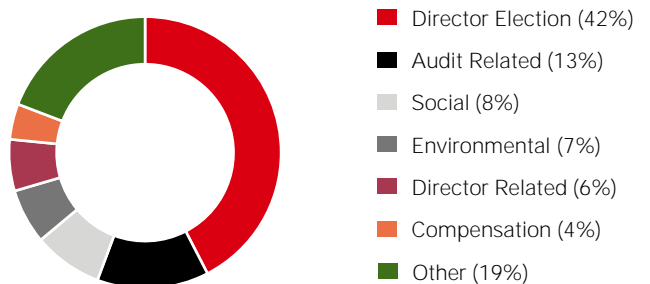
Management sponsored the vast majority of proposals – over 98,000 – during the period.



Management proposals by category



Shareholder proposals by category



Further information on voting: our approach to voting on key issues is published in our [Global Voting Guidelines](#). Our voting statistics are available publicly, in our [Proxy Voting Dashboard](#).

Note:
1. Source: HSBC Asset Management. HSBC Asset Management (HSBC AM) appoints Institutional Shareholder Services (ISS) as its proxy voting agent. HSBC AM maintains a bespoke 'voting policy', and ISS votes in accordance with that policy (or as otherwise directed) at the annual general meetings of companies held in HSBC AM's portfolios. ISS retains a record of those votes, which HSBC AM uses to continually review and enhance its voting policy. The above voting related data has been extracted from our records on ISS's website and represents all activity logged as of 31 December 2023. Please note that voting related data is estimated and not verified. Actual figures may vary and you should not place reliance on this data.

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