

# Policy on Banned Weapons

December 2024



**HSBC** Asset Management

## Policy

HSBC Asset Management excludes securities and other assets from its own manufactured active, systematic and index portfolios that have been issued by corporations with verified or strongly indicated involvement in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of weapons banned by certain international conventions.

We consider the following weapons to be banned by the following international convention:

- ◆ **Anti-Personnel Mines** – Anti-Personnel Mine Ban Convention (or Ottawa Treaty)
- ◆ **Biological weapons** – Biological Weapons Convention
- ◆ **Blinding laser weapons** – Convention on Certain Conventional Weapons, Protocol IV on Blinding Laser Weapons
- ◆ **Chemical weapons** – Chemical Weapons Convention
- ◆ **Cluster munitions** – Convention on Cluster Munitions (or Oslo Treaty)
- ◆ **Non-detectable fragments** – Convention on Certain Conventional Weapons, Protocol I on Non-Detectable Fragments

This exclusion covers listed and non-listed equity and corporate fixed income issuers currently assessed as involved in these banned weapons or issuers for which there are strong indications of involvement in these banned weapons or their key components. Past involvement in these weapons is not covered. Involvement may be direct or as a majority shareholder (>50% ownership stake). Exclusions do not apply to issuers with an ownership stake of less than 50% in the business exposed to the activity.

We note that whilst the Convention on Certain Conventional Weapons, Protocol III on Prohibitions or Restrictions on the Use of Incendiary Weapons, regulates the use of incendiary weapons, these are not banned under the Convention (see 'controversial weapons' below).

## Application

This policy applies to all our active fundamental, index and active systematic equity and fixed income strategies. It does not apply universally to strategies incorporating third party funds such as multi-asset portfolios and our Fund of Hedge Fund business. Multi-asset strategies seek funds with aligned / similar restrictions where these are available.

We engage an independent specialist third party research provider to identify listed and other public issuers that are involved in banned weapons production. These exclusions are applied throughout HSBC Asset Management on a best-efforts basis via our investment restrictions process. The list of issuers is reviewed on an on-going basis and where new securities are identified with confirmed exposure; we seek to divest any holdings within 90 business days.

Whilst we assess third party data providers as part of ongoing monitoring, it is not possible to guarantee their data accuracy, completeness, quality of judgement or timeliness. Their coverage may not include every issuer held in our portfolios. We may set aside their data or scoring where our own due diligence suggests that this may be inaccurate, incomplete or disproportionate.

Certain sustainable funds also exclude other 'controversial weapons'. These rule-based exclusions are set out in the relevant fund documentation. Controversial weapons are defined as:

- ◆ Depleted uranium weapons
- ◆ Incendiary weapons
- ◆ White phosphorous weapons
- ◆ Nuclear weapons (extent of exclusion determined by fund category)



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Today, we and many of our customers contribute to greenhouse gas emissions. We have a strategy to reduce our own emissions and to help our customers reduce theirs. For more information visit <https://www.assetmanagement.hsbc.com/about-us/net-zero>

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