

HSBC Global Asset Management (UK) Limited UK Stewardship Code

Activities and Outcomes Report 2025

For reporting period 1 January – 31 December 2025



Information presented in this report refers to HSBC Global Asset Management (UK) Limited. This report should be read in conjunction with our UK Stewardship Code: Policy and Context Disclosure 2025.



HSBC Asset Management

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Foreword from our Chief Executive Officer

As a continuing signatory to the UK Stewardship Code, we are pleased to present our updates for 2025.

We view stewardship as an important component of the investment service we deliver for our clients, helping us consider long-term risks and opportunities and support well-informed decision-making.

This year, following the changes to the UK Stewardship Code requirements, we have presented two complementary documents: a Policy and Context Disclosure, which sets out our approach, governance, resources and key policies; and an annual Activities and Outcomes Report, which explains how we applied the principles in practice during the year. We welcome the clear structure and the continued focus on fair, balanced and understandable reporting.

During 2025, we continued to develop how stewardship is integrated into our investment processes. We maintained our three-layered stewardship strategy – firmwide, fund-driven and system stewardship – supported by our Stewardship Plan and Global Voting Guidelines. We delivered training for investment teams on our approach and processes. 2025 was also the first full year of recording engagement interactions using our new proprietary tool. We continued to enhance internal systems and tools to support consistent documentation, monitoring and client reporting.

Over the past year, we continued to scale stewardship activities across the firm. We recorded over 500 purposeful (outcomes-based) engagements where we set and tracked objectives, representing an increase both on an absolute and relative basis compared to the prior year. We incorporated client feedback into our review of escalation processes, thematic priorities and reporting standards.

Voting remained an important way to exercise our rights and hold companies to account. In 2025, we introduced a more granular, targeted approach that allows us to apply different levels of accountability for sustainability-related risks when voting on director re-elections, depending on the objectives of the fund. We continued to apply the framework introduced in 2024 to assess environmental and social shareholder proposals, and use the Voting Advisory Group as oversight of overrides to our custom voting recommendations.

We look forward to continuing our work to scale and integrate our stewardship activities to support our clients' investment objectives, and to develop our stewardship approach in line with evolving expectations.

Daniel Rudd

Chief Executive Officer UK, Head of UK Wholesale

HSBC Global Asset Management (UK) Limited

Introduction

HSBC Asset Management at a glance

At HSBC Asset Management, we are dedicated to helping our clients achieve their investment objectives. Our purpose is to be a trusted partner, empowering clients to thrive by capturing global growth opportunities. Leveraging our international presence and deep capabilities across both developed and emerging markets, we guide investors through the complexities of global markets and design investment strategies that endure.

As part of the HSBC Group – founded over 160 years ago – we have been delivering investment management services since 1973. Our platform brings together more than 700 investment professionals, operating in 18 countries and territories across Europe, Asia, Americas, and the Middle East. This global network of local experts provides specialist insights and tailored investment strategies, combining international reach with on-the-ground expertise to help clients achieve their objectives.

As of December 2025, we managed USD 866bn in assets, offering a range of investment solutions across fixed income, equity, multi-asset, liquidity, and alternative investments for institutional and wholesale clients.

Our approach to responsible investing and stewardship

We recognise that sustainability issues can materially affect the risk profile and financial performance of companies and countries over different investment horizons. We therefore integrate relevant sustainability considerations into investment analysis and decision-making, where applicable, alongside other factors that may impact the value of our clients' investments.

Our ESG integration process involves the identification and assessment of significant environmental, social and governance (ESG) issues that we consider to be most relevant to a particular investment, asset class or strategy. Our approach therefore depends on the investment strategy employed, specific markets and investment time horizons, alongside the fund prospectus and/or client agreement, as the significance of sustainability risks may vary. Furthermore, we seek to adapt our standards to the industry and regulatory requirements of each market.

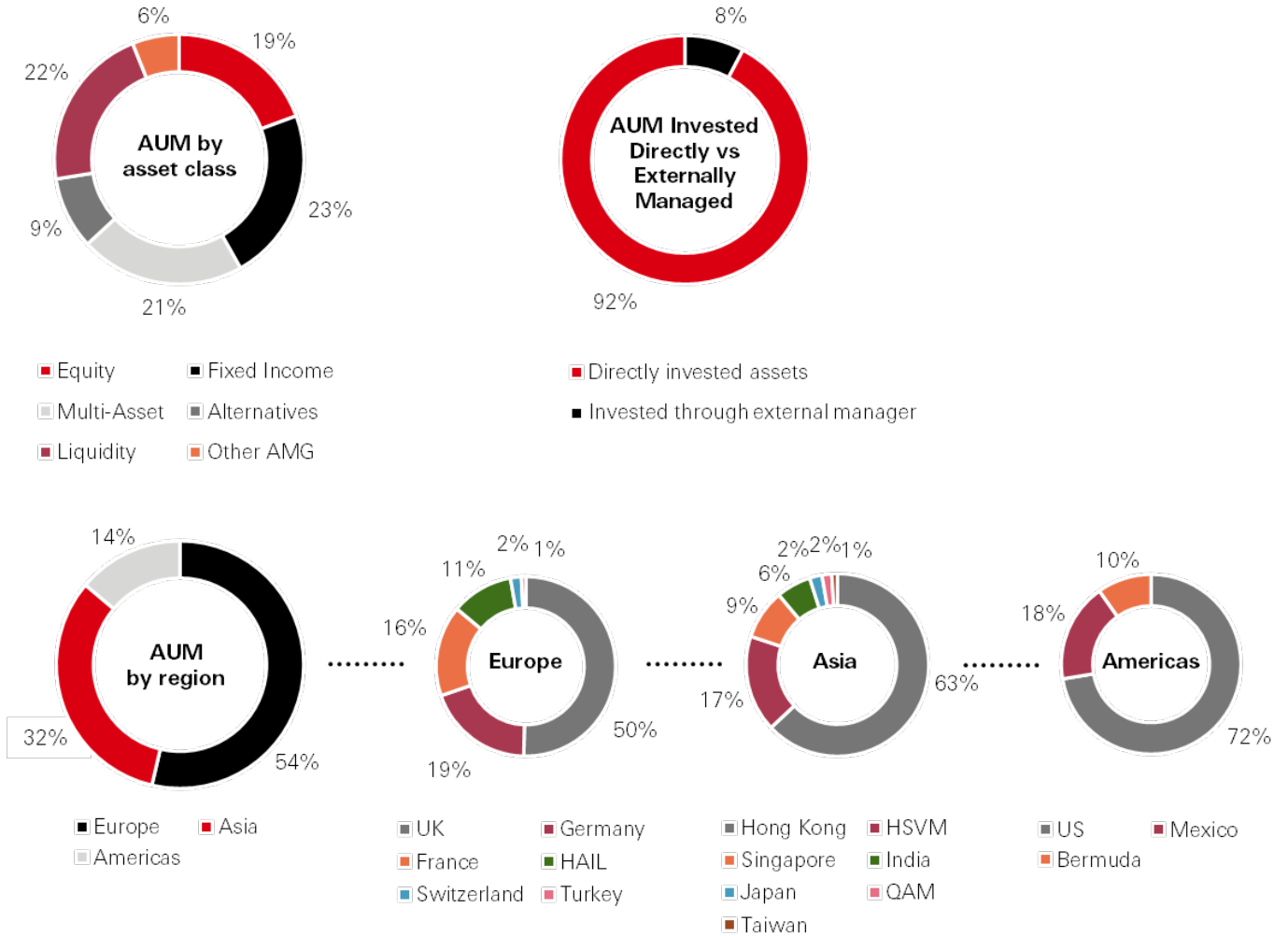
Stewardship is a core component of our ESG integration process and is a key lever for protecting and enhancing long-term value for clients. Through ongoing engagement with investee companies—either directly or in collaboration with other stakeholders—we seek to gain insight into relevant sustainability issues, encourage improved practices and outcomes, and support more informed investment decisions, consistent with our long-standing commitment to responsible investing.

Our 2026 UK Stewardship Code report

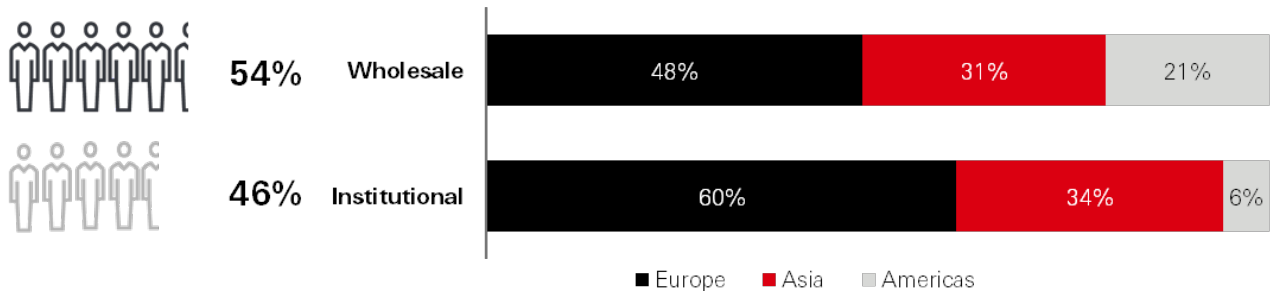
Our 2026 UK Stewardship Code report is presented in two complementary documents: the Policy and Context Disclosure and the Activities and Outcomes Report. The Policy and Context Disclosure sets out our stewardship approach and provides organisational context—including governance, resourcing and relevant policies—necessary to understand the Activities and Outcomes Report. The Activities and Outcomes Report, prepared on a principle-by-principle basis, demonstrating how we have applied each principle in practice during 2025. To help readers navigate both documents and follow a consistent narrative, we have included cross-references between the two documents. Our aim is to communicate stewardship activities and outcomes transparently and to meet the expectations of our clients and beneficiaries.

Our client base and assets under management

Global AUM (as of December 2025): USD 866 billion

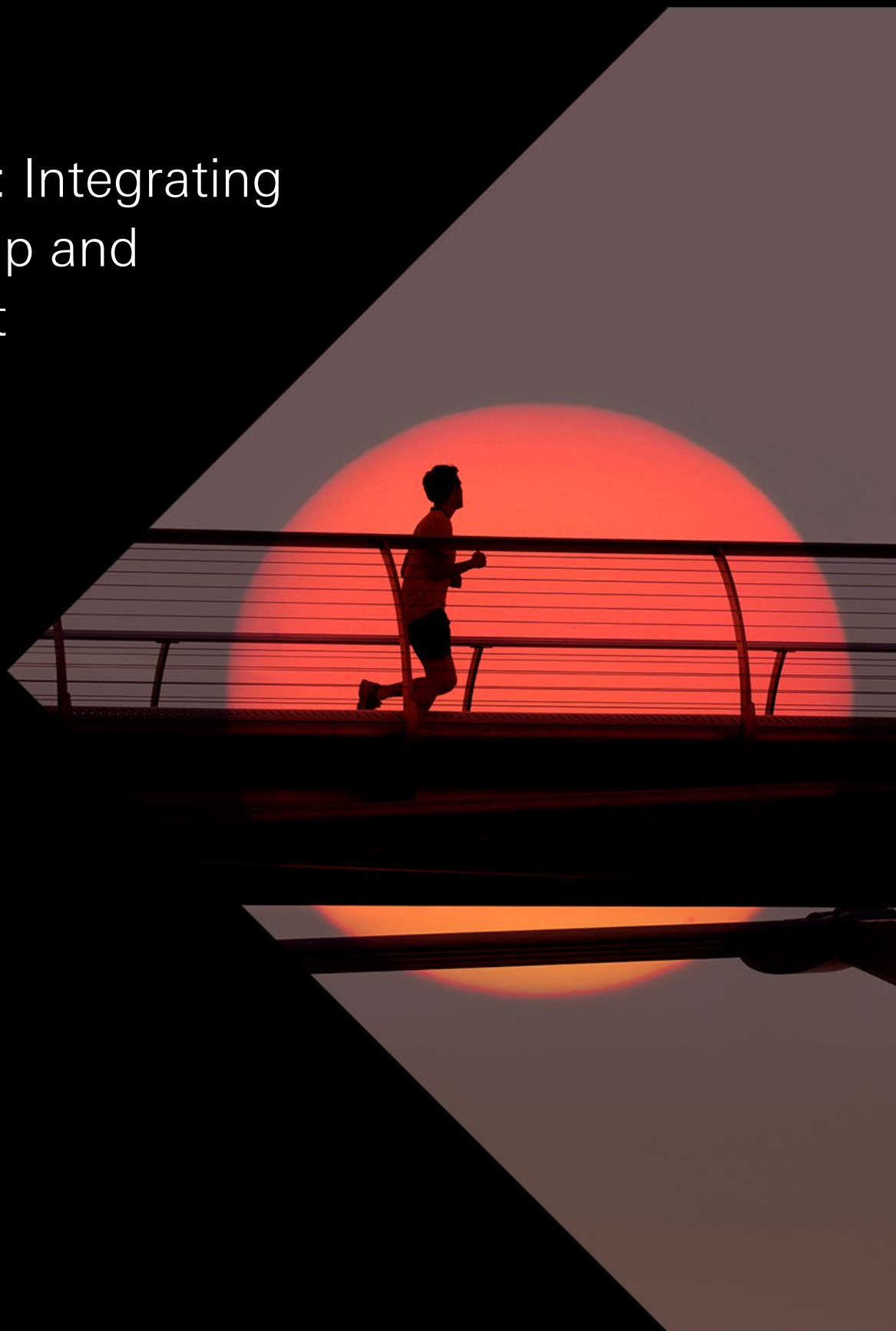


AUM by client type



- Notes:
- As of 31 December 2025.
- Geographic breakdowns of AUM are presented according to client distribution locations, i.e. on an Assets Under Distribution (AUD) basis. AUD is the market value of the investments distributed by HSBC AM subsidiaries, including by AM UK to UK clients; this may include assets managed by other HSBC AM entities.
 - Other in Asset Class refers to Hang Seng Bank (HASE), which includes HSVM and QAM
 - Wholesale in Client Type includes HASE but excludes Jintrust.
 - Above view excludes Associates (i.e. Jintrust) and presented on Reported FX rates.
 - HAIL is HSBC Alternative Investments Limited, our UK based Alternatives business.
 - AMGB is HSBC Global Asset Management Limited the ultimate beneficial owner of AM UK. All assets under AMGB are in relation to the seeding capital of HSBC Asset Management and do not represent client investments
 - Global and regional AUM figures include additional locations that are not shown due to rounding: Malta, AMGB and Dubai.

Principle 1: Integrating stewardship and investment



1. Our overarching approach to stewardship

At HSBC AM, we recognise that sustainability matters may have an effect on the value of our clients' investments. As a powerful tool to mitigate risk and enhance the value of companies we invest in, our stewardship activities play an important role in our investment processes. Engagement, whether through direct discussions with companies or engagement with other stakeholders, is integral to providing valuable insights for more informed investment decision-making and promoting value for our clients. Exercising voting rights at company meetings and engaging around shareholder meetings are core parts of our stewardship activities.

Our [Stewardship Plan](#) provides an overview of our stewardship philosophy, governance, and approach, and is updated every year. In the plan, we set out relevant engagement themes and our general expectations of companies under each theme.

2. Identifying relevant engagement themes

Each year, we outline our engagement themes and key actions that investee companies can work towards to address relevant issues associated with these themes, especially those with significant risk exposure.

In developing our themes, we focus on issues with the potential for financial impact on investee and portfolio performance and value creation, while also considering emerging risks. Our investment team sector specialists in collaboration with our responsible investment team have identified relevant issues for key sectors and industries. Our engagement themes also link to indicators we use to assess whether companies can be held by funds in our sustainable investment product range.¹

In 2025, our themes were:

1. Corporate Governance
2. Climate Change
3. Bioeconomy and Natural Capital
4. Human Rights
5. Talent and Opportunity
6. Trusted Technology and Data

The theme Bioeconomy and Natural Capital was renamed from Biodiversity and Nature in 2025 to emphasise its financial relevance and significance to both businesses and the wider economy.

For 2026, we have renamed the theme Talent and Opportunity to Social Opportunities. This broadens the theme for better alignment with our internal framework, and to capture Access and Affordability as a relevant topic for some of our investment funds and holdings.

Examples of engagements on various themes are highlighted in [Principle 3](#).

3. Integrating stewardship activities and investment processes

Our voting and engagement activities are an important aspect of our ESG integration processes. The stewardship and investment teams may plan and conduct purposeful engagements together and develop a customised agenda for priority companies. The Stewardship team also supports company reviews to assess relevant sustainability issues, identify risks and opportunities, and understand how sustainability factors may affect our fundamental view of an issuer, with follow-up engagement actions identified where needed. Engagement outcomes may be used as supporting evidence in whitelist reviews, helping to inform both initial and ongoing investment eligibility decisions.

¹ These indicators include Principle Adverse Impact (PAI) indicators under the European Union's Sustainable Finance Disclosure Regulation (SFDR).

Whitelisting is the process used for sustainable investing strategies to confirm which issuers are eligible for investment, based on defined sustainability criteria and the fund’s sustainable investment objective.

Please refer to [Principle 3](#) for our firmwide and fund-driven stewardship approach, for further details on investment implications and sustainability due diligence.

Case Study – Integration: Investment Restrictions



Power Utility Facing Coal Expansion and Environmental Allegations

Sector: Utilities | **Region:** Asia | **Themes:** Climate Change, Human Rights

Teams involved: Stewardship, Regional Fixed Income

Progress status: Issues raised

Attributes: Policy, Controversy, Investment Decision, Stalled

Background

The company is the power arm of a large South East Asia conglomerate, and represent a meaningful share of the benchmark index (c. 2-3%) for select funds. In 2025, the issuer faced reputational risks following allegations by non-governmental organisations (NGO) of poor environmental management, biodiversity loss and waterway pollution. The company was flagged by a third-party data provider as a coal expander, and scored poorly in our initial coal assessment, and as a result it is restricted to non-sustainable investment strategies. As the issuer lacks a long-term climate transition strategy, we opted not to participate in any primary issuance by the issuer. The company has also faced allegations of land grabbing, displacement of local indigenous communities and other human rights abuses in relation to a coal mine.

Key engagement objectives

1. Outline transition strategy in further detail
2. Establish a community engagement framework
3. Establish a formal biodiversity framework
4. Deepen monitoring of compliance against its Supplier Code and Ethical Code of Conduct

Engagement activities

- ◆ We initiated engagement with the issuer in 2024, but they were not responsive
- ◆ In 2025, we met with senior management to discuss the transition, biodiversity and environmental management. They disputed NGO allegations regarding water pollution and biodiversity loss. We also asked about their policies and strategies in relation to supplier management, to which they provided a high-level response. We recommended that the company consider an independent audit to assess biodiversity impacts to support the development of an appropriate biodiversity strategy
- ◆ Following the meeting, we emailed the company to request further information on the divested coal mine that had previously been associated with controversy. The company declined to provide details about the acquirer, citing a non-disclosure agreement

Related voting activities

None

Outcomes

Our concerns remain following our engagement on both environmental and community-related matters. We invited the company to further engage on these topics, and will continue to monitor progress on these topics. In light of the controversies and the lack of a credible climate transition strategy, the issuer is still restricted to non-sustainable investment strategies, and we continue not to participate in any primary issuance by the issuer.

Virtual Sector Teams

Virtual Sector Teams (VSTs) capture sector-specific knowledge across asset classes and geographies. These teams bring together sustainability research and integration analysts, stewardship specialists, and credit and equity analysts based in different regions. VSTs are responsible for conducting sector research, overseeing the development of sustainability checklists, deriving related scores, and aligning our engagement activities with risk issues.

The role of virtual sector teams



13 virtual sector teams



Source: HSBC Asset Management. For illustrative purposes only. Representative overview of the investment process, which may differ by product, client mandate or market conditions.

Case Study – Integration: VST in Action



Developing a Nutrition Assessment Framework for Food Issuers in an Article 9 Fund

Sector: Consumer Staples | **Region:** South America | **Themes:** Social Opportunities

Teams involved: Stewardship, Global Fixed Income

Progress status: Issues raised

Attributes: Integration, Investment Decision

Background

A sustainable investment strategy with SFDR Article 9 label was looking to invest in food companies with positive nutrition exposure in Latin America. The investment team requested input from the stewardship function to develop guidance for assessing nutrition across two related companies, and to support improvements in both companies' nutrition targets over time.

Key engagement objectives

1. Develop guidance to assess positive nutrition eligibility for SFDR Article 9 funds
2. Relevant companies to improve their positive nutrition strategies

Engagement activities

- ◆ We drew on our experience from prior engagements with food issuers to develop criteria for positive nutrition standards. We then researched global food nutrition standards, using academic meta-studies to source objective perspectives on healthy and less healthy food groups, and incorporate insights from past engagements with nutrition standard organisations to strengthen the framework.
- ◆ The lead credit analyst engaged with both companies to understand their current practices.
- ◆ Our internal virtual sector team (VST) for Food, Beverages and Tobacco agreed the framework and assessed each company against it.

Related voting activities

None

Outcomes

As a result of the new framework, the VST agreed that one company could be passed for the next stage of the Article 9 investment process, as it had an unobjectionable food portfolio of breads and flours. The second company was not progressed as it mostly sold highly processed snacks and sweets. However, the company that passed still needs to improve its nutrition strategy, which is currently limited. As an engaged bondholder, we plan to continue engagement to encourage the company to set clear targets.

Climate assessment

Our Climate Investment Committee workstreams coordinate the net zero transition assessment processes and tools, designed to be sector-specific, starting with the highest carbon sectors, with VSTs providing input and feedback. We apply a proprietary climate assessment methodology to score and assess issuers, which helps to determine engagement priorities and guide escalation through voting.

We have a targeted engagement strategy in place for certain high-emitting issuers and progress tracking to support issuers along their transition journey. Under our Energy Policy, we aim to engage with and assess transition plans of listed issuers responsible for around 70 per cent of relevant emissions covering listed equity and corporate fixed income issuers managed in our major investment hubs. We undertake engagement and assessment of the oil and gas, and power and utilities issuers in this group. Our objective here is to guide engagement with companies, outline our expectations, and ultimately contribute to an improvement in the issuer net zero classification based on our

internal net zero alignment framework.² Through our engagements and the objectives we set, we encourage companies to be aligned or aligning with a net zero pathway.

Case Study – Thermal Coal Policy 2025 Updates



How information gathered through stewardship has informed investment decisions

Sector: Utilities | **Region:** Global | **Themes:** Climate Change

Teams involved: Stewardship, Fixed Income, Equity, Alternatives

Progress status: Addressing some of our concerns

Attributes: Escalation, Investment Decision

Background

Our coal policy commits us to engaging with issuers whose revenue from thermal or metallurgical coal is greater than 10%. The policy also expects additional due diligence for companies above this revenue threshold for participation in any primary issuance and IPOs, and for inclusion in our sustainable fund range.

Our aims in 2025 were to:

1. Communicate our expectations, as outlined within our Thermal Coal policy
2. Understand and assess relevant companies' transition plans, particularly timelines for coal exit

Approach

- ◆ Companies were identified using thermal coal revenue data from a third-party provider. They were then subject to engagement and assessment on the quality of their transition plans, guided by an internal climate assessment.
- ◆ Within our engagement, we outlined our expectations, speaking to sustainability and investor relations teams. We also provided recommendations regarding disclosure on the company's climate transition.
- ◆ Scores were then assessed by the Utilities VST, which provided additional commentary and review of transition plan assessments where this was required in the case of addressing any challenges or uncertainty in the quality of the company's transition plan. This assessment helped to guide in providing a final recommendation on which issuers should be fully approved for participation in primary issuance and IPOs, and for inclusion in our sustainable funds, and which should be approved for participation in green bond issuance only.
- ◆ Approval on the issuers was then subject to review from members of the Credit, Equity, Risk and Responsible Investment teams through our internal workflow tool.

Outcomes

- ◆ Following our due diligence and engagements over 2025, 26 issuers were approved for participation in primary issuance and for inclusion in our sustainable funds with 6 issuers recommended for green bond purchase only.
- ◆ We also voted against relevant board directors in 2025 AGMs at companies who derived more than 10% of thermal or metallurgical coal revenue and where we also noted poor climate disclosure.
- ◆ We will continue to engage with and assess the transition plan of thermal coal companies into 2026.

Stewardship governance

The investment and stewardship teams participate in the Responsible Investment Committee and Stewardship Committee, amongst others, which oversee the integration of stewardship commitments and objectives across the investment function. Please refer to Section B of our Policy and Context Disclosure for further details.

² We have developed an internal alignment framework to define and classify the net zero alignment of companies based on the IIGCC's Net Zero Investment Framework (NZIF) Implementation Guidance. The framework assesses the transition status and alignment of corporate issuers with net zero pathways.

Systems and tools

We continued to enhance our internal systems and tools to support the integration of sustainability and stewardship activities in the investment process. Please refer to Section B of our Policy and Context Disclosure for further details.

Stewardship training

During 2025, we conducted training sessions for investment teams in different geographies and asset classes on topics such as engagement recording, voting and introduction to stewardship.

4. How engagement differs across investment styles, asset classes and geographies

Investment styles and asset classes

Our engagement approach is broadly consistent across both active and passive equity and fixed income strategies, and systematic equity strategies, as outlined in our annual [Stewardship Plan](#).

For the majority of companies selected for engagement in our Priority List, stewardship specialists and investment teams collaborate where possible to drive the engagement agenda and objectives.

Where issuers are held across different asset classes, the Stewardship team may support collaboration and co-ordination between different investment teams.

Asset Class	Our Approach
Active Equities Active Fixed Income	Engagement may be driven either by investment teams or stewardship specialists, with a focus on issues most material to our active strategies. Stewardship and broader Responsible Investment team members provide advice as needed.
Systematic equity	Engagements are led by the Stewardship and active fundamental teams if companies are on the Priority List. Funds generally benefit from investment platform-wide voting and engagement activities. The investment team also contributes to the selection of companies for the engagement priority list for funds with a fund-driven engagement strategy.
Passive equity and fixed income	Engagement with investee companies follow our firmwide approach, led by the Stewardship and active fundamental teams if companies are on the Priority List. In addition, ongoing engagements with index providers are led by the investment team, with support from the Responsible Investment and Risk functions. Their sustainability research experts are regularly consulted on emerging trends and regulatory developments. For climate/sustainability indices, engagement typically occurs quarterly to validate index construction methodologies and any changes, including post-rebalance updates.
Liquidity	Engagement is led primarily by credit analysts and the Stewardship team. It is tailored to the banking sector, which typically represents the majority of exposure in a Money Market Fund. Engagements typically include a focus on financed emissions across three key areas: exposure and emissions, reduction targets and performance, and financing of climate solutions.
Multi-asset	Multi-asset strategies invest across a range of asset classes, from listed equities and fixed income to alternatives, and may be managed by HSBC Asset Management or by an external third-party manager. <ul style="list-style-type: none"> ◆ For internally managed products and strategies, multi-asset teams follow HSBC AM’s Stewardship Plan, delivered by stewardship specialists and investment teams.

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- ◆ For externally delivered multi-asset strategies (via investments in third-party managed funds), we conduct due diligence on external managers to confirm they meet HSBC AM's minimum responsible investment criteria, which includes policies and governance, resourcing, engagement and voting approach, and integration into investment decision-making. Please refer to [Principle 5](#) for further details.
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HSBC Alternatives provides clients with investment solutions across a broad range of alternative asset classes and strategies, including private equity, private debt, hedge funds, venture capital, infrastructure debt and equity, and real estate equity. Given the diversity of these asset classes, engagement approaches vary by strategy and are applied where relevant. Examples include:

Alternatives

- ◆ **Real assets:** The Listed Infrastructure Equity team undertakes sustainability-focused engagements, supported by the Stewardship team, to better understand the sustainability challenges facing investee companies and to encourage management teams to improve sustainability practices and outcomes.
 - ◆ **Venture capital:** The investment team actively engages with portfolio companies on identified and emerging sustainability risks, often in the capacity of a board member or observer.
 - ◆ **Hedge funds and private market solutions:** where we invest via third-party managers, such as private equity and hedge funds, we seek to monitor sustainability risks through due diligence at both the fund and third-party manager levels, and engage as appropriate. Please refer to [Principle 5](#) for further details.
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Case Study – Integration: Asset Class Differences



Ongoing engagement with a utility company held in a systematic equity fund after exclusion from active equity portfolios

Sector: Utilities | **Region:** Europe | **Themes:** Bioeconomy and Natural Capital

Teams involved: Stewardship, Active Quant Equity

Progress status: Addressing some of our concerns

Attributes: Integration, Investment Decision

Background

The company is a key utility provider. It has been in the media spotlight due to issues related to raw sewage being inappropriately discharged into the natural environment, drawing significant public criticism. Additionally, the company has limited monitoring of operational issues, which it claims is permissible under its licence, with limited evidence of monitoring in place to prevent such issues.

The company has also committed to investing in pipeline infrastructure and upgrades. However, concerns persist regarding the potential transfer of costs to consumers and the need to balance affordability with necessary investment expenditures. Prior to our engagement, the company was divested from active fundamental portfolios for sustainability-related reasons. Nevertheless, we continue to engage with the company and monitor its performance on behalf of our systematic equity positions.

Key engagement objectives

1. Develop objectives around reducing operational spills, with the aim to achieving zero spills
2. Assess the feasibility of using the Internet of Things (IoT) and/or Artificial Intelligence (AI) to monitor such spills
3. Develop strategies to assess, monitor, and mitigate network water loss in light of increasing incidences of drought

Engagement activities

- ◆ During 2024, we engaged in a one-to-one discussion with the Corporate Sustainability Officer (CSO). We raised concerns about the fines and potential legal actions the company may face due to poor environmental performance, which could, in turn, impact its operations. We discussed capital expenditure considerations, the challenges the company faced, and the actions it was taking to mitigate the risk of environmental spills and non-compliance.
- ◆ In 2025, we continued our engagement via multiple touchpoints led by both investment and stewardship. We highlighted the importance of addressing water loss across the network, urging the company to revisit historical assumptions about the cost of repairing leaks, given increasing water scarcity and societal expectations. We also encouraged accelerated investment in leak detection and repair.
- ◆ We emphasised the need to minimise operational spills, commended the company’s zero operational spill objective, and encouraged the expansion of AI monitoring capabilities to include water loss through the network, alongside maintaining a robust system for managing sewage overflows. The company has also been publicly criticised for its capex deployment, and we sought clarification on media reports regarding this matter, which the company refuted.

Related voting activities

None

Outcomes

The company continues to face reputational risks and public criticism, and remains excluded from some of our sustainable funds, primarily due to concerns over its environmental performance.

In 2025, the company outlined its strategy to monitor spills across its network, including how it intends to utilise AI – a positive development. Its capex commitments to addressing stormwater sewage run-off have given due consideration to consumer affordability; however, given the growing prevalence and risk of drought, the company will also need to consider the requisite strategies and investment needed to reduce water loss. This will continue to be a key issue as part of our ongoing engagement with the company.

Case Study – Integration: Small Cap in Active Equity



Improving E-Waste and Workforce Disclosure at a Recently Listed Small-Cap

Sector: Information Technology | **Region:** Europe | **Themes:** Bioeconomy and Natural Capital, Social Opportunities

Teams involved: Stewardship, Regional Equity

Progress status: Issues raised

Attributes: Integration, Voting

Background

The company is a recently listed small-cap with exciting growth potential driven by sales of an inclusive computing product. However, the company has very limited disclosure on environmental and social programmes, which has contributed to low ESG ratings, and may indicate gaps in managing business risks related to electronic waste (e-waste) and human capital development. These issues could disrupt growth and restrict the future investor base.

Key engagement objectives

1. Develop and disclose an e-waste strategy
2. Develop the human resources business function and disclose more workforce-related data points

Engagement activities

- ◆ During 2024, we met the IR and finance teams to share our concerns ahead of ESG agency coverage. We raised e-waste as a priority topic and understood the company viewed a full scheme as difficult to implement, while acknowledging our request. We also discussed their human capital development programmes which, given the small workforce, have worked well, but disclosure could be improved, and the approach may need to evolve as the company grows. For example, in 2024 the company only had a part time employee working directly on HR.
- ◆ During 2025, we met with the finance team and member of the company-wide sustainability committee to revisit these topics and express concern that the low ESG rating flagged in 2024 had materialised. The company agreed this was an issue and shared plans to improve data disclosure and to address identified gaps. We also encouraged further strategy development on e-waste and human capital and discussed several initial steps under consideration.

Related voting activities

None

Outcomes

Following our initial engagement, ESG rating agencies identified similar gaps and assigned low scores to the company. Despite signs of small improvement, for example on data disclosure, further work is needed to develop and implement workforce and e-waste programmes. Given the company's small size, we are giving them more leeway for weak performance and will continue to engage to encourage improvement and share best practice.

Case Study – Quarterly Governance Meetings with Index Providers



Background

We interact with the index providers on an ongoing basis to cover various topics from index-related matters to general trends and market updates. The agenda usually includes, but is not limited to, the following: regular updates and reviews of index offerings, discussions around emerging ESG trends, regulatory updates, and index consultations.

Key objectives

1. Strengthen oversight of index providers including data quality and governance practices
2. Stay up to date with market and regulatory developments
3. Stay up to date with ESG trends and index developments

Engagement

Topics discussed during governance meetings, include, but are not limited to, the following:

- ◆ Proposed changes to index methodologies, including the rationale behind those changes as well as the impact on the indexes
- ◆ Rebalance details including additions/deletions, challenging the index providers to validate index construction
- ◆ Regulatory updates relevant to ESG and/or sustainable products
- ◆ Data concerns and the index provider’s governance practices including the oversight of third-party data providers

Outcomes

Outcomes of this engagement activity, include, but are not limited to, the following:

- ◆ Informed decision-making
 - Example: based on historical data we received from index providers, we improved the index methodology for some of our indexes
- ◆ Improved scrutiny to third party data providers
 - Example: challenging the index providers to validate third party data and to improve their governance practices have resulted in enhanced scrutiny leading to improved data quality
- ◆ Improved client responsiveness
 - Example: discussing the rebalance changes in detail during the governance meetings allow us to tackle client questions with better responsiveness

Case Study – Alternatives Asset Class



Engagement with CEO and CFO on Environmental Performance and Remuneration

Sector: Utility | **Region:** Europe | **Themes:** Bioeconomy and Natural Capital, Social Opportunities, Corporate Governance

Teams involved: Alternatives

Progress status: Addressing some of our concerns

Attributes: Controversy, Integration

Background

The company, and the wider sector, has been under public and media scrutiny for environmental performance, including pollution incidents such as raw sewerage discharge into waterways and storm overflows. It has therefore committed to a significant investment programme over the current regulatory period, with a large portion intended to improve environmental outcomes, including reducing storm overflows, improving bathing water quality and developing nature-based solutions. The investment programme and the resulting increase in tariffs have heightened stakeholder concerns over affordability and value for money. Our holdings in the company reflect the stable and predictable nature of the company’s regulated cash flows, the benefit of the company’s investment programme on operational and environmental performance and with that earnings growth.

Key engagement objectives

1. Assess and understand capital expenditure plans and their impact on environmental and operational outcomes
2. Consider the trajectory for pollution incidents and storm overflow discharges
3. Understand how these outcomes flow through into performance against regulatory requirements

Engagement activities

During 2025, through regular meetings with the CEO and CFO, we raised the interlinked issues of environmental performance, capital allocation and affordability. We reviewed how the company’s capital expenditure plans are intended to reduce pollution incidents and storm overflows discharges. We also met with the Senior Independent Director to discuss the impact of legislative changes on executive pay. This was a two-way dialogue on how remuneration and incentives could continue to align the CEO with financial, operational and environmental outcomes, and support alignment with stakeholders.

Related voting activities

None

Outcomes

The company remains under media and public scrutiny. Its most recent results show improved environmental performance compared to the prior year. We will continue to monitor progress with the investment programme and track underlying operational and environmental outcomes, supported by ongoing engagement the CEO and CFO through the year.

Geographies

We recognise that issuers are at different stages of progress. In practice, we adapt our approach to reflect each organisation’s specific circumstances, maturity and risk exposure. Our aim is to set engagement objectives that are clear, actionable and tailored to the capabilities and context of the issuers we engage with. This includes a strong focus on regional context, particularly for emerging markets and developing economies (EMDE), to ensure we strike the right balance between meaningful change and the specific nuances of each region.

Taking part in local and regional industry initiatives also helps us to further tailor our approach to engagement to different markets. See Principles [2](#) and [3](#) for more details.

Principle 2: Promoting well- functioning markets



1. Our approach to system stewardship

As outlined in our Stewardship Plan, our stewardship strategy comprises three layers, with the top layer as System Stewardship, which seeks to address market-wide and system risks impacting our client portfolios.

We may participate in systemic, or system, stewardship activities to address risks and opportunities affecting the wider market or financial system, when relevant to our client portfolios and consistent with applicable legal requirements.

We aim to identify opportunities to engage with regulators, governments, or monetary authorities, primarily through our memberships in industry or sustainable finance associations, to provide perspectives on policy development. Our engagement with regulators includes responses to industry consultations on sustainability practices, including sustainability frameworks, disclosure, or assurance standards.

2. Market-wide and systemic risks linked to engagement themes

When defining our engagement themes, we assess the wider context, including the systemic risks and opportunities associated with each theme.

<p>Corporate Governance</p>	<p>Good corporate governance is critical to business success and value creation, providing a framework for accountability, transparency and effective decision making. Boards are responsible for maintaining high standards of corporate governance and holding management to account for business performance. An effective board helps management navigate a complex and uncertain macroeconomic environment, building resilience across the company. We engage with regulators and respond to market consultations that seek to enhance corporate governance, directly with standard setters or via industry associations.</p>
<p>Climate Change</p>	<p>Climate change has far-reaching and systemic implications for investors. The Intergovernmental Panel on Climate Change (IPCC) estimates that emissions have already resulted in a 1.1°C rise, with 1.5°C likely by 2030.³ Without significant action, temperatures are projected to rise between 2.2°C and 3.5°C by 2100, increasing extreme weather, sea levels and ecological damage.⁴ Extremely high temperatures are linked to reduced revenues and operating income⁵, and weather shocks to negative economic impacts.⁶ As a result, investee companies face growing exposure to transition risks and need flexible, forward-looking strategies aligned with sustainability goals and evolving regulatory frameworks.⁷</p>
<p>Bioeconomy and Natural Capital</p>	<p>The bioeconomy utilises biological resources (plants, animals, microorganisms) to produce food, materials and energy. Natural capital is the world’s stocks of natural assets (geology, soil, air, water and all living things). Biodiversity loss and ecosystem degradation pose significant economic, ecological and social risks. Over half of global GDP is moderately or highly dependent on nature and its services.⁸ Exceeding “tipping points” (e.g. pollination, fisheries, timber) could reduce global GDP by \$2.7 trillion by 2030, hitting low-income countries hardest.⁹ Companies negatively impacting nature face increasing regulatory and reputational risks. Through engagement, we encourage companies to influence system-level change via trade associations and policy engagement.</p>

³ Intergovernmental Panel on Climate Change (IPCC). (2023). Summary for policymakers. In H. Lee & J. Romero (Eds.), *Climate change 2023: Synthesis report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* (pp. 1-34). IPCC. <https://doi.org/10.59327/IPCC/AR6-9789291691647.001>.

⁴ Ibid.

⁵ Pankratz, N., Bauer, R., & Derwall, J. (2023). Climate change, firm performance, and investor surprises. *Management Science*, 69(12). <https://doi.org/10.1287/mnsc.2023.4685>.

⁶ Tol, R. S. J. (2024). A meta-analysis of the total economic impact of climate change. *Energy Policy*, 185, 113922. <https://doi.org/10.1016/j.enpol.2023.113922>.

⁷ Reboredo, J. C., & Ugolini, A. (2022). Climate transition risk, profitability, and stock prices. *International Review of Financial Analysis*, 83, 102271. <https://doi.org/10.1016/j.irfa.2022.102271>.

⁸ World Economic Forum. (2020). *Nature risk rising: Why the crisis engulfing nature matters for business and the economy*.

https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf. See also PricewaterhouseCoopers. (2023). *Managing nature risks: A guide for business*. <https://www.pwc.com/gx/en/strategy-and-business/content/sbpwc-2023-04-19-Managing-nature-risks-v2.pdf>.

⁹ Johnson, J. A., Ruta, G., Baldos, U., Cervigni, R., Chonabayashi, S., Corong, E., Gavryliuk, O., Gerber, J., Hertel, T., Nootenboom, C., & Polasky, S. (2021). The economic case for nature: A global earth-economy model to assess development policy pathways. *World Bank*. <https://hdl.handle.net/10986/35882>.

Human Rights

Adverse impacts, such as modern slavery, can arise in any sector, with heightened risk in certain industries, geographies or business models. We focus where a company has accountability, oversight or influence, while recognising issues may be intertwined with broader political and systemic challenges. Human rights regulation is rising globally, moving from disclosure to mandatory supply chain due diligence and import controls. We also recognise that system-level stewardship may be needed to improve transparency and consistency of human rights data.

Social Opportunities

Significant investment opportunities can arise from societies becoming more economically inclusive, with more people having higher incomes to spend and invest. Research links employee satisfaction and firm value in countries with flexible labour markets.¹⁰ Widening access and affordability to essential services (banking, insurance, medicine, education) may support long-term value creation by expanding economic participation and increasing household financial resilience.

Trusted Technology and Data

Digital connectivity can support international collaboration, economic growth and sustainable development, but rapid technological change can be disruptive, creating risks and opportunities for investors. Governments and regulators have introduced new rules to address risks from digital technologies, including artificial intelligence (AI) and digital assets.¹¹ Regulation can increase compliance costs and exposure to significant penalties, but often trails innovation and may not fully mitigate risks at the company or system level. Misinformation and disinformation can distort perceptions and erode trust, damaging corporate reputations, amplifying market volatility and undermining investor confidence. Shutdowns and censorship by state actors also have implications for human rights and business continuity.

3. Identification of market-wide and systemic risks

Market-wide risks can arise across multiple sectors simultaneously. If not effectively managed, they have the potential to significantly impact long-term investment returns and our ability to deliver sustainable value for our clients. Systemic risks threaten the stability of the entire financial system. Such risks can cascade from the financial sector into the wider economy, potentially causing widespread disruption. Our investment approach is designed to identify, assess, and respond to these risks to improve outcomes for clients and beneficiaries, and to support financial system resilience.

We incorporate the assessment of both market-wide and systemic risks into our investment processes, such as macroeconomic, geopolitical, environmental, social, governance and technological risks.

Risk identification, assessment and monitoring

We identify systemic risks through monitoring of macro-economic and market indicators.

- ◆ **Global events:** Tracking geopolitical tensions, regulatory changes, or pandemics that could trigger systemic shocks
- ◆ **Macro-prudential indicators:** Tracking a range of macro-prudential indicators – such as rapid credit growth, asset bubbles, or sharp capital outflows – that could signal emerging systemic risks

Our global investment strategy team identifies and communicates key market-wide and systemic risks to investment teams through monthly publications.¹² These reports outline our macro and policy outlooks, present potential scenarios, and assess their impacts across asset classes. The team also holds regular investment events covering key macroeconomic developments.

¹⁰ Edmans, A., Pu, D., Zhang, C., & Li, L. (2023). Employee satisfaction, labor market flexibility, and stock returns around the world. *European Corporate Governance Institute (ECGI) - Finance Working Paper No. 433/2014*. <http://dx.doi.org/10.2139/ssrn.2461003>.

¹¹ For example, Digital Markets, Competition and Consumers Act 2024 (UK) (<https://www.legislation.gov.uk/ukpga/2024/13/contents>) , Digital Markets Act (EU) (https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%3AL%3A2022%3A265%3ATOC&uri=uriserv%3AQJ.L_2022.265.01.0001.01.ENG) , and Financial Innovation and Technology for the 21st Century Act (US) (<https://www.congress.gov/bill/118th-congress/house-bill/4763>).

¹² HSBC Asset Management’s Investment Monthly publications are available via the Institutional Investor section of our Insights page: [Insights - Institutional Investor](#)

Systemic risks may also be identified through engagement with regulators and industry groups. HSBC Asset Management participates in industry forums, undertakes scenario planning exercises, and engages with external consultants to benchmark our risk profile against industry peers.

4. Our contribution through industry bodies

We seek to support the development of a well-functioning and more sustainable financial system through our engagement with regulators and policymakers, either directly or through industry bodies and collaborative initiatives.

Across our geographic footprint, we are members of more than 30 industry bodies, initiatives and networks that support progressive public policy development and action on responsible investment. Our membership and participation in these industry bodies provides us with valuable research, resources, insights, and expertise that we can leverage as needed. They help us stay up to date with emerging issues impacting investors, the wider market and portfolio companies. Our contribution to select industry initiatives and progress to date are as follows.

Initiative	Key Theme(s)	Overview	Method and Contribution	Progress to Date
Asia Corporate Governance Association (ACGA)	Corporate Governance	ACGA focuses on effective corporate governance practices across key Asian markets. It provides us with research and collaborative engagement opportunities with policymakers, financial regulators, stock exchanges, asset owners, and corporate to promote better corporate governance practices.	We actively participate in ACGA’s Japan, Korea, China and India working groups, collaborating with focus companies and contributing to investor dialogue with regulators and standard setters through ACGA events and its annual conference (please refer to ACGA Korea Conference case study).	Through ACGA, we continue to contribute to collaborative engagements with corporates and key market actors, which has helped to reinforce our engagement objectives and the improvements we wish to see.
Asia Securities Industry and Financial Markets Association (ASIFMA)	System Stewardship	ASIFMA is an independent regional trade association with over 160 member firms comprising a diverse range of financial institutions. Its mission is to promote the development of liquid, deep and broad capital markets in Asia. HSBC AM is a member of the ASIFMA Asset Management Group (AAMG).	Since 2023, we have co-chaired the AAMG ESG Committee, partnering with ASIFMA and members to set priorities and engage system-level stakeholders on regulations and standards affecting investee companies and asset managers. We have contributed to regulatory and market consultations, engaged regional regulators, stock exchanges and standard setters, and spoken at events on transition plans and climate disclosures. In 2025, we played an active role in the ASIFMA asset owner survey on sustainable investing, contributing to survey design, asset owner outreach, results analysis, report write-up and dissemination. ¹³	We hosted ASIFMA’s asset owner survey report launch in Hong Kong, moderating a panel of regional asset owners and sharing insights with clients and peers. We continue to use ASIFMA to advance system stewardship, engaging key market actors on sustainable investing and global standards adoption.

¹³ https://www.asifma.org/wp-content/uploads/2025/10/aamg-asset-owner-pulse-survey-on-sustainability-1.pdf?utm_campaign=All%20Members&utm_source=hs_email&utm_medium=email&_hsenc=p2ANqtz-9bxupl6dPDLuW8mER4AvDjgK-Oja14091VD0-Yne9-IIW1NG6hnJe2l3tAOaJUe01DCNoS

Initiative	Key Theme(s)	Overview	Method and Contribution	Progress to Date
Emerging Markets Investors Alliance (EMIA)	Climate Change; Human Capital	EMIA enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. HSBC AM was a founding member of the initiative.	In 2025, we remained engaged on sustainability through EMIA working groups, collaborating globally with companies and governments. Through the Financials Working Group, we deepened engagement with banks on climate strategy, including Scope 3 disclosures, targets, sustainable finance and transparency, supported by policy specialists from the Partnership for Carbon Accounting Financials (PCAF), Science Based Targets initiative (SBTi), and the Environmental Defense Fund (EDF). We also prioritised sovereign labelled bond standards, promoting high-quality issuance and broader debt pause clauses. On human capital and gender equity, we advanced data disclosure and social KPIs, particularly in select South American countries.	This initiative has supported engagements across our emerging market debt funds. We have worked with sovereigns to strengthen sustainability frameworks and align bonds with our in-house definition, and with banks and corporates on climate reporting, biodiversity and methane to meet sustainable investment strategy eligibility.
International Corporate Governance Network (ICGN)	Corporate Governance; System Stewardship	ICGN was established in 1995 with the objective to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.	We have actively participated at ICGN conferences and events to network and engage with asset owners, policymakers and industry peers. In prior years, we contributed to white papers ^{14,15} on artificial intelligence and workers' voice through the Human Capital Committee, provided comments to ICGN's updates to its Global Stewardship Principles, ¹⁶ and provided input to ICGN's response to an Asian stock exchange's consultation on corporate governance. In 2025, we joined the Global Policy Committee and the Future Leaders Committee, where we published a video blog discussing the board's role in the successful delivery of climate transition plans. ¹⁷	The published white papers and video blog provided a useful resource for our research and engagements with portfolio companies. We have leveraged ICGN's insights, resources, and opportunities to further our system stewardship activities.

¹⁴ [ICGN Investor Viewpoint: Artificial intelligence: An engagement guide](#)

¹⁵ [ICGN Investor Viewpoint: Workers' voice in corporate decision-making](#)

¹⁶ [ICGN Global Stewardship Principles](#)

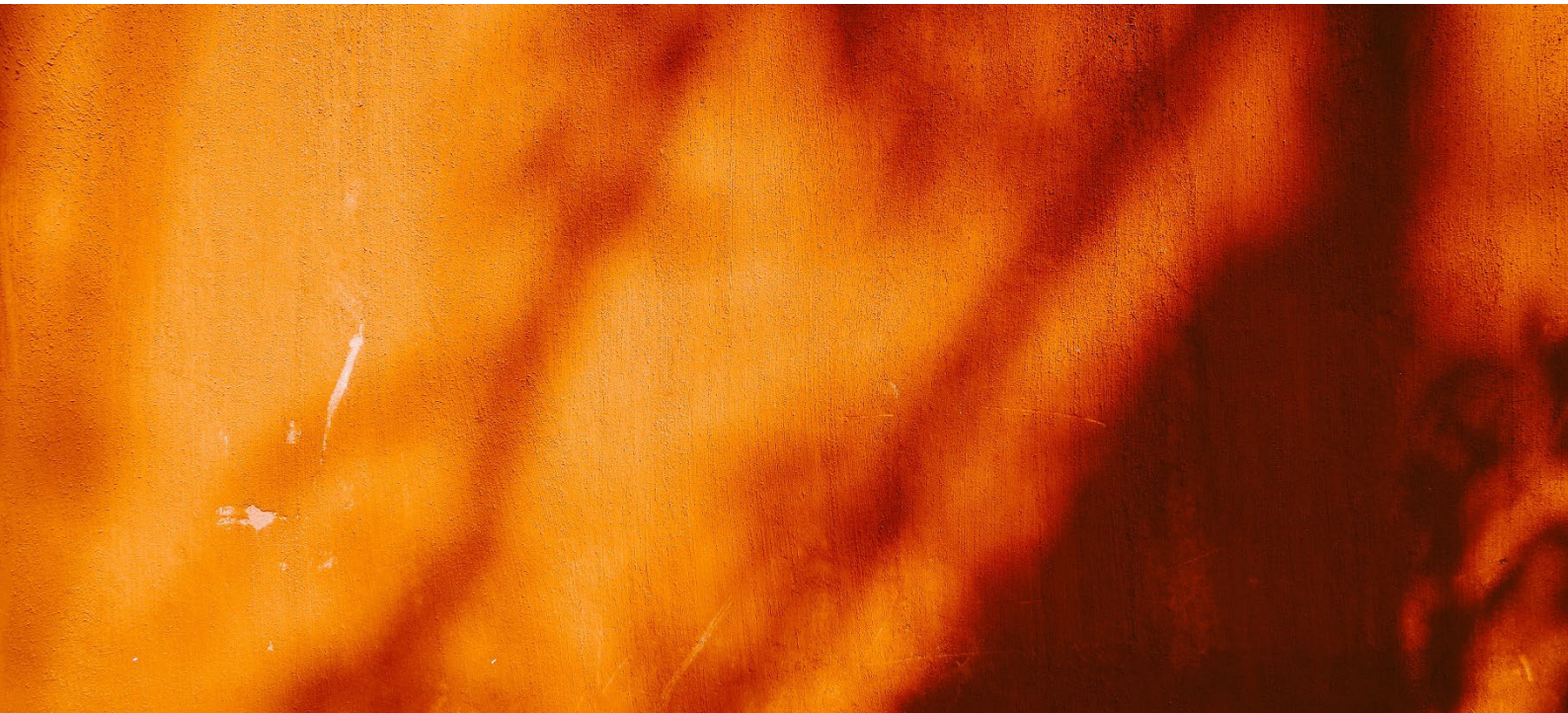
¹⁷ <https://www.icgn.org/icgn-future-leaders-committee-blog>

Initiative	Key Theme(s)	Overview	Method and Contribution	Progress to Date
Climate Action 100+ (CA100+)	Climate Change	CA100+ is an investor-led initiative that encourages the world’s largest corporate greenhouse gas emitters take necessary action on climate change. It enables us to leverage an established framework, with additional research and insights on companies where climate risk is material.	We co-lead engagements with four companies and are supporting investors for another 15 companies. We are also members of two thematic working groups focused on State Owned Enterprises (SOE) in Asia and Transition within the Asian steel sector.	During 2025 we engaged with several of the CA100+ focus companies, both through the initiative and on an individual basis.
Asia Investor Group on Climate Change (AIGCC)	Climate Change	AIGCC is a regional initiative uniting Asian asset owners and financial institutions to encourage action on climate change. It helps investors manage climate-related risks and opportunities, promotes low-carbon investment, and engages companies and policymakers to accelerate the region’s transition to a net-zero emissions economy.	We actively participate in working groups focused on just transition, physical climate risk, resilience measures, and initiatives that tackle the challenges of achieving net zero outcomes.	Our involvement provides access to research and insights, creating new opportunities to engage policymakers on climate strategy. Over the past year, we’ve shared views on incentivising higher-quality green issuance, raising awareness of just transition risks, and exploring green issuance for climate adaptation.
FAIRR	Bioeconomy and Natural Capital	The FAIRR initiative is an investor network that raises awareness of the risks and opportunities associated with intensive animal agriculture.	Building on progress in prior years, we remain actively engaged in several FAIRR initiatives in 2025, including Protein Diversification and Waste and Pollution. Protein Diversification focuses on 20 of the world’s largest food manufacturers and retailers, recognising their influence on consumer uptake of sustainable diets through alternative proteins. Waste and Pollution addresses pollution and biodiversity risks linked to manure mismanagement, engaging ten listed pork and poultry producers and two solution providers. These efforts extend earlier letter sign-ons and follow-up meetings.	We met four companies across both initiatives during 2025 and are ongoing. FAIRR published progress reports in 2025, highlighting engagement activities and company responses under both initiatives.

Initiative	Key Theme(s)	Overview	Method and Contribution	Progress to Date
Nature Action 100 (NA100)	Bioeconomy and Natural Capital	<p>NA100 is a global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature and biodiversity loss. Investors engage with companies in key sectors that have been deemed as systemically important in reversing nature and biodiversity loss by 2030.</p>	<p>In 2025, we participated in pre-engagement meetings with other investors to address key topics and focus areas for target companies. We are participating investors for five companies.</p>	<p>We have leveraged the knowledge and insights from the engagement groups to develop engagement plans for the companies. One company has responded positively, providing details of its activities and plans to address issues we identified. We plan to continue our engagements through 2026 and evaluate progress in line with the initiative’s recommendations and assessment framework.</p>
Finance for Biodiversity (FfB) Foundation	Bioeconomy and Natural Capital	<p>The FfB Foundation unites around 200 financial institutions as signatories of the FfB Pledge. The Pledge was the first global initiative to unite financial institutions on biodiversity, with commitments to: collaborate and share knowledge, engage with companies, assess biodiversity impact, set targets, and report publicly on progress.</p>	<p>We were co-chair of the Engagement with Companies working group. Members of the group share experiences and new developments and explore biodiversity-related corporate engagement with the objective to encourage corporates to align their activities with biodiversity goals. We have also participated in several other working groups, such as Impact Assessment, Target Setting, and Sovereign Debt. During the year, we participated at the Finance for Biodiversity Summit in Amsterdam, contributing to a panel on corporate engagement and shared insights on challenges, opportunities and progress.</p>	<p>Our participation is ongoing. As co-chair of the working group, we have shared engagement experiences and strategies and invited subject matter experts to brief members on relevant topics. Our involvement has contributed to tangible output, such as the Sovereign Debt group’s published sovereign debt nature assessment model.</p>
PRI Advance	Human Rights	<p>Advance is a PRI-led initiative that supports investors protect and enhance risk-adjusted returns by advancing progress on human rights through investor stewardship. The initiative engages with renewables and metals and mining companies, offering resources and insights that complement our stewardship strategy.</p>	<p>Appointed to the initiative’s Signatory Advisory Committee in 2024, we provide input and recommendations to the PRI, offering strategic guidance on the development of the Advance initiative. We have co-led engagement with an Asian utility company since 2023 and, in 2025, joined engagement groups for two diversified miners – acting as co-lead for one and collaborating investor for the other. In 2025, PRI Advance delivered nine webinars on salient human rights topics, which we share via Virtual Sector Teams.</p>	<p>We are encouraged by the progress and commitments from the Asian utility company that we have co-led over the past few years, with one of the engagement objectives marked as complete.</p>

Initiative	Key Theme(s)	Overview	Method and Contribution	Progress to Date
30% Club UK Investor Group	Social Opportunities	The 30% Club UK Investor Group brings together more than 40 investors managing trillions of pounds in assets to encourage change in companies on inclusion and diversity.	We were appointed co-chair of the Investor Group in late 2024. We are also members of the initiative’s engagement working group, which aims to improve both gender and ethnic diversity at the executive level through engagement.	We participated in engagement with one of the companies and discussed challenges in increasing female representation among executive management as well as on the board. The company’s latest annual report indicates a significant improvement in gender diversity in executive management.
Good Work Coalition (GWC)	Social Opportunities	We joined the GWC in 2022. It aims to promote good employment practices at investee companies, particularly in sectors characterised by low pay and large workforces.	We engaged five priority companies through the initiative, including private one-to-one follow-up calls. While they differ in size, most operate globally. Discussions focused on progress towards living wages for direct and indirect workers, and on improving disclosure of employee wellbeing metrics. Given varied maturity levels, we shared best practice from industry leaders to support earlier-stage firms. We supported two of three coalition co-filed shareholder resolutions seeking stronger human capital management disclosures, aligned to our voting framework. While we did not co-file these resolutions, we provided early, pragmatic investor-focused feedback.	We saw positive progress across most engagements, with no issuers falling back against our objectives. Improvements included stronger disclosures, narrower age-related pay gaps in comparable roles, and continued living-wage payments. Two supported shareholder resolutions gained nearly one-third of votes, enabling deeper senior-leadership engagement through 2026.
Forum pour l'Investissement Responsable (FIR) Club Small and Mid-Cap (SMID): Human Capital Working Group	Social Opportunities	The group engages smaller European companies on human capital issues such as employee share ownership, skills training, employee representation on decision making bodies, responsible management of restructuring and employment and retention policies.	Members propose investee companies for collaborative engagements, after which they select which companies to engage with and determine lead and support roles accordingly. We have been a lead investor for a European energy company since 2024. Meetings typically involve investors meeting company human resource teams, and sustainability leads. The investor group meets quarterly to discuss progress at each company and revise the focus list.	Across four engagements over two years, we set four objectives. The company has delivered credible plans for two, achieving Milestone 4, while the remaining objectives sit at Milestones 2 and 3. Progress includes improved pay transparency, plans to close pay gaps, and streamlined HR systems for better data and communication.

Initiative	Key Theme(s)	Overview	Method and Contribution	Progress to Date
Collective Impact (CIC) for Ethical AI	Trusted Technology and Data; Human Rights	This initiative encourages technology firms to strengthen ethical AI policies and practices, informed by the World Benchmarking Alliance (WBA)’s Digital Inclusion Benchmark. Now in Phase 2, it expects companies to publish AI principles, evidence implementation, integrate AI risks in human rights reviews, and define AI governance. Coverage will expand to 200 companies in the 2023 Digital Inclusion Benchmark.	We are a lead investor for an engagement with a North American company. Engagement efforts are focused on encouraging companies to implement policies and mechanisms that promote the ethical development and application of AI, guided by respect for human rights and the principle of inclusivity. Such actions and disclosures provide a strong indication that a company is addressing the issue with commitment and oversight from senior leadership.	Following the initiative’s launch, civil society groups have issued statements to raise concerns and promote best practices for ethical AI, while 19 companies evaluated in the Digital Inclusion Benchmark have published their inaugural ethical AI principles. Most companies engaged through this initiative continue to be open to discussions about their efforts to advance ethical AI principles and practices. WBA published the initiative’s progress report in 2025. ¹⁸



¹⁸ <https://www.worldbenchmarkingalliance.org/latest/plugging-ai-transparency-gap-collective-impact-coalition-ethical-ai-2025-progress-report>

Case Study – EMIA Financials Working Group



Sustainable Lending Target at a Mexican Bank

Sector: Financials | **Region:** North America | **Themes:** Climate Change

Teams involved: Global Fixed Income

Progress status: Issues raised

Attributes: Positive Progress, Collaborative

Background

This company is a leading financial institution in Mexico. Since 2023, we have maintained active engagement with the company, most recently in 2025 through the Emerging Markets Investors Alliance (EMIA), a collaborative initiative focused on good governance and sustainable development. As a founding member of EMIA, HSBC Asset Management participated in the Financials Working Group to encourage progress on climate strategy. Our efforts have focused on reducing greenhouse gas (GHG) emissions, improving climate risk disclosures, and supporting sustainable finance. These areas are relevant to the company’s eligibility for inclusion in our ESG and Sustainable strategies.

Key engagement objectives

1. Establish a clear target for sustainable lending

Engagement activities

- ◆ Since 2023, we have actively engaged with the company to support its climate transition and to seek updates on its sustainability strategy. Our initial discussions covered a broad range of sustainability topics, including corporate governance and conduct, human capital, biodiversity, circular economy, and climate-related issues.
- ◆ In 2025, we deepened our engagement, focusing on the company’s approach to climate risk and its progress to date. The company has established and disclosed sector-specific GHG emissions reduction targets for 2030, which have been validated by the Science Based Targets Initiative (SBTi). We discussed data gaps and the disclosure of Partnership for Carbon Accounting Financials (PCAF) data scores, emphasising that this transparency is important for robust climate risk assessment. Additionally, we reviewed the company’s climate risk scenario analysis and its participation in the central bank’s voluntary capital assessment, as well as the allocation of proceeds from a recent sustainable bond to new eligible projects.

Related voting activities

None

Outcomes

The bank has made considerable progress in measuring indirect emissions from its lending portfolio. However, further work is needed to establish a clear target for sustainable lending, which we anticipate the bank will begin disclosing by 2026. We are also continuing discussions on the steps involved in transitioning exposure related to a state-owned electric utility. Looking ahead, we will continue to monitor progress and encourage further improvements.

Case Study – Good Work Coalition



Living Wage Practices in Western European Retailers

Sector: System Stewardship | **Region:** Europe | **Themes:** Social Opportunities

Teams involved: Stewardship, Global Equity, Regional Equity

Progress status: Issues raised

Attributes: Voting, System Level, Escalation

Background

Several Western European retailers have faced controversies over low pay for their staff. In the context of high inflation in living costs, low pay can contribute to employee wellbeing concerns, higher staff turnover, and lower productivity and customer service quality. A stakeholder group who engages the sector on low pay issues filed shareholder resolutions at several retailers to raise investor awareness and encourage improved practices.

Key engagement objectives

1. Engage with the companies and resolution filer to understand their respective positions
2. Encourage the companies to improve their living wage disclosures and pay a living wage

Engagement activities

During 2024, we held several calls with the resolution filer to understand their rationale and approach. We understood that they intended to file resolutions at two laggards and one near-leader, with the aim of raising industry performance on living wages. In the same year, we were able to meet six listed retailers to understand their perspectives and share our concerns. We observed the different practices and understandings of workforce across each retailer, which helped to inform our voting decisions.

Related voting activities

- ◆ In 2025, we voted for resolutions at two of three companies, as additional disclosure could help shareholders understand how living wages are considered in wage setting, and whether not paying recognised living wage rates created risks for investors.
- ◆ We voted against the shareholder resolution at one retailer because the company already paid a living wage to the majority of its workforce. As the resolution wording was the same as that used for the two laggards, we did not consider further disclosure necessary given the company's lower exposure to this risk.

Outcomes

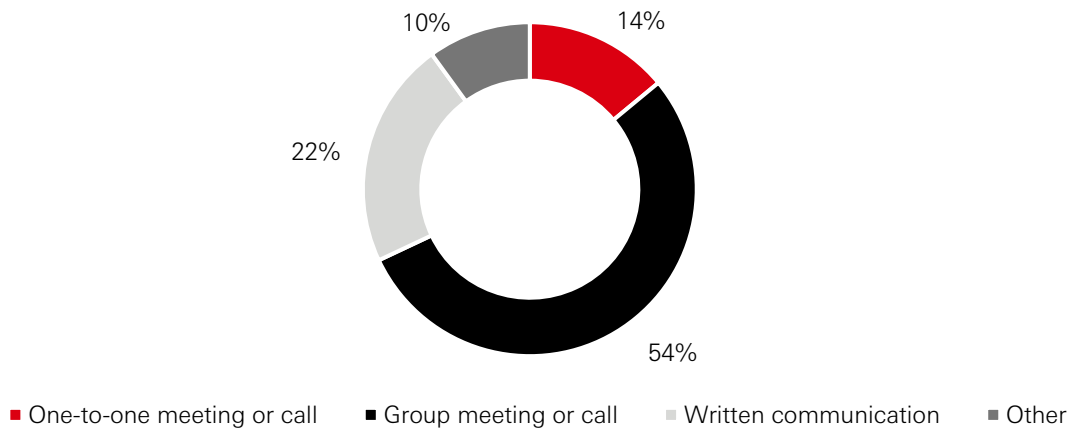
All three companies recommended against votes on the resolutions. To date, at one company almost 30% of investors voted in favour, indicating a high level of dissent. The company is expected to respond formally by the end of 2025. We aim to review this new insight and the outcome of the other two votes, and determine appropriate next steps for engagement with the companies and the resolution filer over the coming year.

System stewardship in numbers

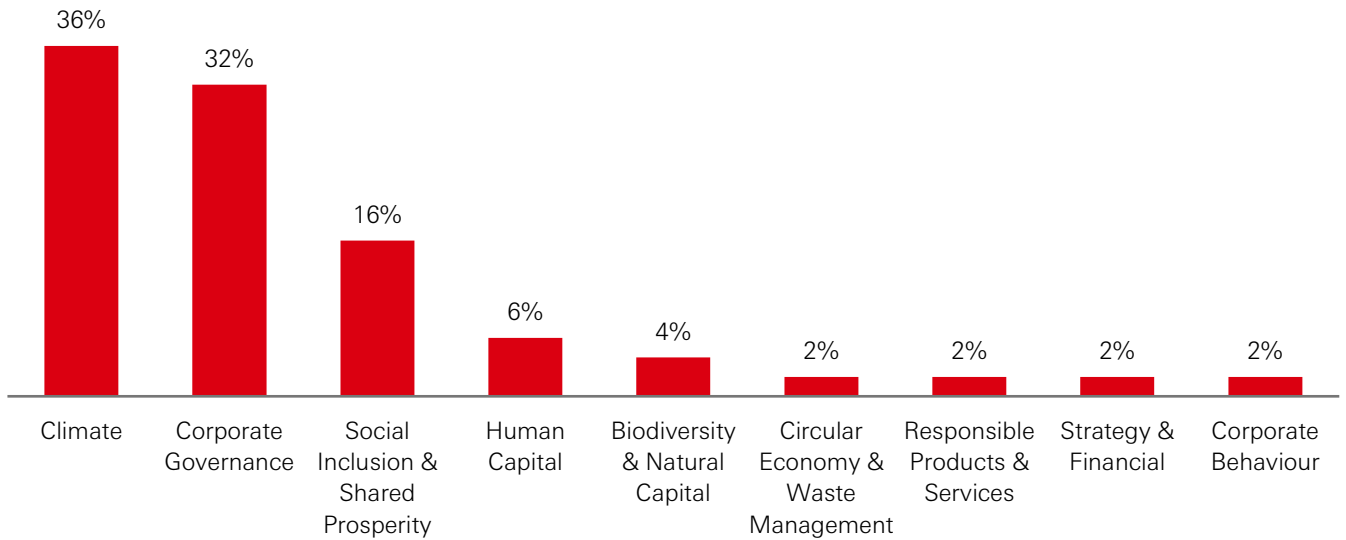
In 2025, we started to track system stewardship activities on our new engagement recording tool. 50 events were logged. Group meetings or calls were the main channel for system stewardship activities, accounting for over half of all events, followed by written communications. The top three topics discussed were climate change, corporate governance and social inclusion & shared prosperity.

Please refer to [Appendix 1](#) for details of our system-level engagement statistics.

System Stewardship Events by Format (2025)



System Stewardship Events by HSBC Theme (2025)



Case Studies



Policy Engagement Supporting a key Asian market’s Sustainable Finance Agenda

Following prior year submissions, we continued to contribute to policy and industry consultations on sustainable finance and climate resilience for a key Asian market in 2025.

We expressed support for and encouraged the jurisdiction’s sustainable finance development by promoting clearer disclosure and taxonomies, stronger climate adaptation planning, high quality sustainable issuance practices, and effective cross-sector coordination.

We provided input primarily through industry associations ASIFMA and AIGCC, covering adaptation strategy, stakeholder coordination, disclosure standards, taxonomy development, sustainable issuance quality, and mitigation ambition. We encouraged clearer framing and practical implementation options. In addition, we responded to a regulatory survey on sustainable finance, sharing views on global trends, the jurisdiction’s opportunities and risks, ecosystem gaps, and potential actions to reinforce hub status.

As next steps, we aim to identify opportunities to continue engagement through direct and industry channels, supporting practical guidance, experience-sharing and capacity-building.

Industry Engagement on Transition Guidance Development for a Pilot Sector in Asia



During 2025, we were invited by local financial regulators to participate in an industry working group to develop transition guidance for a pilot sector.

We joined the working group kick-off, subsequent group and one-on-one discussions with the local regulators to provide structured feedback on the draft guidance for a pilot sector, including:

- ◆ Positioning: aligning with existing frameworks and standards for the pilot sector
- ◆ Metrics: identifying both sector-agnostic and sector-specific metrics, drawing from existing market frameworks, and the preference to focus on a smaller set of key metrics rather than expanding scope
- ◆ Proposal to prioritise subset of the pilot sector to limit scope and focus resources
- ◆ Proposal to also consider supply chain emissions as a decision-useful output, not only operational emissions
- ◆ Acknowledging challenges including the rapid development of the sector and highly competitive landscape making further transparency potentially commercially sensitive
- ◆ Consideration for technology as an enabler of decarbonisation, alongside challenges in measurement of additivity
- ◆ Adaptation and resilience considerations

We aim to continue engaging through the working group process and provide further feedback as the pilot sector transition guidance is refined and progressed.

Strengthening Data Quality through Engagement with External Data Providers



Background

Throughout the year, we engaged two external ESG data providers to clarify assessment methodologies and correct data gaps identified through internal review and client due diligence. Topics included human rights controversies, treatment of platform workers in ESG risk models, and accuracy of thermal and metallurgical coal exposure data.

Key objectives

Improve accuracy and transparency of third-party ESG assessments by challenging data gaps, validating methodologies, and securing timely corrections to support investment decisions and client reporting.

Engagement

- ◆ Following internal reviews and client-driven enhanced due diligence, we raised queries with two of our ESG data providers. We requested updated criteria and assessment rationale for two issuers under UN Global Compact human rights principles
- ◆ Separately, we challenged the absence of gig-economy delivery rider issues in a large food delivery company's ESG risk assessment, requesting model change and re-assessment
- ◆ We also flagged discrepancies in coal exposure data for issuers where divestments had occurred or disclosures suggested misclassification. Providers reviewed underlying sources, confirmed publishing-cycle timing where relevant, and in some cases updated their research

Outcomes

One provider corrected an issuer's thermal coal revenue exposure from 2.5% to 30%, triggering exclusion from sustainable funds. Another committed to update coal exposure data in a scheduled publishing cycle.

We aim to continue monitoring provider updates and controversy developments, maintain an escalation process for material data gaps, and prioritise engagement where assessments affect sustainable investment eligibility and client due diligence.

5. Engaging with issuers on systemic risks

We engage with issuers where market-wide and systemic risks could materially affect the long-term value for our clients. Please refer to [Principle 3](#) for further details of our engagement approach.

Case Study – Biodiversity Commitment



Sector: Various | **Region:** Global | **Themes:** Bioeconomy and Natural Capital

Teams involved: Stewardship

Progress status: Addressing some of our concerns

Attributes: System Level, Commitments & Pledges, Positive Progress

Background

Bioeconomy and Natural Capital is one of our engagement themes. We are also a member of the Finance for Biodiversity Foundation (FbBF) and Nature Action 100 (NA100). Furthermore, under Article 29 of France’s Energy and Climate Law (LEC) we have committed to engage with companies that have high impacts on biodiversity.

Key engagement objectives

1. Carry out a biodiversity impacts and dependencies assessment, and disclose the findings where possible
2. Set a ‘SMART’ biodiversity-related target, including on water, waste, deforestation, or other relevant topics
3. Establish a biodiversity-related policy, including responsible sourcing, commitment to external initiatives, and a commitment not to operate in or adjacent to high biodiversity value areas

Engagement activities

During 2024 and 2025, we engaged with a set of priority companies to share good practice, and to understand how they are approaching the topic. We recognise that nature and biodiversity encompass a broad range of environmental topics and that practices continue to evolve in this space. As such, we encouraged companies to develop nature strategies, starting with an assessment of their impacts and dependencies on nature, and to set meaningful targets based on this assessment.

Outcomes

We have tracked three indicators over 2023 to 2025 to evaluate engagement progress, which has broadly aligned with our expectations:

- ◆ **Biodiversity impact and dependencies assessments:** the number of companies that have completed these increased year-on-year, with several disclosing some of their results. We also noted additional companies currently undergoing the analysis, with plans to provide further disclosures in future.
- ◆ **‘SMART’ targets:** progress was more limited. This appears to reflect two key factors: first, companies are using their impact/dependency assessments to inform what targets to set; second, many companies already have targets, but these are not considered ‘SMART’ and have therefore not been included in the count. We continue to encourage companies to adopt SMART targets to enable consistent tracking of progress over time.
- ◆ **Biodiversity-related policies:** there has been a slight increase and is an area where most companies already have policies in place. For those that do not, we continue to encourage progress to support improved management of potential risks.

While we have observed progress against our expectations, we also acknowledge that further work is required. We will continue to engage and encourage further progress. We also plan to broaden the scope of companies we engage with on this important topic.



Case Study – Collaboration on AI Governance

AI Governance, Human Rights and Workforce Impacts at a Digital Platform Company

Sector: Industrials | **Region:** North America | **Themes:** Trusted Technology and Data, Social Opportunities

Teams involved: Stewardship

Progress status: Addressing some of our concerns

Attributes: System Level, Collaborative

Background

At the time of engagement, this company did not have a defined, stand-alone artificial intelligence (AI) policy, a clear link between human rights and AI, or an official AI strategy report. As the company relies heavily on algorithms for pricing and service delivery, we sought further insight into its progress on these topics and related areas.

Key engagement objectives

1. Provide an updated AI strategy and AI usage update and disclose effects of AI use on workers

Engagement activities

- ◆ We have been the lead engager with this company under the Collective Impact for Ethical AI initiative since 2024. We learned that AI formulation, implementation and education are documented and updated regularly. As a member of the UN Global Compact, the company describes how it processes third-party requests, and enforce rules relating to data and associated risks to rights.
- ◆ The company confirmed that they have a standalone human rights policy. Policy scope and oversight include an AI law/ethics group, the Chief Policy Officer, and product teams, while board-level AI skills are under consideration. Current focus is on mandatory AI onboarding and training. The company’s public blog describes AI use and related technical information. The company stated that it references the industry-recognised NIST framework.

Related voting activities

None.

Outcomes

- ◆ The company confirmed that biometric and/or facial recognition is not implemented as part of service functionality, although more clarity would be beneficial.
- ◆ Their AI principles are expected to support improved disclosure on AI development and use across its services and products. We encouraged further disclosure on data privacy and cybersecurity, and the company highlighted its privacy check-up feature. It has added a technology and cybersecurity experience to board skills disclosures. Cross-functional teams are monitoring AI regulatory and technical developments, supported by an AI Law & Ethics Council that sets strategy and governance priorities.
- ◆ The company has received a demand to stop using AI-driven pay systems, which have been blamed for significantly reducing the incomes of drivers on its ride-hailing platform.
- ◆ As a next step we will continue to monitor the company and encourage progress.

6. Escalations on systemic risks

We identify opportunities through our networks and working with industry bodies to engage with market actors to help address market-wide or systemic risks.

Case Study – ACGA Korea Conference



Engagement with System-level Actors on Corporate Governance Reform and Value-Up

Region: Asia | **Themes:** Corporate Governance

Teams involved: Stewardship

Attributes: System Level, Collaborative

Background

Korea’s corporate governance reforms have been a key driver to investor returns as they target persistent drivers of the “Korea discount”, such as controlling shareholder influence, board independence, limited transparency, and AGM frictions that constrain effective voting and stewardship. The market is at a critical juncture as the Value Up program, Commercial Act amendments (including strengthened fiduciary duties for board directors), and potential dividend tax reform begin to shift incentives towards sustainable value creation, not just compliance. Global institutional investors have the opportunity to promote and influence good governance practices, and convert policy momentum to measurable outcomes at the market level through active engagement with system-level actors – regulators, government officials, stock exchanges, and asset owners.

Key objectives

1. Understand the direction and implementation of governance reforms and the value-up programme
2. Clarify expectations and exchange perspectives on minority shareholder protection, stewardship, disclosure and board practices

Engagement

We participated in ACGA’s annual conference held in South Korea in 2025, including a series of side meetings with regulators, policymakers, the stock exchange, asset owners, auditors and corporates.

The implementation of the Commercial Act amendments was a key topic, with the shift of board fiduciary duties to all shareholders expected to present concerns on director accountability. Regulators and industry associations shared their ongoing work to provide guidelines to support interpretation and implementation.

Discussions also focused on:

- ◆ Minority shareholder protection, such as rules around mandatory takeover and parent-child listings
- ◆ Treasury shares mandatory cancellation
- ◆ Voting forms, including cumulative voting and separate election of audit committee members
- ◆ Strengthening Korea’s stewardship code
- ◆ Progress on value-up and related tax proposals
- ◆ Emerging topics such as audit-related geopolitical risks and AI governance

We also had the opportunity to share our views on climate risks and opportunities for Korea with members of parliament.

Outcomes

We were encouraged by the progress the Korean market has already made in corporate governance reform and the commitment from market stakeholders to continue to do so into 2026 as further reforms were signposted. As next steps, we will continue to monitor progress in this market, contributing our views and expectations through ACGA and other industry bodies.

Principle 3: Engagement



1. How stewardship creates value for investors

Empirical evidence is building regarding the link between stewardship and value for investors.¹⁹ Stewardship creates value by:

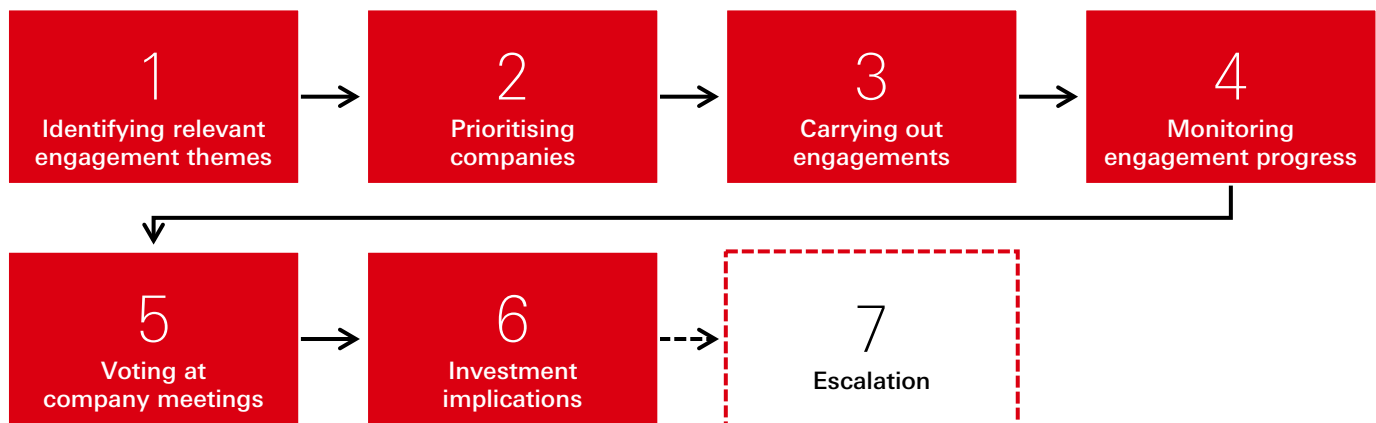
1. **Driving growth.** Holding company boards accountable for delivering sustainable growth for shareholders
2. **Managing risks.** Encouraging companies to proactively address both current and emerging risks to protect investor value
3. **Improving transparency and disclosure.** Supporting better investment decisions and reducing uncertainty for investors, potentially leading to lower costs of capital. Enhanced disclosure also helps companies gain insights into their businesses, leading to improvements in growth and risk management
4. **Promoting strong governance.** Acting in our clients’ interests to encourage high standards of behaviour in the markets where companies operate
5. **Encouraging sustainable practices.** Promoting responsible social and environmental practices to manage risks, build trust with stakeholders, and safeguard companies’ licenses to operate

We carry out our stewardship activities at the firm, fund, and system levels:

- ◆ **Firmwide stewardship:** Manages risks and opportunities across our client portfolios through issuer engagement and proxy voting
- ◆ **Fund-driven stewardship:** Supports sustainability objectives where appropriate for selected client portfolios in our sustainable investment product range
- ◆ **System stewardship:** Addresses market-wide and system risks impacting our client portfolios using a range of different approaches; it complements issuer stewardship at the firm and fund levels. Please refer to [Principle 2](#)

2. Our approach to firmwide stewardship

Our approach to firmwide stewardship is broadly as follows:



¹⁹ As examples, Hoepner et al. (2024) found that engagement can benefit shareholders by reducing firms’ downside risks (available at Hoepner, A. G. F., Oikonomou, I., Sautner, Z., Starks, L. T., & Zhou, X. Y. (2024). ESG shareholder engagement and downside risk. *Review of Finance*, 28(2), 483–510. <https://doi.org/10.1093/rof/rfad034>). Bauer et al. (2023) found that targets of successful material engagements significantly outperformed their peers for over the next 14 months (available at Bauer, R., Derwall, J., & Tissen, C. (2023). Private shareholder engagements on material ESG issues. *Financial Analysts Journal*, 79(4), 64–95. <https://doi.org/10.1080/0015198X.2023.2220648>).

Identifying relevant engagement themes

As outlined in [Principle 1](#), we identify and update our engagement themes in our annual Stewardship Plan, where we highlight the investment relevance of each theme, examples of related issues, and areas of good practices that we encourage companies to work towards if the theme is a relevant issue. For further details please refer to our [Stewardship Plan](#).

Theme	Examples of related issues	Area of good practices
Corporate Governance	◆ Business Ethics	◆ Board effectiveness ◆ Accountability ◆ Market standards ◆ Disclosures and transparency
	◆ Business Risk Management	
	◆ Corruption & Instability	
	◆ Governance Issues (pay, ownership structure, board, remuneration)	
	◆ Management of the Legal & Regulatory Environment	
	◆ Transparency, Reporting, and Accounting	
Climate Change	◆ Climate Transition Risk	◆ Climate strategy including decarbonisation and emissions reduction ◆ Climate risk and reporting ◆ Climate adaptation and physical risks ◆ Just Transition ◆ Climate governance including lobbying
	◆ Energy Management	
	◆ GHG Emissions	
	◆ Green Solutions	
	◆ Just Transition Risk	
	◆ Net Zero Strategy	
	◆ Physical Climate Risk	
Bioeconomy and Natural Capital	◆ Air Quality, Pollution & Toxic Waste	◆ Bioeconomy and natural capital strategy ◆ Bioeconomy and natural capital risk and reporting ◆ Bioeconomy and natural capital governance ◆ Bioeconomy and natural capital engagement
	◆ Biodiversity & Ecological Impacts	
	◆ Circular Economy Solutions	
	◆ Nature-Based Solutions	
	◆ Nature Strategy	
	◆ Product Design & Lifecycle Management	
	◆ Raw Material Sourcing	
	◆ Water & Wastewater Management	
Human Rights	◆ Human Rights	◆ Human rights policy and oversight ◆ Due diligence and mitigation ◆ Grievance mechanisms and remediation ◆ Supply chain and contractor management ◆ Ongoing monitoring and disclosures
	◆ Community Relations	
	◆ Supply Chain Management	
Social Opportunities	◆ Access & Affordability	◆ Working conditions ◆ Fair reward ◆ Inclusion and belonging ◆ Access and affordability
	◆ Inclusion & Belonging	
	◆ Employee Engagement	
	◆ Health & Safety	
	◆ Labour Relations	
	◆ Social Inclusion Opportunities	
Trusted Technology and Data	◆ Data Security & Privacy	◆ Technology and data risks ◆ Security and protection ◆ Privacy and digital rights ◆ Technology and data solutions ◆ Technology and data governance
	◆ Product/Service Governance & Responsibility	
	◆ Product/Service Quality & Safety	

Prioritising companies

We maintain a Priority List of issuers for engagements to help us prioritise impactful engagements that support investment decision-making.²⁰ Issuers covered by HSBC AM policies and commitments or held in selected client portfolios within our sustainable investment product range, are also included on the list if they meet specific criteria. Prioritising companies this way helps us to monitor engagement capacity and resources, and facilitates coordination and collaboration across different teams.

Carrying out engagements

Engagements are typically carried out by stewardship specialists and by investment teams. Investment analysts and stewardship specialists often work together to conduct research, develop engagement plans and objectives, and conduct dialogue with issuers with the aim of enhancing and protecting shareholder value. Additionally, our stewardship specialists, based in the UK and Hong Kong, provide regional, sectoral, and thematic expertise in conducting engagements and in assessing sustainability performance to evaluate areas of potential risk and value creation.

Engagements may be conducted in a variety of manners, including through in-person meetings, calls, letters or emails; site visits; with other stakeholders as appropriate; or through industry bodies.

When engaging with and voting proxies with respect to the portfolio companies in which we invest our clients' assets, we do so on behalf of and in the best interests of the client accounts we manage and do not seek to change or influence control of any such portfolio companies.

We carry out three broad types of engagements:

- ◆ **Purposeful engagements:** outcomes-focused interactions aimed at achieving specific changes from an issuer. These engagements are linked to engagement objectives, which we track over time
- ◆ **Insightful engagements:** two-way dialogue with issuers aimed at gaining a deeper understanding of their practices, strategies or challenges related to sustainability topics, while explaining our perspectives and why we view these topics as important to mitigating risk or enhancing value. While they do not involve setting specific objectives, they provide detailed insights that may inform responsible investment activities such as our sustainability due diligence process (see below).
- ◆ **Investment monitoring:** regular interactions with companies, such as earnings calls. These events typically focus on financial and strategic topics and may sometimes cover sustainability topics.

Monitoring engagement progress

Engagement activities are recorded using internal engagement recording tools, which enable the tracking of engagement progress and topics discussed, as well as the integration of engagement insights into our investment research platforms.

For purposeful engagements, we track progress on engagement objectives against five milestones:

- ◆ **Milestone 1 – Concerns Raised:** we share concerns with the issuer and highlight the need for action
- ◆ **Milestone 2 – Concerns Acknowledged:** the issuer acknowledges our concerns
- ◆ **Milestone 3 – HSBC AM Supports Change:** we provide guidance and examples to encourage positive change
- ◆ **Milestone 4 – Plan Established:** the issuer develops a plan to address our concerns
- ◆ **Milestone 5 – Change Achieved:** The desired change is completed, with outcomes documented

²⁰ It is important to note that not every company with a relevant issue identified by our research processes will be engaged, and not every relevant issue will be addressed in our engagements with the companies we have prioritised.

If an issuer shows insufficient progress in response to our requests for change and we believe the lack of progress may increase risk or harm value to the investment objective the fund or mandate seeks to achieve, we may initiate our stewardship escalation process (see below).

Voting at company meetings

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

Our Global Voting Guidelines are updated annually and can be found [here](#).

Investment implications

Engagement activities may inform investment decision-making, including the inclusion or exclusion of issuers within specific funds or their respective fund universes, or the introduction of investment restrictions on a security (e.g., “do not add”). This may include investment decisions related to HSBC AM policies and commitments, as well as sustainability due diligence processes as appropriate.

Our stewardship specialists may work with investment teams to contribute to the assessment of relevant issues for each company, identifying risks and opportunities and their potential investment implications.

Sustainability due diligence

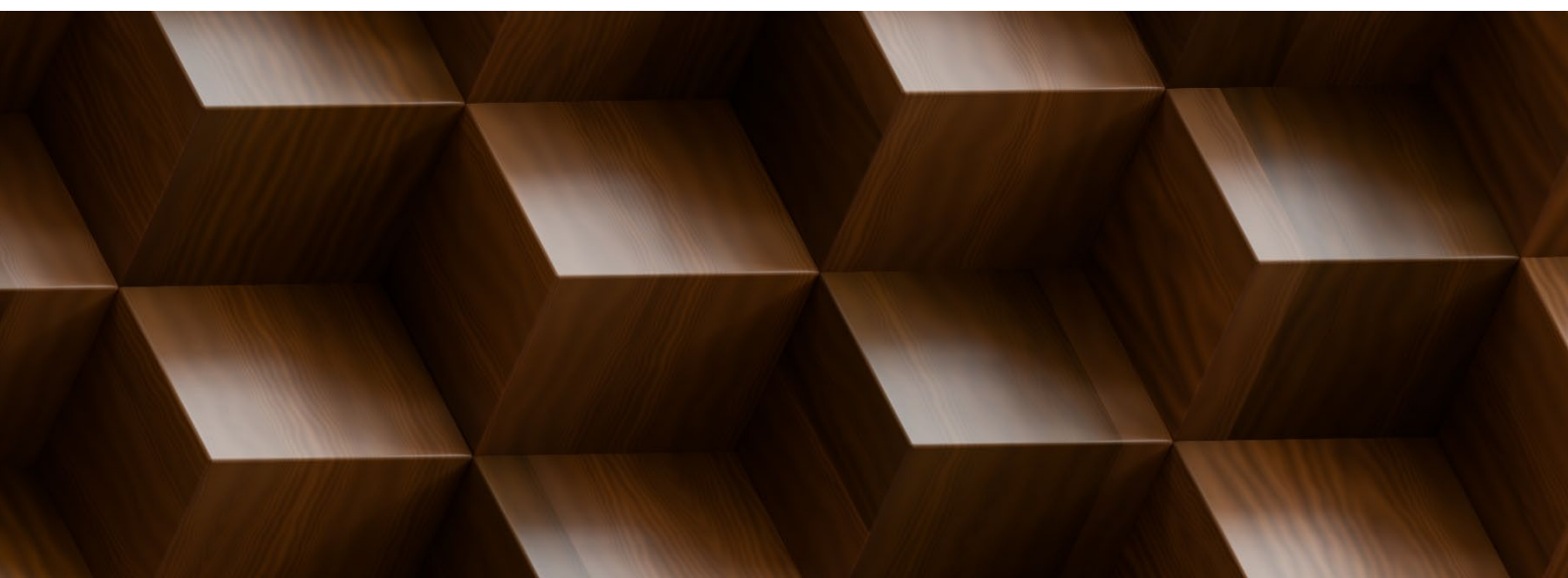
Due diligence is part of our research and governance process designed to address and manage sustainability risks associated with issuers in our traditional and sustainable active fundamental investment strategies. For instance, due diligence may be triggered by issuers in breach of our policies or risk thresholds, or if they do not meet the minimum requirements of a HSBC AM fund or product. Once due diligence has been conducted, a range of follow-up actions may be considered, including whether the issuer can remain in the portfolio.



3. Fund-driven stewardship

Fund-driven stewardship can support sustainability objectives where appropriate for selected client portfolios in our sustainable investment product range. Engagements related to fund-driven stewardship are added to our Priority List.

Certain sustainability-labelled funds, such as those falling under the SRI Label from the French Government (“Label ISR de l’État Français”) and the UK’s Sustainability Disclosure Requirements (SDR) framework, may be required to comply with local regulations regarding engagement and escalation strategies.





Case Study – Fund-Driven Engagement

Aluminium producer: grievances, workforce transparency and cybersecurity standards

Sector: Materials | **Region:** Europe | **Themes:** Human Rights, Social Opportunities

Teams involved: Stewardship, Thematic Equity

Progress status: Issues raised

Attributes: Positive Progress, Controversy

Background

In 2025, we began engaging with a leading alumina and aluminium producer, prioritised on our engagement list and a key holding in a thematic equity strategy. Despite a good track record of managing sustainability risks, recent socio-environmental litigation and announced near-term headcount reductions raised concerns, which could impact the company’s long-term resilience and stakeholder trust. The company is held in one of our thematic equity funds, where active engagement forms a key component of the fund’s approach.

Key engagement objectives

1. Report on types of grievances received, remedial actions, and metrics on resolutions
2. Provide more granular employee turnover reporting, such as voluntary/involuntary, gender, geography, seniority
3. Adopt recognised international cybersecurity standards/certifications (e.g., ISO 27001, NIST)

Engagement activities

- ◆ In 2025, we engaged with the company’s IR team and ESG advisor to discuss recent media reports and updates on lawsuits relating to social and environmental damages, including potential financial impact. We highlighted the high number of grievances reported in 2024 and encouraged greater transparency. Additionally, we sought clarity on the company’s supplier risk assessment and discussed contractor fatalities, health and safety policies, and the broader impact on local communities. Topics such as labour unions, attrition, and employee turnover were also raised. Finally, we flagged risks linked to confirmed cases of fraud and conflicts of interest, noting cybersecurity as a critical factor affecting operations, safety, and reputation.
- ◆ The Company reported strong supplier screening and audits, with most corrective actions completed and some non-compliant contractors terminated. Most legacy legal claims were resolved in its favour, and grievance channels are accessible and increasingly used. Environmental litigation and traceability gaps remain. Workforce changes are ongoing and include white-collar redundancies, which are expected to negatively affect morale despite efforts to ensure fairness and union collaboration. Safety performance is mixed with recent contractor fatalities, despite lower injury rates. Attrition is stable, but gender pay gaps persist. Cybersecurity is a board priority, although alignment to international standards is pending.

Related voting activities

None

Outcomes

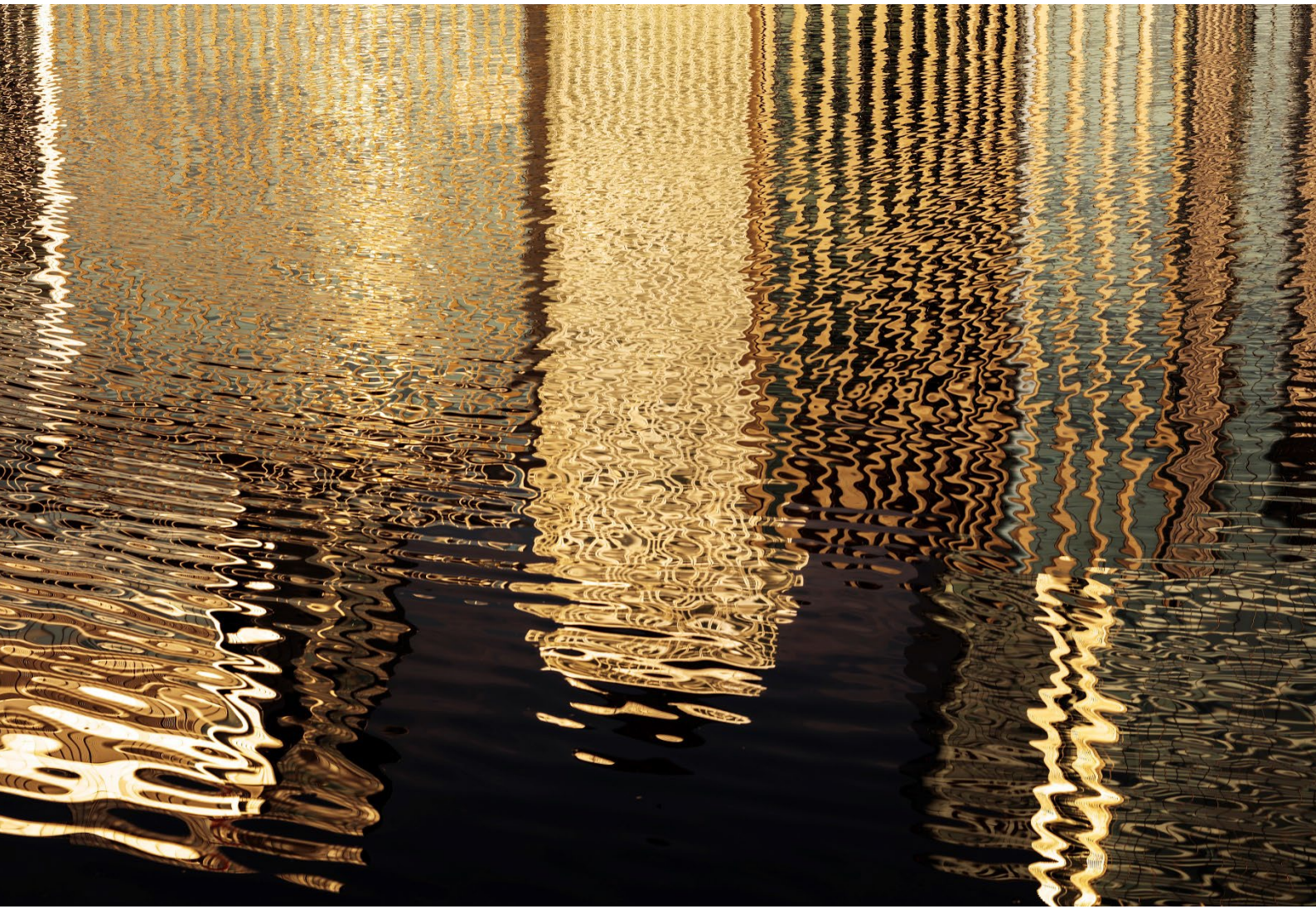
The company is strengthening its risk management and reporting culture, but greater clarity and evidence of compliance with global standards would further bolster stakeholder confidence. As a next step, the company remains on our priority list. We will continue to monitor and encourage progress.

4. Our approach to collaborative engagement

Participation in industry initiatives provides us with valuable research, resources, insights, and expertise that we can leverage as needed, enhancing our efficiency. Additionally, such engagements strengthen our voice as a minority investor, ultimately creating greater value for our clients. Examples include industry initiatives with other asset managers and owners, public policy engagements, as well as engagements with index providers, service providers, and other stakeholders as appropriate.

We act independently in our investment and voting decisions. We do not coordinate investment or voting decisions with any members of any industry engagement body. We may participate in systemic, or system, stewardship activities to address risks and opportunities affecting the wider market or financial system, when relevant to our client portfolios and consistent with applicable legal requirements.

Details of industry initiatives in which we participated over 2025 are outlined in [Principle 2](#), with engagement examples provided below.



Case Study – ACGA Collaborative Engagement



Multi-year Direct and Collaborative Engagement with Voting Escalation Leading to Positive Progress

Sector: Consumer Discretionary | **Region:** Asia | **Themes:** Corporate Governance, Climate Change

Teams involved: Stewardship, Regional Fixed Income

Progress status: Addressing all our concerns

Attributes: Escalation, Positive Progress, Voting, Collaborative

Background

The company's public policy positions and governance structure raised concerns, including:

- ◆ Questions over lobbying activities and the former CEO's scepticism about electric vehicles (EVs)
- ◆ Limited board gender diversity (previously one of ten directors was female, with no women in the executive team)
- ◆ High level of cross-shareholdings, including new ones with business partners, raising concerns over entrenchment, reduced transparency, and conflicts of interest that could undermine shareholder value

Key engagement objectives

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

Engagement activities

- ◆ From 2022 to 2024, we engaged with the company regularly through meetings with Investor Relations, senior executives, the CSO, the CEO, independent directors and statutory auditors, including a private manufacturing site visit and engagements via the ACGA Japan Working Group.
- ◆ We challenged new cross-shareholdings, set expectations for stronger board independence and diversity, and encouraged a robust nomination process, including the search for female director candidates. We also sought the board's perspective on overall effectiveness, raised concerns about senior management's views on EVs, and discussed action plans to improve female representation across the board, senior executives and wider workforce.
- ◆ In 2024, we further discussed governance issues, including the company's response to a safety certificate controversy, prompting a range of views from board members.
- ◆ In 2025, we hosted the CEO in London and an independent statutory auditor proposed as an independent director under the new board structure. Discussions focused on board restructuring, safety certificates controversies, and further reduction in cross-shareholdings. We continued to actively participate through the ACGA collaborative group following the public announcement of a proposed acquisition to better understand the process and pricing.

Related voting activities

- ◆ We voted against five directors in 2023 and four directors in 2024 due to concerns about the company's cross-shareholdings, board diversity, independence of the board, and the controversy surrounding safety certificates. In both years we supported a shareholder proposal requesting greater disclosure of the company's climate-related lobbying activities.
- ◆ In 2025, we supported all management proposals, acknowledging improvements in governance practices.

Outcomes

- ◆ On climate issues, the company's GHG emission reduction target has been validated by the Science Based Targets Initiative, demonstrating alignment of its target with the goals of the Paris Agreement. The company also improved its disclosure of climate-related lobbying activity.
- ◆ On governance issues, the company has sold shares in a business, significantly reducing cross-shareholdings. In addition, we were encouraged to learn about changes to the company's board structure, resulting in greater independence and diversity. Since Q2 2025, the company has two female directors, representing 20% gender diversity.
- ◆ As a next step, the company remains on our priority list, and we will continue to engage on other relevant issues.

Case Study – CA100+ Collaborative Engagement



Multi-year Engagement on Climate Transition Progress and Accountability

Sector: Materials | **Region:** Asia | **Themes:** Climate Change

Teams involved: Stewardship, Regional Fixed Income

Progress status: Addressing some of our concerns

Attributes: Collaborative, Commitments & Pledges, Sustainability Due Diligence, Stalled

Background

Since 2019, we have engaged with the company through CA100+, and have been encouraged by the company’s progress in climate reporting, decarbonisation activities, capital allocation and internal carbon pricing. However, we were also concerned by its investments in new coal plants in 2023, which it described as opportunistic and necessary to secure energy stability for captive use. This prompted further engagement to gain greater clarity around their coal expansion plans and transition strategy, and our focus has shifted from disclosure to implementation. Engagement with the company has been stalled in the past year due to its corporate restructuring plans, which is expected to impact its transition strategy.

Key engagement objectives

1. Set science-based emission reduction targets for Scopes 1, 2 and 3, covering major business units
2. Maintain climate commitments after corporate restructuring
3. Disclose decarbonisation strategy and capex plans for each business after restructuring

Engagement activities

- ◆ In 2024, we engaged with the Director of ESG and expressed our desire to see progress shift from disclosures and commitments to action and accountability. We raised our concerns that, whilst company has disclosed scope 3 emissions, it still lacked a target.
- ◆ We discussed the company’s corporate restructure and its implications for net zero commitments and transition strategies, and encouraged Science Based Target Initiative (SBTi) approved targets for non-fossil fuel businesses. We also requested updates on a clear capex breakdown for transition activities and details on deployment.
- ◆ The investor group shared examples of good practices from other CA100+ companies, covering capital allocation, climate policy engagement, and just transition.
- ◆ In 2025, we discussed the CA100+ Benchmark preliminary assessment and sought updates on the post-restructure transition strategy, which was delayed. The company reported slow progress on decarbonisation in FY2024–25 due to delays in renewable capacity and contract inflows, particularly in wind energy.

Related voting activities

None

Outcomes

- ◆ The company confirmed that it has no further plans to expand coal mining or power capacity, maintaining current levels without foreseeable acquisitions. While thermal coal is expected to continue playing a role into the late 2030s, the company aims to significantly increase its renewable energy capacity by 2030, with the expectation of reaching peak emissions before that year. In the short term, the company plans to test various breakthrough technologies and prioritise nature-based solutions.
- ◆ Progress in 2025 has stalled due to delays in the company’s restructure. It remains on our priority list, with our engagement findings informing the regional credit team’s analysis and Sustainability due diligence. We will continue to monitor progress of the company following the publication of its sustainability reports.

Case Study – 30% Club UK Investor Group



Improving Gender Diversity Across Board, Executives and Workforce

Sector: Industrials | **Region:** Europe | **Themes:** Social Opportunities, Corporate Governance

Teams involved: Stewardship

Progress status: Addressing some of our concerns

Attributes: Collaborative, Voting

Background

As part of the 30% Club initiative, we engage with companies on gender and ethnic diversity at the executive and board levels. The company was identified as a laggard against its peers due to its limited representation of women in board, executive and senior leadership.

Key engagement objectives

1. Develop gender diversity targets in senior leadership and executive management roles
2. Increase gender diversity in the nomination of director candidates at upcoming AGMs
3. Develop and implement talent pipelines and recruitment strategies to increase gender diversity of company workforce

Engagement activities

- ◆ In 2025, we engaged with the company, which reported that only 13% of its workforce is female, with women more commonly found in non-operating roles such as HR and accounting. The company noted that recruiting women into operating and entry-level roles remains an industry challenge, affecting the pipeline for senior positions. Investor Relations confirmed that the company does not currently have women in executive management. The company lacks formal gender diversity targets but has committed to provide regular disclosure on progress. We encouraged the company to set targets as next steps.
- ◆ We also discussed the recent decline in board gender diversity following the replacement of departure of two departing female directors with male nominees. The company’s Nomination Committee is aware of these concerns and is working to improve gender balance over the coming years. We encouraged a gender-diverse pool for future director nominations.
- ◆ On recruitment, the company primarily hires internally and typically uses recruitment agencies for high-profile roles. We encouraged the company to explore additional recruitment methods to help build a more diverse and inclusive workforce, which can enhance innovation and long-term value.

Related voting activities

In 2023, 2024 and 2025 AGMs, we voted against the Nomination Committee Chair as the board’s gender diversity were below our expectations.

Outcomes

The company’s 2025 annual report indicates at least two women are now in executive management, showing progress since the engagement started. Further progress is still needed in board gender diversity, overall workforce diversity, and disclosures and target setting. The company noted that its disclosure practices may evolve as its listing status has changed, which we will continue to monitor and encourage further progress.

5. Engagement in numbers²¹

In 2025, we engaged with over 1,200 companies on more than 2,000 occasions (“engagement events”), an increase from 2024 where we engaged with over 1,000 companies on over 1,800 occasions. 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.

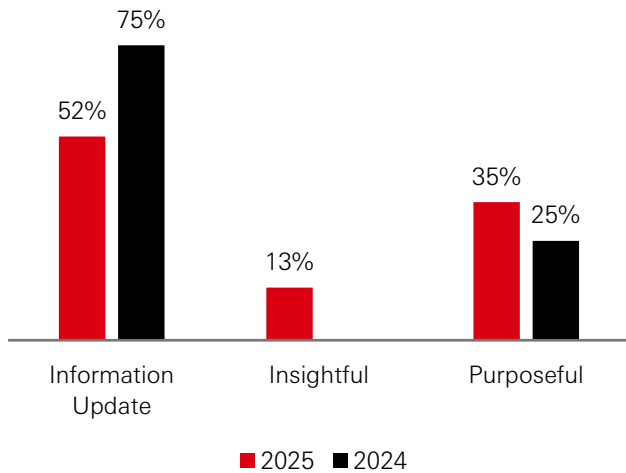
²¹ Source: HSBC Asset Management. Although HSBC Asset Management makes reasonable efforts to collate engagement data, actual figures may vary and you should not place reliance on the accuracy of the data.

Over 500 of our engagement events, with around 420 companies, were purposeful “outcomes-based” engagements, an increase from around 380 events with 270 companies in the prior year, reflecting our progress in scaling and integrating stewardship activities within the firm. The proportion of our purposeful engagement events therefore increased from 21% in 2024 to 25% in 2025, with a corresponding decrease in the proportion of investment monitoring events, which fell from 79% to 67%.²² In 2025, we started tracking insightful engagements, which contributed to 9% of our engagement events.²³

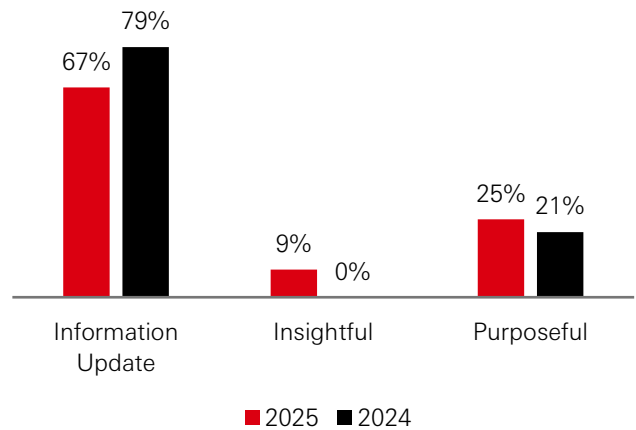
In 2025, we engaged with 25 companies collaboratively, slightly lower than the prior year.

Please refer to [Appendix 1](#) for further details of our engagement data.

Engaged Issuers by Type



Engagement Events by Type

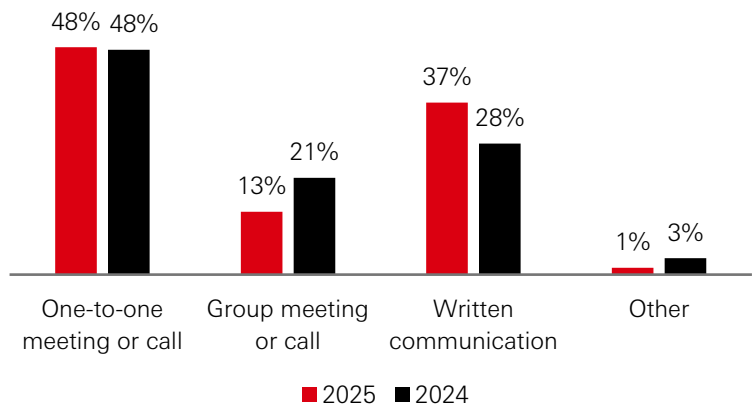


Purposeful and insightful engagements²⁴

Event format

One-on-one or group meetings remained the primary channel of engagement in 2025. The proportion of written communication to companies increased due to our initial efforts to scale engagements through engagement sprints, however meetings and calls remain our dominant event format to ensure we are having meaningful, two-way dialogue with companies. While the proportion of group meetings or calls have gone down, its overall number increased as the number of purposeful and insightful events more than doubled compared to 2024.

Purposeful and Insightful Engagement Events by Format

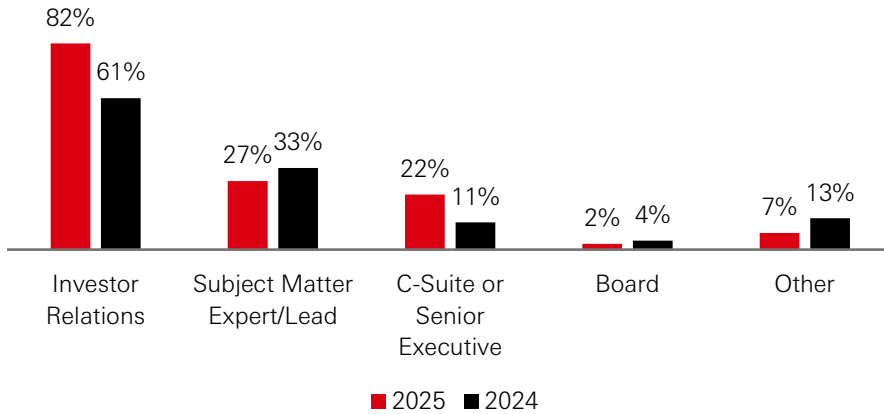


²² Investment monitoring engagements are tracked internally as “information updates”.

²³ Refer to [Carrying out Engagements](#) for definition.

²⁴ Insightful engagement events have been tracked since 2025 and are reflected in the data and charts shown; they are not available for 2024.

Purposeful and Insightful Engagement Events by Corporate Attendee



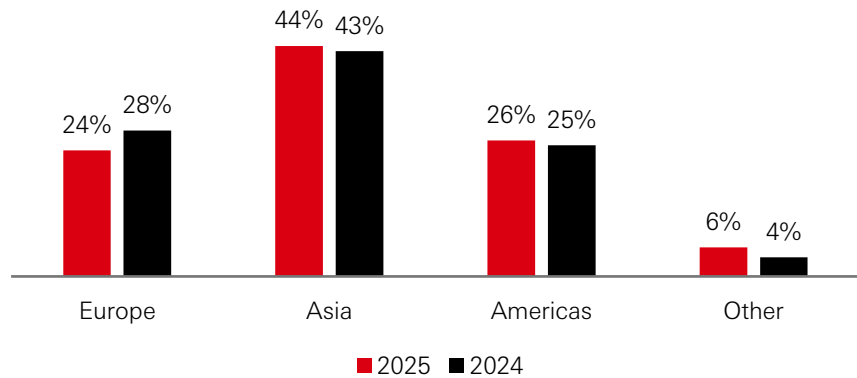
Event attendee²⁵

Most of our engagements were with the investor relations team. There was an increase in the proportion of our engagement with investor relations and executive management from the prior year, and a slight decrease in proportion of engagement with subject matter experts.

Engagement events by geography

Compared to the prior year, there has been a relative increase in purposeful and insightful engagements with companies in Asia and the Americas in 2025, and a relative decrease in European companies. This may be partly due to our increased efforts to engage on the energy transition, with a particular focus on Asia.

Purposeful and Insightful Engagement Events by Region



Topics covered in engagement events²⁶

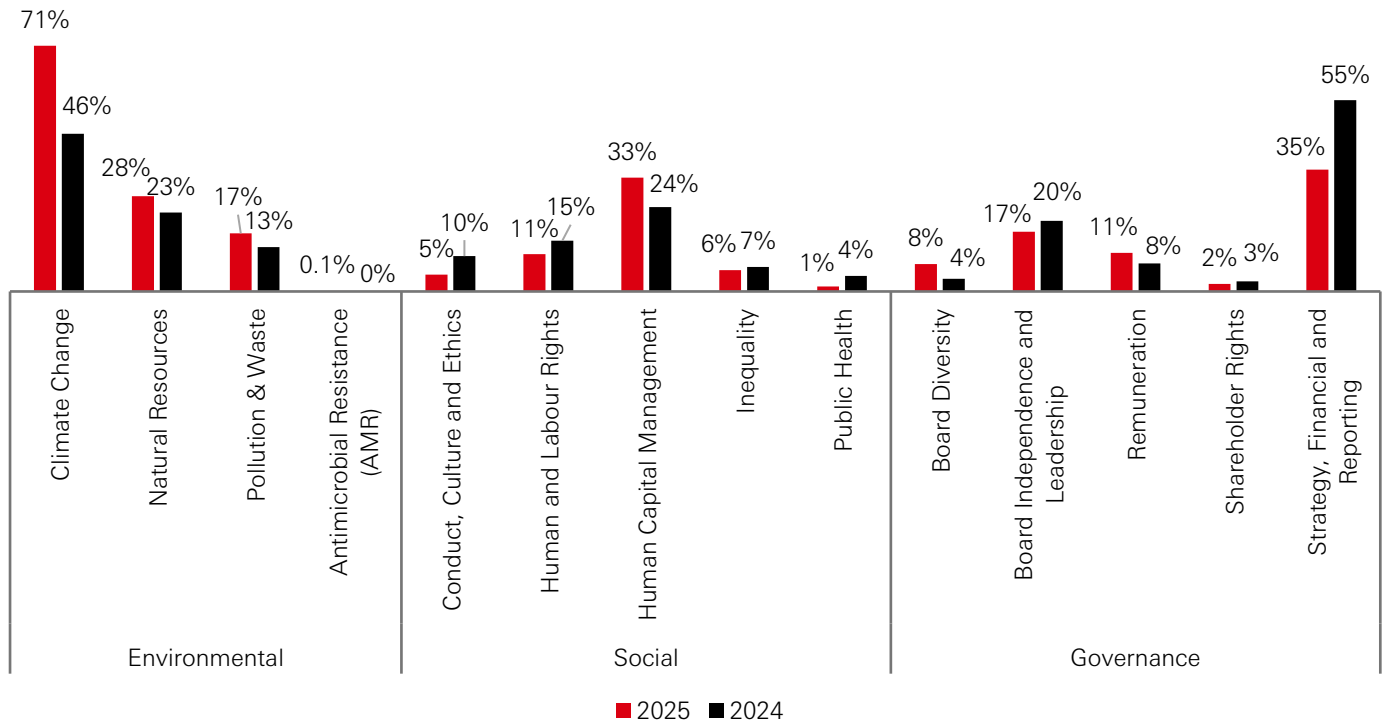
The proportion of engagements relating to climate change continued to increase year-on-year, and was covered by over 70% of our purposeful and insightful engagements, reflecting our focus on the energy transition and stewardship efforts relating to our Coal and Energy policies.

Despite a proportional decrease in topic such as conduct, culture and ethics, and strategy, financial and reporting, the number of times they were covered remained similar to the prior year. This was due to the increase in engagement events, and a slight increase in the number of topics covered per event.

²⁵ Percentages do not add up to 100 as some engagements included multiple corporate attendees.

²⁶ Multiple topics may be discussed in one engagement event.

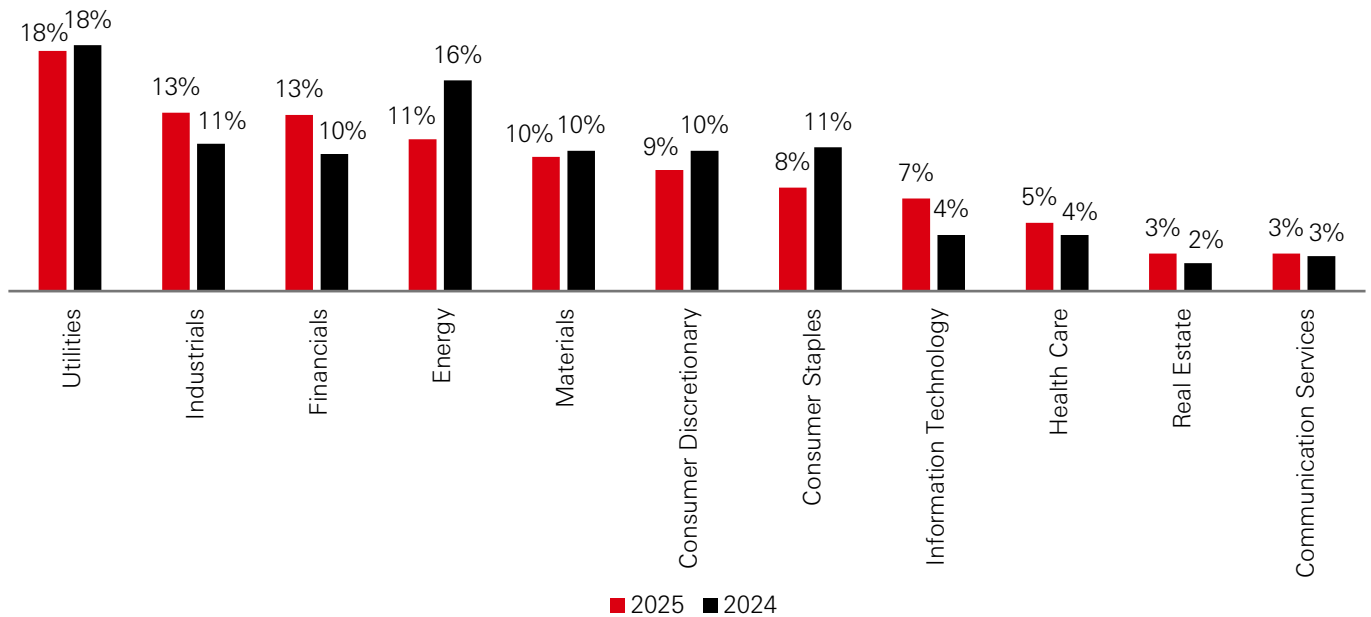
Purposeful and Insightful Engagement Events by Topic



Engagement events by sector

There was a relative increase in the proportion of engagements in the Industrials, Financials and Information Technology sectors, with a relative decrease in engagements in the Energy and Consumer Staples sectors. Despite the proportional decrease, the number of engagements in the Energy and Consumer Staples sectors increased. Similar to last year, the Utilities sector had the highest proportion of engagements due to our efforts relating to our Coal and Energy policies.

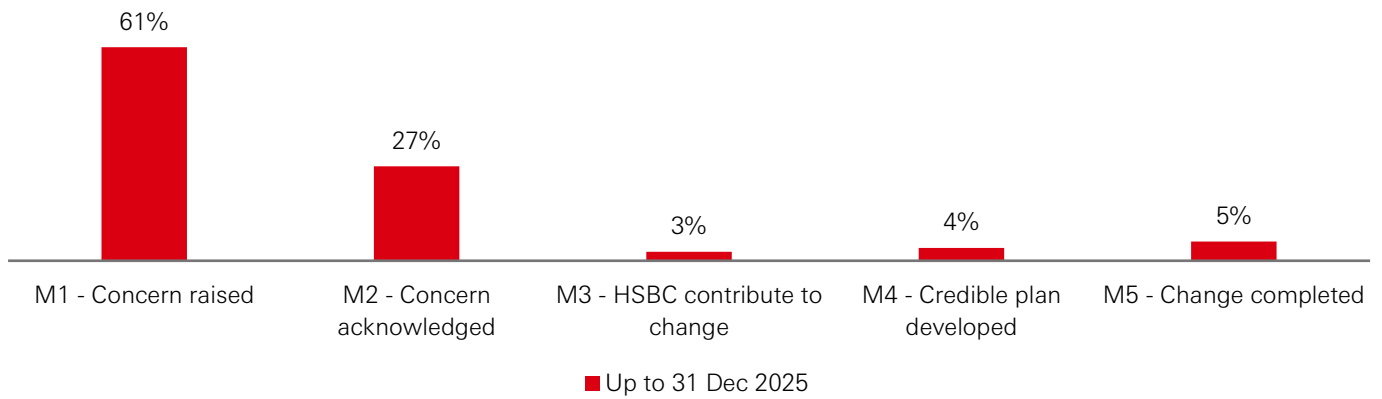
Purposeful and Insightful Engagement Events by Industry



Objectives and milestones

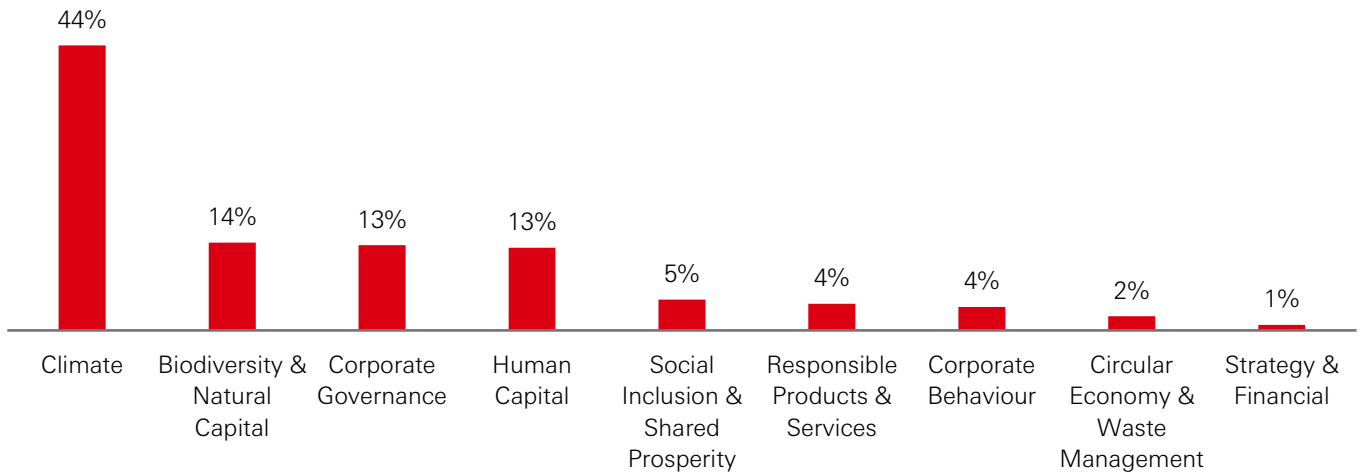
For the majority of our purposeful engagements, their corresponding engagement objectives are predominantly in early stages of M1 and M2. The proportional split by milestone is reported for all open and completed objectives as at 31 Dec 2025, including those set prior to 2025. This reflects the fact that engagement objectives may require more than one year to progress through milestones. The milestone split remains broadly consistent with the position as at 31 Dec 2024.

Proportion of Objectives Established in Purposeful Engagements up to 31 Dec 2025, split by Milestones



Around 44% of our engagement objectives were on the topic of climate change, relatively higher than other topics, reflecting our engagement efforts relating to our Coal and Energy policies. The split across the themes is broadly similar to prior year.

Proportion of Objectives Established in Purposeful Engagements up to 31 Dec 2025, split by Topics



6. Engagement examples

Alongside the case studies shared earlier, we have highlighted additional examples of our engagement below, spanning a range of attributes, including:

- ◆ Sectors, regions, asset classes and our stewardship themes
- ◆ Direct and/or collaborative engagements
- ◆ Positive progress and outcomes

- ◆ Addressing controversies
- ◆ Multi-pronged approach to engage, including collaborative engagements, site visits and voting

Case Study – Corporate Governance and Bioeconomy



Multi-year Engagement with Positive Progress a Healthcare Equipment Company

Sector: Healthcare | **Region:** Europe | **Themes:** Corporate Governance, Bioeconomy and Natural Capital

Teams involved: Stewardship, Regional Equity, Thematic Equity

Progress status: Addressing all our concerns

Attributes: Controversy, Site Visit, Positive Progress

Background

The company has a strong heritage in electronic device innovation and has shifted to focus more on advanced healthcare devices for hospitals and home use. However, product quality issues with some of its medical device products have led to significant fines (over €1 billion), sales bans and reputational damage. We engaged to understand how the cultural and management changes are being implemented to avoid major recalls in a highly regulated sector. Executive pay appeared high relative to performance, raising concerns of misalignment with shareholders. The company’s environmental profile was also falling behind peers and we believe it can build on its biodiversity initiatives.

Key engagement objectives

1. Provide disclosures on organisational changes aimed at resolving product quality issues
2. Enhance biodiversity expectations for suppliers and complete the remaining site upgrades
3. Lower and restructure management pay

Engagement activities

- ◆ In 2024, we met with Investor Relations and the Head of Sustainability Reporting to share perspectives and understand their challenges and opportunities. We attended an on-site innovation day and an ESG day, including one-on-one discussions with the CEO and incoming CFO on product quality, culture and talent. We also met operational staff, including factory managers, to discuss expectations and implementation challenges.
- ◆ In 2025 we wrote to the company to commend progress on product safety and staff training in product quality, and acknowledged the adoption of biodiversity metrics while encouraging public disclosure. They acknowledged our suggestions and support.

Related voting activities

- ◆ In 2024, we did not support the remuneration report due to the excessive pay quantum.
- ◆ In 2025, we voted for the remuneration report, in recognition of the positive changes made.

Outcomes

- ◆ The company has made significant changes to its quality management systems, reducing complexity and hiring a lead for quality management. We were impressed by the focus of all staff on this topic and encouraged further disclosures on the progress of embedding quality management in each business group.
- ◆ In 2025, we welcomed new disclosures on a dedicated staff training day on product quality and safety, and revised targets in staff scorecards. Additionally, total executive pay was significantly reduced, with a greater focus on performance-linked shares and a decreased cash component. On biodiversity, the company implemented a new tracker to assess the impacts of site improvements; we encouraged near-term publication to enhance transparency.
- ◆ We will continue to monitor and encourage further progress.

Case Study – Climate Change and Human Rights



Improving Transparency and Community Outcomes in Southeast Asian Geothermal projects

Sector: Utilities | **Region:** Asia | **Themes:** Climate Change, Human Rights

Teams involved: Stewardship, Regional Fixed Income

Progress status: Issues raised

Attributes: Policy, Controversy

Background

A major Southeast Asian utility has committed to a just energy transition but faces challenges in adding renewable energy capacity and improving grid connectivity. Geothermal projects have also attracted allegations of human rights violations and community dissent, with NGOs targeting investors and financiers of the project which may impact its cost of capital. Despite efforts in community engagement and grievance mechanisms, gaps remain in showing how feedback influences decisions, resolving grievances, and ensuring benefit-sharing includes non-landowning groups. The company remains restricted from primary issuance participation under our Coal Policy.

Key engagement objectives

1. Increase project-level transparency by publishing site-specific ESG data, reporting on community engagement outcomes, and disclosing grievance resolution details
2. Ensure inclusive benefit-sharing and engagement strategies that address the needs of all affected community members, including non-landowning groups
3. Develop and implement a clear just transition roadmap with milestones, independent verification, and regular public disclosure of project impacts

Engagement activities

- ◆ Over the last two years, we engaged with the company on energy transition topics. During its recent bond issuance and roadshow, we raised questions on both community-related human rights concerns and broader transition challenges linked to its geothermal projects. We have consistently focused on the need for greater project-level transparency given persistent gaps in site-specific ESG data, limited disclosure on the outcomes of community engagement, and insufficient reporting on the effectiveness of grievance mechanisms. We have raised concerns about reports of inadequate consultation with local communities, risks to customary land and livelihoods, and alleged security force intervention during peaceful protests – issues that have made these projects a flashpoint in the region’s energy transition debate.
- ◆ We recommended enhanced disclosure with site-level ESG data, clear reporting on how community feedback informs project decisions, broader benefit-sharing, a concrete, actionable just transition roadmap – all with regular public disclosure and independent assurance.

Related voting activities

None

Outcomes

The company responded in detail, outlining its current ESG frameworks, community engagement strategies, and just transition commitments. The company acknowledged receipt of our concerns and recommendations, and these topics will remain priorities in our ongoing dialogue.

Case Study – Bioeconomy and Natural Capital



Positive Progress with Improvement in Third-Party Score

Sector: Financials | **Region:** Asia | **Themes:** Climate Change, Bioeconomy and Natural Capital

Teams involved: Stewardship

Progress status: Addressing some of our concerns

Attributes: Positive Progress

Background

A Southeast Asian financial institution with strong presence in rural and remote communities received a weak MSCI assessment on environmental topics. This was primarily due to the limited publication of its palm oil policy, which is only summarised in its sustainability report. This was a concern because it undermined transparency and exposed the company to potential reputational and operational risks, particularly given its extensive reach.

Key engagement objectives

1. Publish the palm oil financing policy, including how non-compliance is addressed and escalated, clarifying scope and include refineries where relevant
2. Develop a suitable social impact framework with supporting metrics and targets
3. Develop a biodiversity strategy

Engagement activities

In 2023, we engaged on the company’s net zero strategy and sustainability policies, raising concerns about its limited biodiversity coverage and exposure to palm oil and mining risks. The company acknowledged monitoring gaps and committed to stronger oversight. We also discussed measuring the social impact of its microfinance offering for female-led MSMEs. In 2024, we reviewed its updated sustainability strategy and raised concerns about limited transparency on its palm oil policy, recommending public disclosure of the full policy and escalation mechanisms. In 2025, the company confirmed its palm oil policy now covers the full value chain and clarified its monitoring processes. However, biodiversity risk management remains underdeveloped. We also discussed fraud protection for vulnerable customers and encouraged a more structured approach to safeguarding clients.

Related voting activities

None

Outcomes

The company improved its palm oil policy, expanding its scope and implementing clearer monitoring mechanisms. MSCI reflected this improvement in its assessment, and the company is no longer subject to our internal Sustainability due diligence process. Biodiversity and mining risk management remain work in progress. We are pleased with progress on measuring social impact but will continue engagements to encourage better transparency and customer safeguards. We will continue to encourage and engage.

Case Study – PRI Advance Collaborative Engagement



Continuing Engagement with Asian Utility on Climate Transition and Human Rights

Sector: Utilities | **Region:** Asia | **Themes:** Human Rights, Climate Change

Teams involved: Stewardship, Regional Fixed Income, Regional Equity

Progress status: Addressing some of our concerns

Attributes: Collaborative, Positive Progress, Commitments & Pledges, Policy, Site Visit

Background

The company is one of the key power utility providers in Asia Pacific, with operations in several jurisdictions. We have been engaging with the company on climate transition and coal phase out as part of our net zero commitment and Thermal Coal Policy. Since 2023, we have also been one of the co-lead investors for this company under the PRI Advance engagement initiative, focusing on human rights and labour issues.

Key engagement objectives

1. Develop a human rights framework, including risk and impact assessments, and due diligence processes
2. Disclose steps to operationalise findings from the human rights due diligence assessment
3. Establish grievance channels for suppliers and sub-contractors, reporting on grievance data
4. Create a Just Transition framework and disclose the measures that the company has taken to support a Just Transition at an asset level

Engagement activities

- ◆ Since 2022, we have engaged with the company on climate transition, including Just Transition and broader sustainability issues. Early discussions on Just Transition uncovered previously undisclosed project and asset-level practices. In 2023, we deepened engagement on coal phase out and climate strategy, and initiated the PRI Advance collaborative initiative as a lead investor focusing on human rights and social issues. In 2024, we shared comprehensive resources and recommendations to strengthen the company’s human rights framework.
- ◆ In 2025, we encouraged the company to develop and implement a standalone human rights policy, operationalise its due diligence, and establish a grievance mechanism for key stakeholders and rightsholders. We also participated in a site visit to review the company’s latest combined cycle gas turbine and met with the CFO and Head of Sustainability to discuss the company’s decarbonisation strategy, including plans for renewables and hydrogen.
- ◆ As we continued to build trust with the company, it proactively sought our input for its 2025 materiality assessment and recommendations to improve its corporate governance report. We were encouraged by the company’s continual desire to improve and receptiveness to investor feedback. We shared our views and provided recommendations on cybersecurity, supply chain risks and disruptive technologies.

Related voting activities

None

Outcomes

The company’s climate transition strategy includes a 2050 Net Zero target, interim GHG reduction targets with supporting capex, a coal decommissioning timeline, and low-carbon generation plans. We were pleased that our efforts on the PRI Advance initiative paid off in 2025, when the company published its first human rights due diligence assessment identifying salient issues. Further engagement is required to encourage effective implementation. As a next step, the company remains on our priority list, and we will continue to engage on climate transition, human rights and other material issues directly with the company and through PRI Advance.

Case Study – Human Rights and Social Opportunities



Global Battery Manufacturer on Human Rights and Supply Chain Transparency

Sector: Industrials | **Region:** Asia | **Themes:** Human Rights, Social Opportunities

Teams involved: Stewardship, Global Equity, Regional Equity, Regional Fixed Income

Progress status: Issues raised

Attributes: Controversy, Collaborative

Background

The company is a global lithium battery manufacturer and key supplier to electric vehicle original equipment manufacturers (OEMs). It is held across our active equity and credit portfolios, including sustainable strategies. It has faced a risks and controversies linked to toxic waste management, community relations, responsible mineral sourcing, and human rights. Mismanagement of these issues could expose the company to regulatory fines, litigation risks, diminished social license to operate, and import restriction controls, which in turn would impact its global expansion strategy.

Key engagement objectives

1. Consider adopting the Initiative for Responsible Mining Assurance (IRMA) Chain of Custody Standard
2. Consider adopting the UN Guiding Principles on Business and Human Rights
3. Provide more detailed disclosure of supplier audits, raw material sourcing, and corrective action taken
4. Disclose workforce data with local hiring breakdown for overseas operations
5. Report further details on grievance statistics

Engagement activities

- ◆ In early 2025, we engaged with the company’s investor relations team following a human rights allegation to understand: (i) company’s response, (ii) supplier audit procedures, (iii) raw material sourcing and traceability, and (iv) any links to forced labour. We discussed response timelines, and potential regulatory and customer implications. The company confirmed their supply chain’s compliance with relevant laws and regulations, and published a statement.
- ◆ We continued engagement during the year, both directly and collaboratively via a regional investor group. We discussed the environmental and social impact of their overseas expansion, supply chain management, mineral sourcing, PFAS exposure, and battery recycling plans. We expressed concerns that one of its European facilities has come under scrutiny due to adverse social and environmental impacts, and related reputational, regulatory, litigation and operational risks. The company committed to continue engaging with key local stakeholders.

Related voting activities

None.

Outcomes

The company completed an internal supply chain investigation, including supplier audits and an upgraded mineral traceability system. It confirmed that suppliers had no affiliations with entities linked to alleged forced labour. However, the results of these supplier audits were not fully disclosed in the company’s public disclosures, although they are considering ways to improve transparency. The company has been receptive to our questions and recommendations. As a next step, the company remains on our priority list, and we will continue to engage on relevant issues.

Case Study – Social Opportunities and Climate Change



Steel Producer Transition Planning and Workforce Safety Oversight

Sector: Materials | **Region:** Europe | **Themes:** Social Opportunities, Climate Change

Teams involved: Stewardship, Global Fixed Income, Regional Equity

Progress status: Addressing some of our concerns

Attributes: Controversy, Sustainability Due Diligence, Voting

Background

A large steel producer operates in a high-emissions sector and is behind peers in transitioning its operations from fossil fuel-based power to electrification. This could lead to higher long-term costs and limit market access as low-carbon steel procurement expands. The company has also faced severe health and safety incidents, including multiple fatalities in recent years. Apart from breaching human rights expectations and basic employee protections, this may also indicate inefficient and poorly managed operations, with potential implications for shareholder outcomes.

Key engagement objectives

1. Disclose a comprehensive strategy for converting all blast furnaces to electric arc furnace (EAF) technology
2. Develop health and safety reset implementation targets and disclose to investors, with a view to substantially reducing injury and fatality rates

Engagement activities

- ◆ We have developed strong relationships with the company’s ESG investor relations lead through prior engagements in their former sell-side role, enabling open and direct discussions with the company on our priority topics. Our credit and equity teams met the company twice in 2024 to discuss its transition plans and steel pricing outlook in the context of carbon price changes.
- ◆ During 2025 we formally engaged with IR and ESG IR, emphasising the need for a clear EAF transition strategy. The company acknowledged our interest for more granular, plant-by-plant decarbonisation planning. The company cited the need for additional government support for the transition, although it also felt policy has been slow, particularly in Europe. The company maintains a 2050 net zero target and sees the transition as part of its strategic growth plan.
- ◆ On health and safety, the company commissioned a third-party a “deep reset” audit, but progress on changing its safety culture has been slow. Only 12 out of 200 sites have adopted the new framework. Union involvement in safety planning has increased. Embedding contractors into safety procedures was also a focus.

Related voting activities

In 2024, we voted against re-election of the lead director due to the globally high level of fatalities experienced in the previous year, as part of our stewardship priority that boards provide effective oversight of workforce safety.

Outcomes

- ◆ The company is at an early stage of its three-year safety reset and has disclosed progress against the six auditor recommendations. There were three fatalities in H1 2025, slightly lower than five in H1 2024. We will continue to engage to encourage more progress and disclosure. On decarbonisation, the company has not yet published an updated strategy and announced that one European project would be postponed indefinitely due to weak low-carbon steel economics.
- ◆ In general, investment teams are waiting for clearer evidence of improvement, although we remain an engaged owner in selected funds.

Case Study – Social Opportunities



Positive Progress on Employee Engagement, Health and Safety and Gender Diversity

Sector: Healthcare | **Region:** Europe | **Themes:** Social Opportunities

Teams involved: Stewardship, Thematic Equity

Progress status: Addressing all our concerns

Attributes: Positive Progress, Investment Decision

Background

The company showed weaker human capital practices than peers, such as a higher injury rates, limited employee engagement, and less developed gender diversity initiatives. As a large employer in a decentralised distribution industry, we felt there was an opportunity to strengthen labour risk management, boost productivity and improve a future external ESG score. This is a small cap company held in our active and passive strategies.

Key engagement objectives

1. Enhance employee listening exercises and report on feedback received and actions taken
2. Improve accident and injury monitoring, disclosures, and set targets to reduce incidents
3. Improve gender diversity initiatives including a target for women in leadership

Engagement activities

In 2024, we met the company to understand its practices and shared feedback. We were reassured that the high injury levels were mostly due to broad, catch-all measurement approaches, and that there employee listening was already in place through a survey. We encouraged further improvements in both areas. In 2025, we wrote to acknowledge progress and encouraged further disclosure in 2026.

Related voting activities

None

Outcomes

By 2025, the company had updated injury tracking and reporting, established a multi-team safety committee, and invested in an extensive employee assistance programme to boost staff physical and mental wellbeing. It introduced divisional staff surveys, and disclosed resulting actions, including investment in an internal communications platform. It also disclosed its gender pay gap and launched a women in leadership programme. The initial call gave us reassurance on the sustainability profile of the business and we are very pleased with the progress made and reported in 2025. Despite more than 50% rise in the shares since active ownership began, we continue to hold. As next steps, we will continue to monitor progress and encourage target setting and disclosures on employee turnover and internal mobility.

Case Study – Trusted Technology and Data



Multi-year Engagement with Asian Tech Platform on Human Rights and Trusted Technology

Sector: Communication Services | **Region:** Asia | **Themes:** Trusted Technology and Data, Human Rights

Teams involved: Stewardship, Regional Equity, Regional Fixed Income

Progress status: Addressing some of our concerns

Attributes: Collaborative, Sustainability Due Diligence, Voting, Positive Progress, Investment Decision

Background

We have engaged with this leading Asia-based technology company since 2021, directly and via industry initiatives, covering gaming addiction, data privacy, content moderation and responsible artificial intelligence (AI). Additionally, a third-party ESG data provider flagged human rights violations, potentially limiting its eligibility for sustainable strategies and potential impact on the its license to operate. Although our engagement and internal sustainability due diligence have identified mitigating factors to address some of these concerns, the company is a key holding and remains on our priority list.

Key engagement objectives

1. Provide more transparency and details on the company's content censorship procedures and criteria
2. Conduct and disclose a human rights due diligence assessment and framework
3. Develop a responsible/ethical AI governance and risk management framework
4. Publish a board skills matrix
5. Provide more clarity on board succession plans in light of long-tenured independent directors

Engagement activities

- ◆ Since 2022, we have engaged with the company and the external data provider on its human rights controversy assessment, identifying mitigating factors. Engagement included both one-on-one with investor relations, and a co-led investor group meeting with an independent director, sharing good practice on transparency reporting, human rights risk assessment, digital addiction, ethical AI, talent retention and board governance.
- ◆ In 2025, we continued to engage discussions with the Head of Sustainability on datacentre energy and water use, AI governance, geopolitical uncertainty, talent retention, and board composition. We discussed the rapid growth of generative AI and followed up on its human rights non-compliant assessment, sharing examples of good practices and disclosures from peers.

Related voting activities

In 2023 and 2024 we voted against a non-executive director due to concerns about the company's management of human rights issues.

Outcomes

Progress to-date includes establishing an AI technology committee, becoming a UN Global Compact signatory, improved disclosure of management principles and approaches in privacy and data protection, and improved transparency on content moderation. With the rapid adoption of generative AI and developments in the technology industry, issues such as responsible AI, geopolitics and trade restrictions need to be monitored closely as these can have material regulatory, reputational and supply chain risks. In light of some positive developments, we decided to renew the company's sustainability due diligence in 2025 and approve its eligibility in some of our ESG and Sustainable strategies. The company remains on our priority list and we will continue to monitor and encourage progress.

Case Study – Powering AI Growth



Middle East Utilities on Data Centre Demand, Coal Exposure and Contractor Safety

Sector: Utilities | **Region:** Asia | **Themes:** Climate Change

Teams involved: Stewardship, Regional Fixed Income

Progress status: Issues raised

Attributes: Policy, Controversy

Background

A Middle East-based energy and water utility operating in power generation, water desalination, and oil and gas, and plays a key role in the region’s renewable energy initiatives. Despite notable progress in decarbonisation, such as over 95% recycling of decommissioned asset waste and investment in carbon capture and solar energy, it faces several sustainability challenges. These include rising energy demand from datacentres and AI-driven growth, ensuring reliable supply while reducing emissions, and addressing the high emissions intensity of overseas operations.

Key engagement objectives

1. Understand the company’s transition strategy, particularly the growing energy demand from datacentres
2. Assess its approach to energy transition, emissions management, and climate-related risks
3. Review progress on decarbonisation initiatives and alignment of international operations with group targets

Engagement activities

- ◆ We discussed coal exposure and exit strategies for high-emitting assets. While it has not made a public commitment to exclude coal, it avoids acquiring pure coal assets and applies internal thresholds to limit coal revenue below 10% and require decarbonisation or phase-out plans for any coal exposure.
- ◆ We also discussed the implications of the rapid growth of datacentres on the company’s energy transition, especially as the region becomes a hub for AI and digital infrastructure. It outlined its strategy to optimise existing power generation assets, maintain reserve capacity to ensure reliability, and prioritise solar and gas-fired generation to meet future demand over coal. Although accurate projections of AI-driven energy demand remains a challenge, the company will continue to phase down its coal-fired power generation capacity.
- ◆ Throughout, we encouraged the company to align its energy transition strategy with best practices and to enhance transparency in its planning and reporting.

Related voting activities

None

Outcomes

The company outlined its approach to meet rising energy demand from datacentres by optimising existing infrastructure, maintaining reserve capacity, and integrating more solar and gas generation, while acknowledging uncertainty in forecasting AI-driven growth.

Case Study – Positive Progress on UNGC



UN Global Compact Upgrade after Multi-year Engagement

Sector: Energy | **Region:** Asia | **Themes:** Human Rights, Climate Change

Teams involved: Stewardship, Regional Fixed Income

Progress status: Addressing all our concerns

Attributes: Sustainability Due Diligence, Positive Progress

Background

The company has been assessed by one of our data vendors as non-compliant with the UN Global Compact (UNGC) Principles since 2007. It has been flagged due to its involvement in human rights violations committed by authorities in conflict-affected countries where it operates (Sudan, South Sudan, and Myanmar). As a result, the company has been restricted from ESG and Sustainable strategies.

Key engagement objectives

1. Provide an update on the company’s strategy to exit Sudan, South Sudan and Myanmar, as alluded to in prior years
2. Adopt UN Development Programme (UNDP) guidance to conduct heightened human rights due diligence in conflict-affected areas; this should include indirect impacts on local communities/civilians in conflict areas
3. Engage with joint venture and local partners to develop human rights policies and due diligence processes

Engagement activities

- ◆ In 2021, we engaged with the Group CFO and Investor Relations, raising concerns over the company’s involvement in conflict-related countries and learned about the challenges it faced in exiting these regions, although a strategy was under consideration.
- ◆ In 2023, we engaged with the Corporate Sustainability Officer (CSO) and their team, re-iterating our concerns regarding the company’s UNGC non-compliance and shared good practice resources, such as the UNDP guidance, for the company to consider adopting.
- ◆ In 2024, we received an update from the Group CFO on their exit strategy for Sudan and South Sudan.
- ◆ In 2025, we were encouraged to see that the company’s third-party UNGC human rights assessment was upgraded to “compliant”. We continued our engagement with the CFO in early 2026, covering new topics such as emissions reduction, biodiversity impacts, health and safety and human capital management.

Related voting activities

Not applicable – the company is a private company.

Outcomes

The company has adopted of the UN Guiding Principles (UNGPs) and International Labor Organisation Fundamental Principles, enhanced human rights disclosures, including its policy, and approach to human rights due diligence and remedy. Since 2022, the company has completed its strategy to exit conflict-affected countries, and has confirmed that this information will be available in its next integrated report. We were pleased to see that our engagement with the company paid off as it was upgraded by our data vendor from UNGC non-compliant to compliant at the end of 2025. The company remains on our priority list, and we will continue to monitor and encourage progress on material topics including decarbonisation, climate transition, environmental impacts, safety and human rights.

Case Study – Positive Progress on Social Opportunities



Positive Progress: Voted Against Shareholder Proposal After Successful Engagement

Sector: Consumer Discretionary | **Region:** North America | **Themes:** Social Opportunities

Teams involved: Stewardship, Active Quant Equity, Regional Fixed Income

Progress status: Addressing some of our concerns

Attributes: Escalation, Site Visit, Voting, Investment Decision

Background

The company has faced ongoing labour rights allegations in recent years, raising concerns about injury rates, turnover, and employee morale. These labour management issues could lead to hiring challenges, increased costs, and potential customer boycotts due to controversies. Combined, these factors may weaken operational performance and adversely affect investment opportunities. Additionally, they could limit the company’s eligibility for sustainable investment strategies.

Key engagement objectives

1. Address workforce injury rates
2. Improve disclosure on workforce topics such as turnover and training
3. Expand goals within the workforce sustainability strategy, as there is currently only one regionally limited goal for training, for example
4. Adopt a more neutral freedom of association policy

Engagement activities

- ◆ In 2021, we met the company in London to discuss working conditions, living wages, and workforce disclosures, sharing concerns about related controversies and industry best practices. In 2022 and 2023, we continued engagement, including ahead of its annual general meeting, covering workforce wellbeing, executive pay and shareholder resolutions. We also visited a company facility in 2023 to observe workforce management. We continued to express concerns regarding negative media reports on workforce issues, seeking to gain a deeper understanding of the situation, and outlined our expectations for future disclosures.
- ◆ In 2024, we discussed a report alleging misreporting of injuries, which the company disputed and provided supporting data. To manage risk perception, it offered public facility tours and invited proponents of shareholder proposals to visit.
- ◆ In 2025, we met the company three times and continued to highlight worker safety as a material topic. The company shared data showing a decrease in injury rates and its continued investments to improve safety. We also discussed the upcoming AGM and its proposed responses to some of the shareholder proposals.

Related voting activities

- ◆ In 2023, we voted against the re-election of relevant board directors due to what we perceived as an inadequate response to issues that had garnered significant shareholder dissent in the previous AGM. We also supported various shareholder proposals requesting the company to address social issues, including working conditions, employee board representation, freedom of association and collective bargaining, and pay disparities – many of which we had supported in 2022.
- ◆ In 2024, we continued to vote in favour of shareholder proposals, including those addressing pay disparities, freedom of association and collective bargaining. While we had previously supported proposals related to working conditions, we chose not to support these in 2024, as we felt more confident in the company’s progress due to improved statistics and a stronger commitment to addressing these issues.
- ◆ For the 2025, AGM we similarly did not support the proposal on working conditions, as we continued to see improved statistics indicating the company’s efforts to manage the issue and enhance safety performance.

Outcomes

While the issuer has been willing to engage, it has not always aligned with our concerns, and it has continued to receive negative media coverage regarding working conditions. As a result, some of our active equity teams decided to underweight the company in 2023. However, we noted in 2024 that the company had invested in safety initiatives and resources, resulting in a decline in injury rates among workers, and that this continued into 2025. The company remains on our priority list, and we will continue to monitor and encourage progress and vote on AGM items aligned with our positions and concerns.

Case Study – Positive Progress on Green Bond Issuance



Positive Progress: Advancing Climate Disclosure and Bond Transparency

Sector: Utilities | **Region:** Asia | **Themes:** Climate Change, Corporate Governance

Teams involved: Stewardship, Regional Equity, Regional Fixed Income

Progress status: Addressing some of our concerns

Attributes: Policy, Positive Progress, Investment Decision

Background

A leading listed energy company in Asia operates in natural gas distribution and integrated energy solutions, with a net zero target for 2050. While progress has been made in renewables and governance, challenges remain, including incomplete scope 3 emissions reporting, cybersecurity, pipeline safety, and board independence and diversity. Our multi-year engagement has covered topics such as sustainability reporting, scenario analysis and gender diversity. The company acknowledges its role in advancing scalable, low-carbon energy systems and is committed to engaging with stakeholders.

Key engagement objectives

1. Measure and report on scope 3 emissions
2. Conduct and publish scenario analysis on climate risks and business impacts
3. Outline strategies to increase board independence and diversity
4. Elaborate on cybersecurity preparedness measures
5. Obtain post-issuance assurance on the use of green bond proceeds

Engagement activities

- ◆ Engagement began with the Head of Sustainability in 2023, focusing on foundational issues such as net zero strategy and cybersecurity. We encouraged incident management planning and alignment with ISO 27001 to enhance resilience, and encouraged scope 3 reporting and scenario analysis.
- ◆ In 2024, we expanded our engagement scope to address climate risks, and gas and pipeline safety. We encouraged the company to produce a dedicated climate report, which they subsequently delivered. We also raised concerns about the lack of assurance for green bond proceeds, as prior disclosures offered limited transparency about how the funds were used. Additionally, we addressed declining gender diversity at the board level and encouraged the company to set a target, to which they verbally committed.

Related voting activities

None

Outcomes

- ◆ Over the past three years, our engagement with the company has led to positive progress in several key areas. The company became one of the first in its market to disclose scope 3 emissions, addressing a critical gap in its net zero strategy. It also published its first post-issuance green bond assurance report, conducted by one of the 'big four' audit firms, providing much-needed transparency on the use of proceeds and aligning with our green bond standards. We have since bought into the company's green bonds.
- ◆ Additionally, we saw positive progress in governance, with board gender diversity increasing to nearly 30%. These efforts were recognised by rating agencies with the company now being AA-rated by MSCI, the first energy company in its market to achieve this rating.
- ◆ While these outcomes are encouraging, there is still greater room for improvement. Ongoing engagement will focus on methane reporting and credible pathways to peak emissions and achieve net zero by 2050.

Case Study – Controversies and Potential UNGC Violations



Addressing Controversies through Strengthening Sustainability Implementation and Transparency

Sector: Materials | **Region:** Asia | **Themes:** Human Rights, Bioeconomy and Natural Capital

Teams involved: Stewardship, Regional Equity

Progress status: Issues raised

Attributes: Controversy, Collaborative

Background

A Chinese diversified mining company is a priority for engagement due to exposure to sustainability risks. Third-party assessments indicate potential violations of human rights and environmental standards under the UN Global Compact (UNGC) principles, including community relations and toxic waste emissions at several sites. These may indicate gaps between group-level commitments and operational implementation, exposing the company to reputational, regulatory, and operational risks, and reinforces the need for engagement on community impact, environmental management, and governance practices.

Key engagement objectives

1. Strengthen execution and implementation of group policies and standards at the local project level
2. Align operational practices and disclosures with leading global standards, including ICMM, the World Gold Council and IRMA
3. Engage with the third-party data providers on their UNGC upgrade and downgrade criteria, and work towards being upgraded back to “compliant” status
4. Enhance transparency by reporting on any community consultations, stakeholder engagement and any corrective actions taken

Engagement activities

- ◆ In 2024, we engaged through a collaborative investor group on the board oversight of sustainability, decarbonisation, tailings and pollution management, and health and safety. The company was receptive and provided details of ongoing initiatives, board committee governance structure and responsibilities, and planned disclosures, while acknowledging ongoing challenges and areas for further development.
- ◆ In 2025, we engaged directly and raised concerns around community relations, human rights, environmental management, labour practices, and board governance. We discussed ongoing controversies at various overseas mining sites, including community displacement, environmental harm, labour conditions, and the effectiveness of grievance mechanisms, which have contributed to the company’s negative UNGC assessment. We also shared expectations on the oversight of contractors, hazardous waste management, and the scope of emissions reporting.
- ◆ Additionally, we sought clarity on board diversity, succession planning, and alignment with international standards. In response, the company outlined recent improvements, acknowledged ongoing challenges, and reaffirmed its commitment to enhanced transparency, stakeholder engagement, and continuous alignment with global best practices.

Related voting activities

None

Outcomes

Although the company’s negative UNGC assessment by third parties remains, it is willing to engage and is receptive to investor feedback. There is an opportunity to enhance transparency, better align practices and disclosures with global peers, and strengthen project-level implementation of group policies through training and incentives. As a next step, the company remains on our priority list, and we will continue to monitor and encourage progress.

Case Study – Site Visit



Multi-year Engagement with Site Visit to Observe Working Conditions

Sector: Information Technology | **Region:** Asia | **Themes:** Human Rights, Social Opportunities

Teams involved: Stewardship, Thematic Equity, Regional Equity

Progress status: Addressing some of our concerns

Attributes: Site Visit, Positive Progress

Background

The company is a key player in the technology hardware supply chain but has faced allegations related to human rights and labour practices in the past. Stakeholders including customers, investors, and regulators continue to expect higher standards. The World Benchmarking Alliance’s (WBA) Corporate Human Rights Benchmark has scored the company low, indicating areas for improvement.

Key engagement objectives

1. Adopt and implement the United Nations Guiding Principles (UNGPs) for Business and Human Rights
2. Develop a human rights framework that includes mapping of key risks, stakeholders, and hotspots
3. Increase disclosure on the management of third-party labour agencies

Engagement activities

- ◆ In 2021, we sent a letter to the company to encourage participation in the Workforce Disclosure Initiative, noting that improved workforce disclosures could support stronger workforce management. In 2023, we engaged directly with Investor Relations, raising concerns over allegations of labour violations and child labour practices, poor working conditions, human rights and human capital standards, grievance channels and high staff turnover. We continued sharing written feedback and expectations throughout the year. In 2024, we met the lead Independent Non-Executive Director (INED), who is also the Chair of the Sustainability Committee on the board. We reiterated our concerns on labour safety and forced labour controversies, and provided recommendations on the implementation of the UNGPs.
- ◆ In 2025, we joined a company site visit and met an INED. We observed the company’s operations, worker dormitories and facilities, and discussed key issues such as the impact of automation and relocation on the workforce. We continued to share our expectations on human rights due diligence and labour standards.

Related voting activities

None

Outcomes

The company updated its code of conduct and supporting guidance for practical implementation. These align with international benchmarks such as the UNGPs and the Responsible Business Alliance (RBA) Code of Conduct. Independent third-party audits have been completed at several key operational sites in China and India, which focus on labour rights, health and safety, and supply chain management. As a next step, the company remains on our priority list, and we will continue to monitor and encourage progress.

7. Escalation

Our approach to escalation

Potential stewardship escalation options include, but are not limited to, dialogue with senior management or board members (including written communications), and participation in industry initiatives. For companies where we hold publicly listed shares, escalation options also include voting against certain management proposals, including director (re)elections, and co-filing shareholder proposals.

The escalation options chosen, as well as the order and timescales in which they are taken, will vary by issuer depending on the specific context. We also consider market and region-specific nuances such as cultural expectations, geopolitical challenges, and local laws, regulations and practices.

Decisions to escalate are guided by several factors, including the issuer's responsiveness to our requests and timeliness in enacting change; the relevance of the issue and its potential to negatively impact shareholder value; and the potential for our chosen escalation activity to effectively address the issue.

We do not publicly comment on company engagements, but our voting records are available publicly via our Proxy Voting Dashboard.²⁷

Escalation may not always be the best course of action, especially when a company is unable to make changes due to broader market or systemic factors. Regulations, listing rules, and third-party ESG ratings often play a significant role in influencing corporate behaviour and disclosures. Therefore, our system stewardship activities can both complement and serve as an alternative to escalation in our engagements with companies. For further details, please refer to [Principle 2](#).

Identifying companies for escalation

We may escalate if a company on the Priority List has made limited progress against the issues and objectives we have discussed with them. These are usually identified on a case-by-case basis by the individuals leading the engagement. The chosen method of escalation depends on the available tools and levers for the company.

Escalation may also be identified by one of our governance bodies. This includes the Stewardship Committee, Virtual Sector Teams, Asset Class ESG committees, or the Responsible Investment Committee. In some cases, escalation will require the completion of our sustainability due diligence process, which provides a framework to assess the issue and document our conclusions. Where an assessment determines that a company breaches our internal eligibility criteria for ESG and Sustainable Investing strategies, the issuer will not be eligible for inclusion in such strategies.²⁸ We may also initiate targeted engagement as an escalation measure to address the specific issues identified.

At the beginning of each year, as part of our planning process, we assess companies to identify those where appropriate steps may not have been taken to address relevant risks outlined in our Stewardship Plan, including those related to climate change, bioeconomy and natural capital, human rights, and workforce concerns. These companies may warrant a vote against the re-election of a board director and may be placed on our voting watchlists. The level of accountability we apply may depend on the objectives of the fund. In addition, where a potential breach of one or more of the 10 UN Global Compact (UNGC) principles has been identified, or where we have observed a company's response to a significant controversy to be inadequate, we may also vote against the re-election of a relevant board director.

²⁷ Our Proxy Voting Dashboard can be accessed via this link: <https://vds.issgovernance.com/vds/#/MjIwNw==>

²⁸ HSBC's ESG and Sustainable Investing strategies include impact funds with an ESG or Sustainable objective, thematic funds that seek to invest in ESG or sustainable trends, and strategies that seek to mitigate ESG risks by investing assets with higher ESG performance and/or exclusions of those that are lower ESG performing. Considerations across strategies can include but are not limited to climate/net-zero and/or UN Sustainable Development Goals. For the avoidance of doubt, these assets invested pursuant to the ESG and Sustainable Investing strategies do not necessarily qualify as "sustainable investments" as defined by SFDR or other relevant regulations. The HSBC ESG and Sustainable Investing Framework is an HSBC internal classification framework used to establish ESG and sustainable investing standards and promote consistency across asset classes and business lines where relevant, and should not be relied on to assess the sustainability characteristics of any given product.

Escalation governance

Material escalations are documented and monitored by the Stewardship Committee and, when necessary, escalated to the Responsible Investment Committee. Certain types of escalation, such as co-filing a shareholder resolution, are subject to additional governance procedures.

Escalation in action

Case Study – Escalation



Escalating Sustainability Due Diligence through VST and Fixed Income ESG Committee

Sector: Financials | **Region:** N America | **Themes:** Corporate Governance

Teams involved: Stewardship, Regional Fixed Income

Progress status: Issues raised

Attributes: Controversy, Sustainability Due Diligence, Investment Decision, Escalation

Background

The company was flagged by a third-party data provider for an anti-money laundering (AML) controversy, potentially restricting its inclusion in our sustainable investment strategies. Following discussions amongst the Financials Virtual Sector Team (VST) and the Fixed Income (FI) ESG committee, we initiated engagement to understand the scope of the issue. This raised concerns because the bank had long been viewed as a market leader on governance and social factors prior to the money laundering controversy emerged.

Key engagement objectives

1. Report on AML enhancements following sanctions

Engagement activities

During 2024, we engaged with investor relations to understand the company’s intended remediation plan. It outlined a structured approach with milestones and measurable objectives, to be completed within an agreed timeframe. We appreciated the company’s commitment to provide regular updates to investors through formal reporting rather than press releases.

Related voting activities

N/A

Outcomes

In 2024, we lowered the bank’s liquidity grade following our annual Liquidity Committee review, reflecting potential regulatory risks. In 2025, we completed an sustainability due diligence and restricted the bank from our sustainable strategies, but remained eligible for non-sustainable funds. Another review later in 2025 maintained the restriction as the remediation is still being implemented. We continue our proactive monitoring on any further developments related to this controversy.

Case Study – Escalation



Supporting Shareholder Resolution and Feedback to Remuneration Committee Chair

Sector: Consumer Discretionary | **Region:** Europe | **Themes:** Social Opportunities

Teams involved: Stewardship, Active Quant Equity

Progress status: Addressing some of our concerns

Attributes: Collaborative, Escalation, Voting

Background

The company has a large, very low-paid retail workforce, raising concerns that cost-of-living pressures may inhibit employees' ability to meet their basic needs, potentially impacting their health and wellbeing, which in turn could negatively impact their motivation, performance and customer service. Very low pay may also drive low employee retention. This is a concern because these challenges could impact same-store sales growth, ultimately affecting returns to shareholders.

Key engagement objectives

1. Provide further disclosures on employee wellbeing
2. Consider becoming an Accredited Living Wage Employer and pay a living wage to all staff

Engagement activities

In 2023, we met the company as part of a collaborative engagement to discuss wage setting, productivity, and employee engagement, raising concerns about low wage rates and hours worked. Following the meeting, we remained concerned about practices and wrote privately to the company with further questions and recommendations on employee disclosures. In 2024, we met investor relations and the human rights team to share learnings on living wage opportunities from retailers. In 2025, we met the Company Secretary and later the Chair of the Remuneration Committee to provide feedback on why we supported the shareholder resolution on living wages disclosure. We also shared feedback on the new management remuneration policy in response to their request, and how they compare to peers.

Related voting activities

- ◆ In 2023, we voted against the company's remuneration report due to concerns regarding the excessive quantum of executive pay
- ◆ In 2024, we voted against a director due to our ongoing concerns about the company's management of workforce-related risks
- ◆ In 2025, we supported a shareholder resolution on living wage. We also voted against the company's remuneration report due to concerns about the excessive quantum of executive pay and the level of increase in executive salaries

Outcomes

The company provided some disclosures on workforce retention, which we appreciated; however, we remain concerned about the very short hours that staff work and the high turnover rate. In the meantime, government policy on low pay has evolved and the company has had to start to change some low pay practices that we had felt were unsustainable. Since the resolution received strong support from shareholders with nearly one-third supporting it, the company has committed to enhancing workforce disclosures and is looking into ways to pay a living wage. As a next step, the company remains on our priority list, and we will continue to monitor and encourage progress.

Case Study – Escalation



Investment Restrictions

Sector: Utilities | **Region:** Asia | **Themes:** Climate Change

Teams involved: Stewardship, Regional Fixed Income

Progress status: Addressing some of our concerns

Attributes: Policy, Escalation, Controversy, Collaborative, Investment Decision

Background

The company is an Asian utility provider and plays a key role in national energy supply. When engagement began in 2022, its energy mix relied heavily on thermal coal and it had several overseas coal-fired plants under construction, leading to its classification as a coal expander. The company and its investors and lenders have also been targeted by NGO campaigns, which may impact its potential access and cost of capital. Its coal exit timeline remains misaligned with global climate goals and our thermal coal policy.

Key engagement objectives

1. Disclose emission reduction target for 2030 in line with finalised national energy plan
2. Develop and disclose a detailed climate strategy and capex plan on how such targets are to be achieved

Engagement activities

- ◆ We have engaged with the company’s sustainability and investor relations teams since 2022, both directly and via Climate Action 100+, covering the energy transition, its net zero objectives, coal expansion and just transition. Stewardship and investment teams have led engagements and formal assessments, resulting in restrictions from our sustainable strategies, while we also refrain from participating in primary issuance in line with our thermal coal policy. Despite progress such as a reduction in coal capacity and growth in renewables, the company has not met the objectives set out in our coal policy, including the phase-out of thermal coal by 2030.
- ◆ Disclosure on green bond proceeds also remains limited, and the company has faced scrutiny over overseas coal-fired plants that may have potential health impacts to local communities due to a lack of adequate pollution control technology.

Related voting activities

None

Outcomes

We are encouraged that the company’s renewable energy capacity has increased significantly, almost doubling in 2025 compared to 2021, demonstrating a clear commitment to expanding its clean energy portfolio. Coal-fired power capacity has reduced modestly, and the company reported 13% reduction in absolute scope 1 and 2 emissions between 2021 and 2023, reflecting some progress in decarbonisation efforts. In recent communications, the company has confirmed it will divest from all overseas coal assets by 2030, although coal is expected to remain a large portion of its generation mix post-2030 in its home market. As such it remains restricted from our sustainable fund ranges and participating in primary issuance. We continue to engage with the company, with coverage from both stewardship and investment teams who jointly participate and/or lead on engagements.

Escalation in numbers

Voting: Director elections²⁹

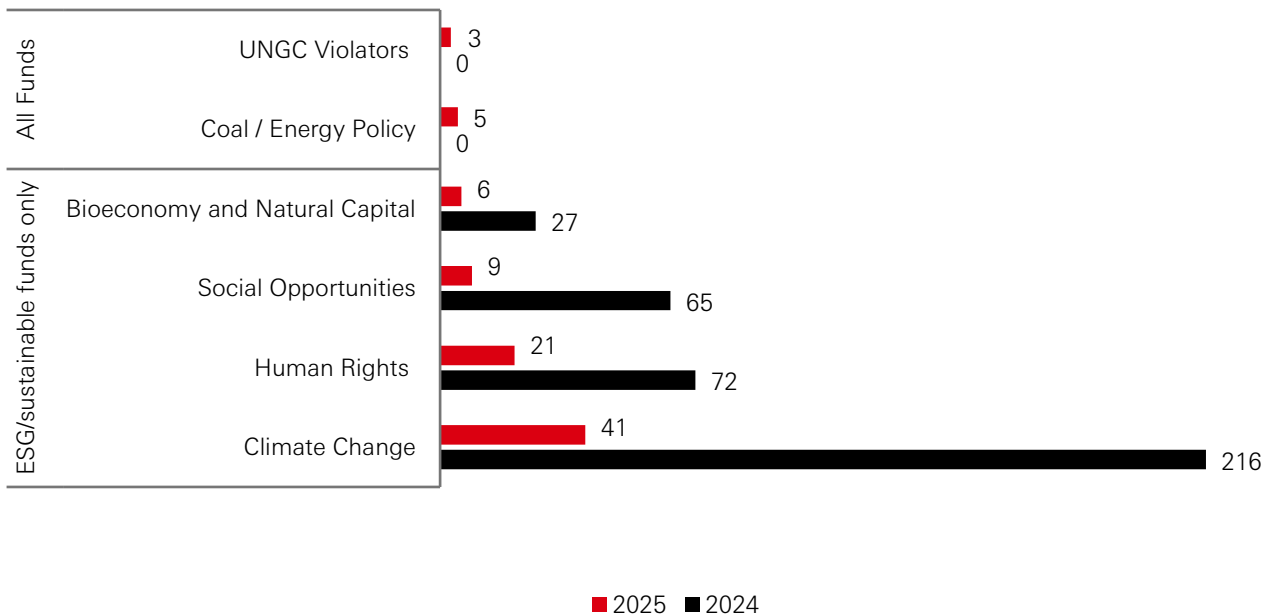
In 2025, we voted against the election of directors approximately 4,000 times out of around 36,900 director election proposals (c.11%), with the majority of these relating to governance concerns, such as board independence and board composition.

Around 1% of votes against director elections related to climate change concerns (2024: 4%), while 0.5% related to human rights issues (2024: 1%), 0.2% related to social opportunities due to workforce concerns (2024: 1%), and 0.1% related to biodiversity risks associated with the bioeconomy and natural capital theme (2024: 0.5%). In some cases, we voted against a director for multiple reasons.

The decrease in the number of votes against directors in 2025 for each theme is due to a change in our voting approach this year where we applied a different level of accountability for companies held in sustainable funds.

In 2025 we also voted against director elections at companies in breach of one or more of the 10 UN Global Compact principles without an adequate response, and those in-scope of our Coal and Energy policies. These represented around 0.1% of our votes against directors respectively.

Vote Against Directors by Rationale



Collaborative engagement

We engaged 25 companies collaboratively, although not all collaborations represent an escalation.³⁰

²⁹ Source: HSBC Asset Management. Voting data cover our holdings across our offices where our Global Voting Guidelines are applicable. Voting data from our offices in Germany, Mexico and Taiwan, as well as some from Turkey are not included. Please note that these statistics have been compiled at the meeting level. This means that for a small number of companies, where shareholder meetings may have more than one distinct meeting ID, we may count a vote against a director twice in our statistics.

³⁰ Source: HSBC Asset Management. Although HSBC Asset Management makes reasonable efforts to collate engagement data, actual figures may vary and you should not place reliance on the accuracy of the data.

Principle 4: Exercising rights and responsibilities



1. Approach to exercising rights and responsibilities for equities

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

Each year, we publish our Global Voting Guidelines online to communicate our voting expectations clearly and fairly to issuers and to our clients. Our guidelines are available at: [Stewardship - Institutional Investor](#).

Our Global Voting Guidelines were developed by the Stewardship Function within the Responsible Investment team in consultation with investment teams and are reviewed at least annually. Our Global Voting Guidelines are owned by the Chief Investment Officer and approved by the Responsible Investment Committee as well as the Stewardship Committee. We monitor the implementation of our Global Voting Guidelines and voting instructions by our proxy service provider.

The key elements of our guidelines are as follows:

- ◆ The board’s role and leadership, including our expectations on independence and composition
- ◆ How we hold boards accountable for the management of sustainability-related risks, including on climate change, bioeconomy and natural capital, human rights, and workforce concerns
- ◆ Our expectations on executive remuneration practices, including quantum, structure, performance link, and alignment with long-term shareholder interests
- ◆ Accountability through timely, appropriate, and detailed disclosure
- ◆ Expectations on ensuring reliable audit, accounts, and assurance
- ◆ Capital issues and shareholder rights, where shareholders should have equal voting and other rights
- ◆ How we treat shareholder resolutions, covering our stewardship priorities among other areas
- ◆ Our voting process, including how we oversee deployment of our voting guidelines

While we typically vote in line with these guidelines, we will exercise our judgement based on research and engagement history where appropriate. Therefore, we may, in some cases, vote differently from these guidelines. We annually review our guidelines and may change our expectations in the future.

2. Our approach to different geographies, assets and funds

As global investors, we recognise that corporate governance requirements, standards and practices vary across different markets, and we reflect this in the design and application of our guidelines. For example, we have developed specific criteria on board composition for key markets, taking into consideration cultural and historical differences, local market practices, and compliance with applicable laws and regulations.

We expect companies to apply governance requirements and good practices for their market of listing and, for larger companies, to meet globally recognised good practice standards.

Our approach is consistent across asset classes where we hold equities for which we have voting authority, and individual funds do not set their own voting policies. However, in 2025, we introduced a new approach where we may apply different levels of accountability regarding sustainability-related risks when voting on director re-elections, depending on the objectives of the fund. Additionally, when assessing shareholder resolutions, we may consider the objectives of the funds invested in the company.

3. Voting process and execution

To enable efficient proxy voting operations, we work with our proxy service provider, which provides research, a voting platform, and disclosure services. We provide our Global Voting Guidelines (“Guidelines”) to our proxy service provider, and our Guidelines, together with our own research, inform more granular voting instructions, which form

the basis of the custom voting recommendations for each shareholder meeting for consideration by our investment and stewardship teams.

The execution of our voting instructions is largely automated through our proxy service provider's voting platform, in line with our custom voting recommendations. However, our in-house voting operation teams may also execute votes directly on this voting platform, particularly for proposals that we think should be voted differently than the HSBC custom voting recommendation, or for voting items that have been referred to us for further consideration as part of our custom voting process.

Should an investment or stewardship team identify a proposal that should be voted differently from our custom voting recommendation, this will be discussed by the Voting Advisory Group, a designated group of specialists including relevant investment teams. The Voting Advisory Group will make a collective decision on a vote. If the Voting Advisory Group does not reach an agreement, the vote may be escalated to the Responsible Investment Committee or the local/Global Chief Investment Officer for a decision.

In 2024, we introduced a new framework to assess environmental and social shareholder proposals. Under this framework, we reviewed over 380 shareholder resolutions in 2025, representing around 13% of all shareholder resolutions voted. 65 shareholder proposals were voted differently to our custom recommendations after analysis through this framework.

Shareholder resolutions were evaluated based on several factors, including:

- ◆ Alignment with our stewardship priorities
- ◆ Relevance of the request
- ◆ How effectively we believe the resolution will bring about the change or outcome it proposes, including consideration of potential unintended negative impacts
- ◆ Whether the company is well placed to address the issue
- ◆ The steps the company is already taking to address this issue
- ◆ The objectives of the funds that are invested in the company

For voting through the ISS platform, we publish voting records through the Proxy Voting Dashboard on our website.³¹ We also offer clients detailed reports on our voting activity.

4. Voting scope

Our Global Voting Guidelines are applied across our investment offices, including in the UK.³²

We aim to vote on all equities for which clients have given us voting authority, except where this is not practical for reasons such as share blocking or overly burdensome power of attorney requirements.³³ Many of our holdings are in retail funds which receive unpredictable daily in and out flows. The blocking of shares between the date of instruction and of the meeting could impede the ability of these funds to trade certain holdings; we have determined that this client interest outweighs the benefit of participating in the small proportion of shareholder meetings impacted.

A small number of meetings may not have been voted because the ballot was not received until after the deadline for instruction – which may arise with a recently acquired holding.

5. Client voting policies

All client accounts for which we vote have our guidelines applied to them. A small number of clients have retained voting rights for themselves, usually to ensure consistency across managers. While we prefer to apply our guidelines due to better alignment with our investment and engagement approach, we have responded positively to questions

³¹ Our Proxy Voting Dashboard is accessible via this link: <https://vds.issgovernance.com/vds/#/MjIwNw==>.

³² For further details of the scope of guidelines, please refer to the Global Voting Guidelines available [online](#).

³³ Share blocking refers to a practice where trading of shares is blocked after voting instructions are given ahead of a shareholder meeting.

about whether we could apply clients' own policies to segregated mandates, subject to agreement on practical arrangements.

For clients holding investments in pooled funds, there would be practical challenges – each vote would have to be split (which is not permitted in all markets) – to apply a different policy to a portion of a fund and could raise issues of equal treatment but we have agreed to examine these challenges and issues should a client with appropriate scale within a fund ask us to do so.

6. Stock lending and voting

Some funds were subject to stock lending in 2025. We participate in stock lending as we believe that the additional returns that can be achieved would serve clients' best interest. We aim to conduct securities lending according to industry best practice to protect our clients' assets, for example with strict rules around monitoring and quality of collateral. Our securities lending activity is undertaken in line with the Principles for Sustainable Securities Lending, published by the ISLA Council for Sustainable Finance.

All securities on loan are available for recall for the purpose of voting. In 2025, we continued to recall securities systematically to be able to exercise our clients' voting rights and mitigate 'empty voting'. We recalled stocks of companies on our engagement priority list ahead of the record dates for shareholder meetings where this was possible. Recalling stocks on loan is not always feasible due to factors such as the timing of the record date and announcement of the date of the shareholder meeting. Since the 2025 proxy season, we have also been recalling stocks for markets where the record date is typically set months in advance of the meeting date, by estimating the meeting and record dates.

7. Securing and monitoring voting rights

Voting set-up is part of our standard new fund set-up process. Since our proxy service provider is the same one used by HSBC in its role as custodian, and most of our funds are in the custody of HSBC, funds are typically available for voting from the outset. Additionally, our proxy service provider procures ballots for meetings it has become aware of, even if ballots for holdings in every fund have not yet been received.

8. Voting as part of the escalation process

Some of our voting may be part of an escalation process. Please refer to [Principle 3](#) for further details.

9. Conflict of interest

We maintain a register of potential conflicts of interest and associated mitigation activities. This includes instances where we override our custom voting recommendations through our governance process, including review via the Voting Advisory Group. This flexibility is an intentional part of our voting approach and allows us to reflect additional nuance that an automated instruction cannot fully capture, such as further research, issuer-specific context, engagement activity, or other relevant mitigating factors. Examples during 2025 include:

- ◆ Client relationship: We recorded a case where we overrode our custom recommendation when voting at an investee company that is also a client. The voting decision was made independently of the client relationship, in line with our voting governance and based on the merits of the proposal and our stewardship assessment.
- ◆ Parent bank client relationships: As a subsidiary of a large global bank, we may face potential conflicts of interest when voting at investee companies that are also clients of our parent company. We make voting decisions independently of our parent company. During 2025, we documented instances where we overrode our custom recommendations at companies which we knew to be clients of our parent company, with the rationale recorded in our conflicts register in line with our governance process.

Our conflicts register is reviewed quarterly by the HSBC AM Conflicts Committee, providing governance oversight to help ensure potential conflicts are appropriately identified and managed, and that voting decisions are taken independently.

Please refer to Policy and Context Disclosure Section D for details of our policy and process for identifying, managing and reporting conflicts of interest.

10. Voting in action

Below are examples of our voting activities in 2025 to show how we applied our Global Voting Guidelines.

Company	European Financials company	European Industrials company	North American Energy company	South American Consumer Staples company
Themes	Corporate Governance	Corporate Governance	Climate Change	Bioeconomy and Natural Capital
Date of vote	15 May 2025	13 Feb 2025	13 May 2025	29 Apr 2025
Proposal type	Management proposal	Management proposal	Management proposal	Management proposal
Summary of the resolution	Shareholders to approve remuneration report	To approve virtual-only shareholder meetings until 2027	Director election	Director election
HSBC AM guidelines	Against	Against	Against	Against
Voting Decision Framework	N/A	N/A	N/A	N/A
How we voted	Against (against management)	Against (against management)	Against (against management)	Against (against management)
Voting rationale	We considered the quantum of total pay excessive, and had concerns regarding the discretionary adjustments that led to significant increase in the CEO's LTI vesting. The company also did not adequately address the substantial shareholder dissent on the previous year's remuneration report.	We did not believe that the proposal would enhance transparency and accountability on the issue.	We voted against this Lead Independent Director as per our coal and energy policies. We believe this is in the interest of shareholders.	We voted against the Vice Chair due to concerns about the company's management of biodiversity-related risks. We believe this is in the interest of shareholders.
Outcome of the vote	The proposal did not pass, receiving 60% dissent.	The proposal did not pass, receiving over 28% dissent.	The proposal passed, but received 5% dissent.	The proposal passed, but received over 13% dissent.

Company	Asian Industrials company	North American Industrials company	North American Communication Services company	European Consumer Discretionary company
Themes	Human Rights, Social Opportunities, Corporate Governance	Human Rights	Social Opportunities, Corporate Governance	Social Opportunities
Date of vote	24 Jun 2025	1 May 2025	28 May 2025	6 Jun 2025
Proposal type	Management proposal	Management proposal	Management proposal	Management proposal
Summary of the resolution	Director election	Director election	Director election	Director election
HSBC AM guidelines	Against	Against	Against	Against
Voting Decision Framework	N/A	N/A	N/A	N/A
How we voted	Against (against management)	Against (against management)	Against (against management)	Against (against management)
Voting rationale	We voted against this chair of the Audit Committee due to concerns about the company's management of workforce-related risks and human rights issues. We believe this is in the interest of shareholders. We also had concerns about overboarding.	We voted against this Lead Independent Director as the company has been assessed as non-compliant with the UN Global Compact.	We withheld our vote against this compensation, nominating, and governance committee chair given high director pay without reasonable rationale disclosed in consecutive years. We also do not support unequal voting rights.	We voted against this Risk Committee chair due to insufficient gender diversity at the executive level. We believe this is in the interest of shareholders.
Outcome of the vote	The proposal passed, but received over 4% dissent.	The proposal passed, but received around 2% dissent.	The proposal passed, but received 14% dissent.	The proposal passed, but received over 18% dissent.

Company	North American Consumer Discretionary company	North American Utilities company	Asian Financials company	North American Consumer Staples company
Themes	Corporate Governance	Corporate Governance	Climate Change	Bioeconomy and Natural Capital
Date of vote	6 Nov 2025	1 May 2025	24 Jun 2025	30 Apr 2025
Proposal type	Shareholder proposal	Shareholder proposal	Shareholder proposal	Shareholder proposal
Summary of the resolution	To declassify the board of directors	To adopt simple majority vote	Company to add a provision in the articles of association on assessment of client climate change transition plans	Company to report on food waste management and targets to reduce food waste
HSBC AM guidelines	For	For	For	For
Voting Decision Framework	N/A	N/A	Yes	Yes
How we voted	For (against management)	For (against management)	For (against management)	For (against management)
Voting rationale	We believed that the proposal would enhance transparency and accountability on the issue.	We believed that the proposal would contribute to the better protection of minority shareholder rights.	We believed the proposal would contribute to better management of the company's risk exposure on the issue.	We believed that the proposal would enhance transparency and accountability on the issue.
Outcome of the vote	The proposal passed, receiving over 53% of support from shareholders.	The proposal passed, receiving over 97% of support from shareholders.	The proposal did not pass; but received 10% of support from shareholders.	The proposal did not pass; but received over 12% of support from shareholders.

Company	Asia Pacific Consumer Staples company	North American Financials company	European Consumer Discretionary company	North American Communication Services company
Themes	Bioeconomy and Natural Capital	Human Rights	Social Opportunities	Trusted Technology and Data
Date of vote	30 Oct 2025	10 Apr 2025	15 May 2025	6 Jun 2025
Proposal type	Shareholder proposal	Shareholder proposal	Shareholder proposal	Shareholder proposal
Summary of the resolution	Company to approve seafood sourcing policy	Company to report on forced labour and child labour in lending portfolios	Company to prepare a report for investors to assess its approach to human capital management	Company to report on the risks of improper use of external data in the development of AI products
HSBC AM guidelines	For	For	Against	For
Voting Decision Framework	Yes	Yes	Yes	Yes
How we voted	For (against management)	For (against management)	For (against management)	For (against management)
Voting rationale	We believed that the proposal would contribute to better management of the company's risk exposure on the issue and is in the interest of shareholders.	We believed the proposal would contribute to better management of the company's risk exposure on the issue.	We believed that the proposal would enhance transparency and accountability on the issue.	We believed that the proposal would enhance transparency and accountability on the issue.
Outcome of the vote	The proposal was withdrawn.	The proposal did not pass; but received over 27% of support from shareholders.	The proposal did not pass; but received 27% of support from shareholders.	The proposal did not pass; but received 12% of support from shareholders.

11. Voting in numbers

We publish information on our voting activities through our Proxy Voting Dashboard, which is available online and updated daily.³⁴

In 2025, we voted around 104,000 out of 107,400 (97%) votable items at around 10,700 out of 11,000 (97%) votable meetings.³⁵

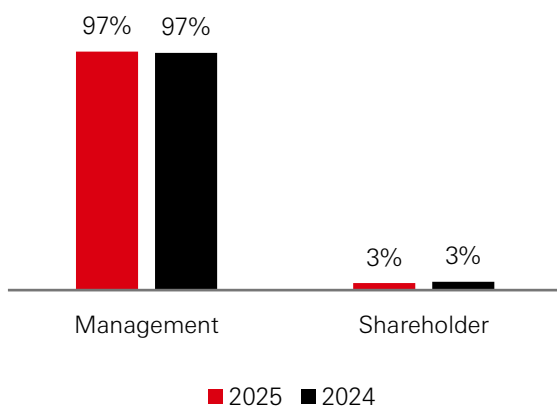
We voted 84% of resolutions in line with management, compared to 83% in 2024. The proportion of meetings with at least one vote against, withheld or abstained for a management proposal was 58%, compared to 58% in 2024.

Our vote was different from the custom recommendation provided by our proxy service provider, which in turn was based upon our Global Voting Guidelines, on around 390 occasions, which accounts for 0.38% of the total proposals voted. This was slightly higher compared to the prior year (2024: around 240 proposals representing 0.24% of total proposals voted). Decisions to override the custom recommendations were made when we determined that our guidelines had not been correctly applied, or circumstances particular to the company meant that we should not apply the policy, or the company had undertaken sufficient steps to address the issue concerned.

Categorisation of votes reported in this section is based on the classification used by our proxy service provider.

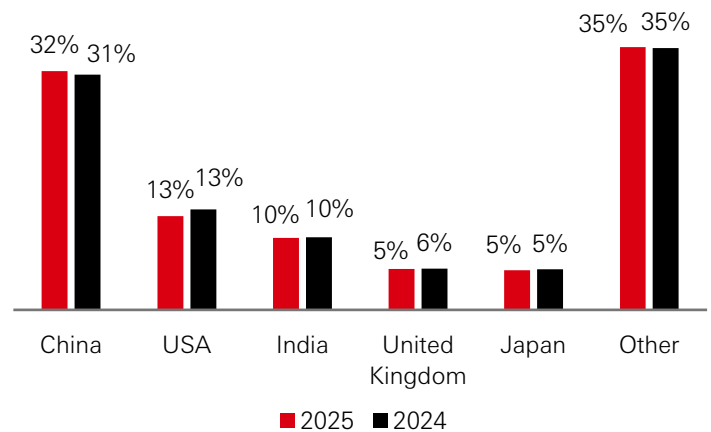
Type of resolution

Of the proposals that we voted, management sponsored the vast majority – around 101,100 – during the period, whereas shareholders sponsored around 3,000 proposals. There was a similar trend in the proponent percentage of proposals in 2024.



Meetings voted by market

In 2025, we voted the largest number of meetings in China, which accounted for 32% of the total meetings voted. This was followed by the US, India, the UK and Japan as illustrated below. The top five markets account for 65 per cent of the total votes cast. The top five markets in 2025 were the same top markets in 2024.

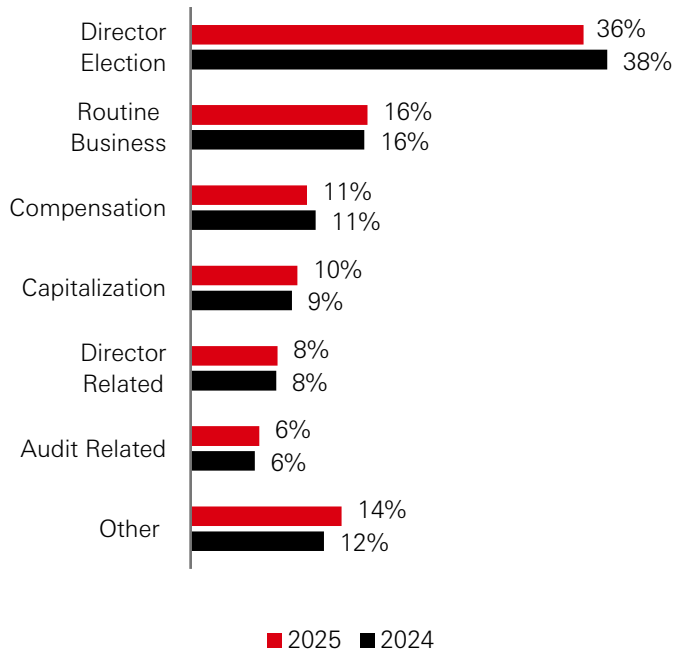


³⁴ <https://vds.issgovernance.com/vds/#/MjllwNw==>

³⁵ Numbers are rounded.

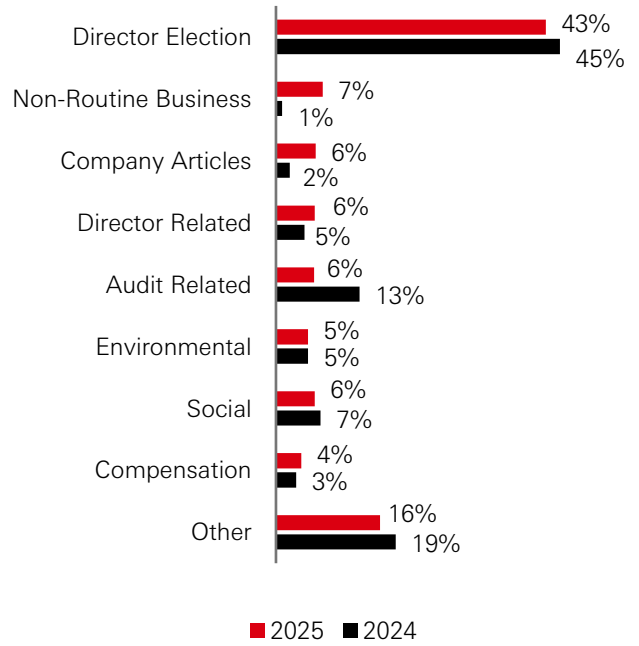
Management proposals by category

The largest number of management proposals we voted in 2025 was on director election, followed by routine business, compensation (remuneration), and capitalisation. These were similar to trends in 2024.



Shareholder proposals by category

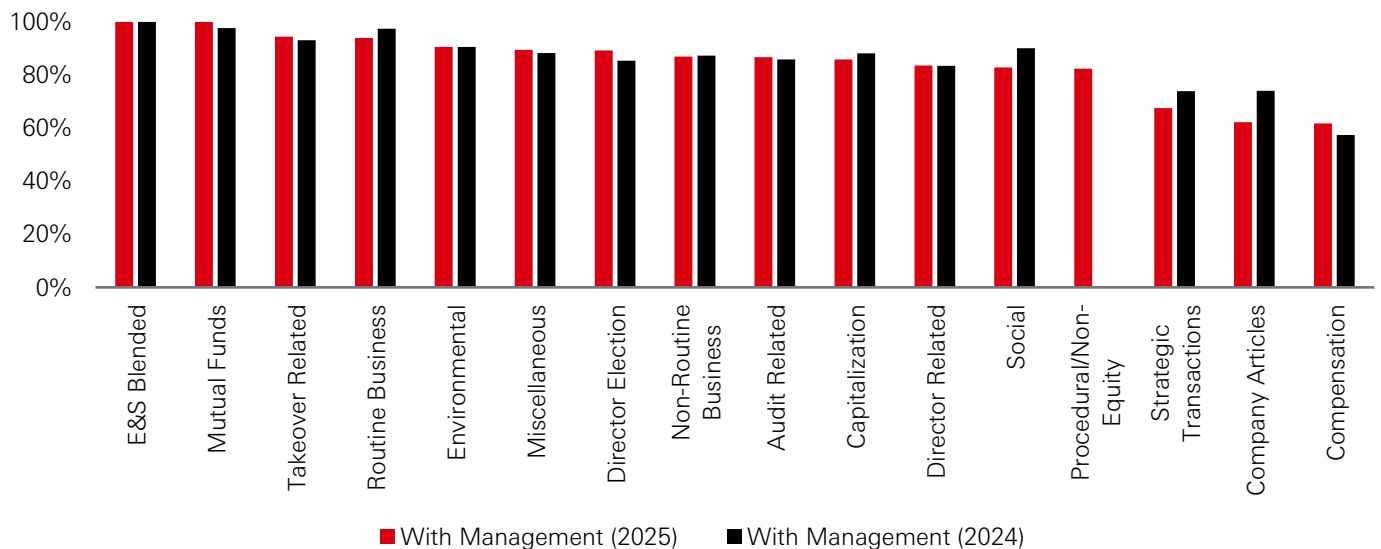
The largest number of shareholder proposals we voted in 2025 was on director election, followed by non-routine business, and company articles. Compared to 2024, there was a slight decrease in the proportion of director election shareholder proposals, a notable increase in the proportion of non-routine business and company articles, and a notable decrease in audit-related proposals.



Voting decisions for management resolutions

Compensation and company article related proposals saw the highest proportion of votes against at 38%, followed by strategic transitions. The types of proposals we voted against followed a similar trend as the prior year, with a more notable decrease in support for strategic transactions, company articles and social-related management proposals.

Support for Management Proposals

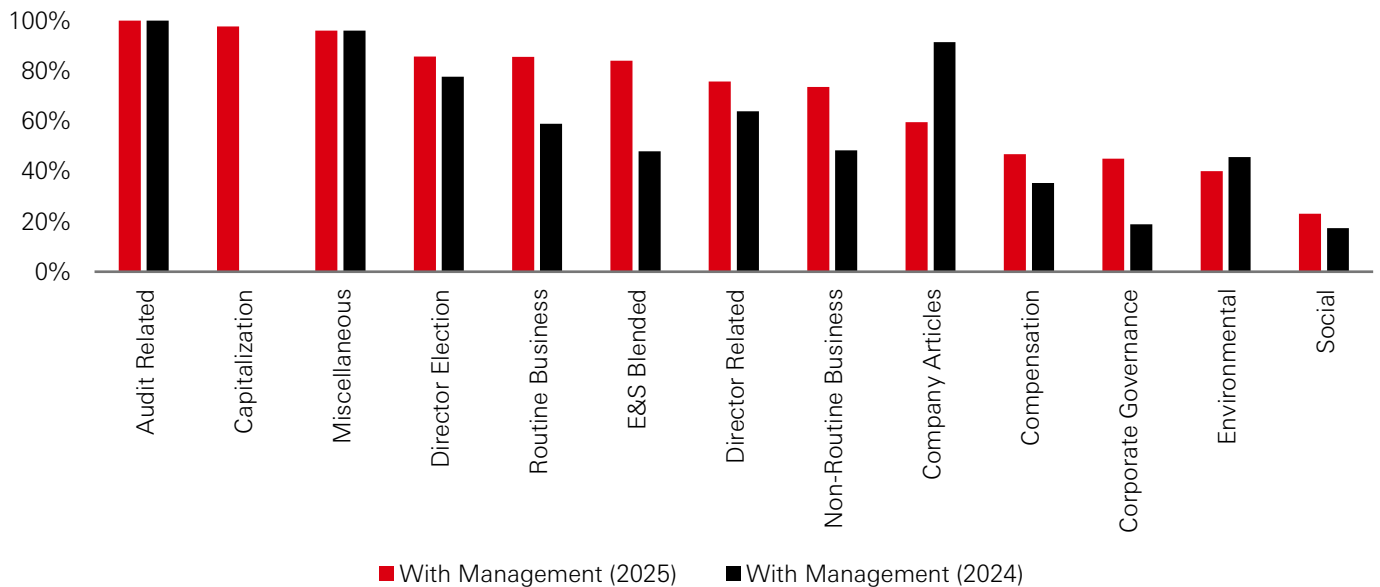


Voting decisions for shareholder resolutions

Social-related proposals saw the highest proportion of votes against management at 77%, followed by environmental, corporate governance and compensation related proposals. Compared to 2024, notable changes in proportion of support for shareholder proposals were observed for E&S Blended, company articles and corporate governance categories.

Note that a vote against management for shareholder proposal is typically, but not always, a vote for the shareholder proposal.

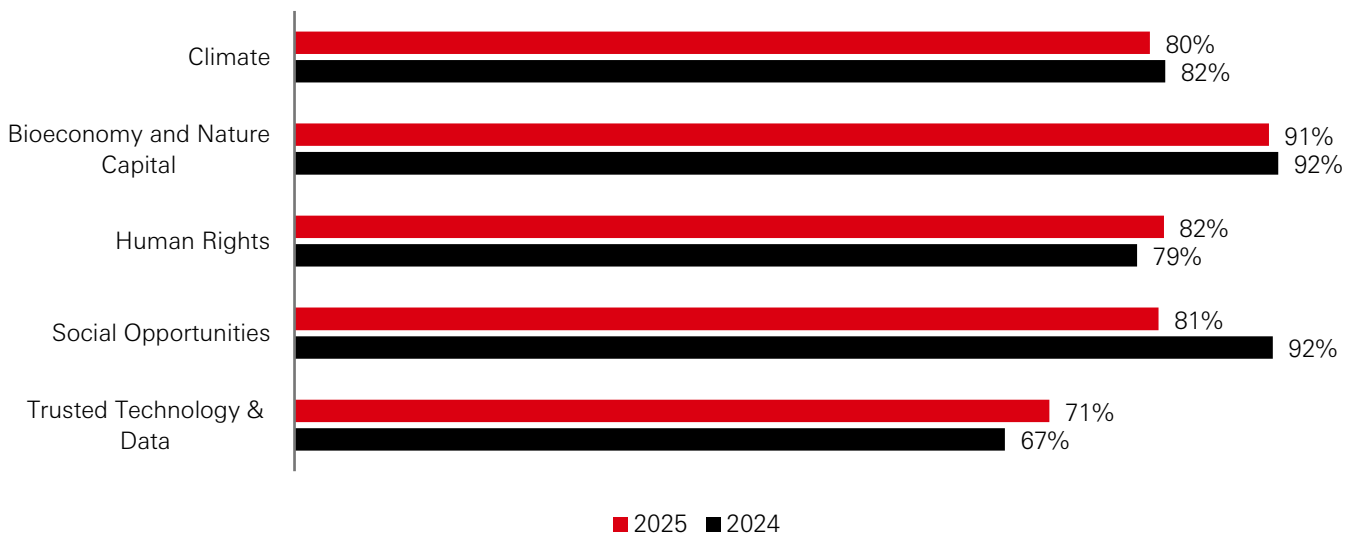
Support for Shareholder Proposals



Support for shareholder resolutions related to our stewardship themes³⁶

Similar to the prior year, we voted for the majority of shareholder proposals across our stewardship themes in 2025.

The proportion of shareholder proposals we supported was slightly lower in 2025 compared to 2024 for some of our priority themes (Climate Change, Bioeconomy and Natural Capital, and Social Opportunities) but higher for Human Rights and Trusted Technology and Data.



³⁶ Please note that these statistics exclude anti-social or anti-environmental proposals and are based on an internal methodology that categorises proposals using codes provided by our proxy voting provider and relevant keywords.

12. Fixed income

We may participate in bond restructuring meetings as they arise. We do not have voting guidelines for these meetings as each case is regarded as an investment decision, whereby the client's interest as a creditor is the sole consideration. We have an established process to address any material non-public information (MNPI) concern that may arise during the restructuring process.

While we do not usually find that there is scope to renegotiate the terms of a bond offered for sale on issue, we have found circumstances where we have needed to question information about the use of green bond proceeds. Our assessment of green bonds relies on a bottom-up approach to make sure that the bond finances projects that provide clear environmental benefits. This includes making sure that the green bond framework follows the Green Bond Principles³⁷ but also that the projects to be financed are eligible under the Climate Bonds Initiative (CBI) taxonomy.³⁸ In addition, to screen and control that green bonds are environmentally sound and support the transition to a post-carbon economy, the stated aims of the green funding projects should be transparent, well disclosed and reported. When this is not the case, we write to the issuer seeking a third-party opinion as to the sustainability purposes of the bond, and commitments to sustainability reporting. Disclosed information that is easily accessible enables informed decisions and enhances investors' trust.

13. Alternatives

For private debt and infrastructure debt, restructurings may be initiated by the issuers and occasionally by investors. These restructurings are typically driven by commercial and governance considerations, rather than environmental or social factors. Where a restructuring relates to changes in the governance terms or credit protections of the debt, we determine our stance based on our fiduciary duty and the long-term investment interest of our clients.

³⁷ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

³⁸ <https://www.climatebonds.net/standard/taxonomy>

Principle 5: Selection and oversight of managers



1. Multi-Asset

For multi-asset strategies delivered externally through investments in third-party managed funds, we conduct due diligence on external managers pre-investment to confirm they meet HSBC Asset Management’s minimum responsible investment criteria.

Stewardship forms an important part of this this due diligence and is assessed across the following areas:

- ◆ **Policies and governance:** We review the manager’s responsible investment policy and their voting and engagement policies, including stewardship accountability and how decisions are governed
- ◆ **Resources and capability:** We assess whether the manager has dedicated stewardship expertise and whether resourcing is appropriate for the strategy
- ◆ **Voting approach:** We evaluate how the manager votes, including their approach to environmental and social shareholder resolutions and the circumstances in which they will vote against directors or management on E&S issues
- ◆ **Engagement approach and escalation:** We review how the manager engages with issuers, their stewardship priorities, and the escalation steps taken if progress stalls
- ◆ **Integration into investment decisions:** We assess how stewardship insights are incorporated into portfolio construction and risk management
- ◆ **Evidence and outcomes:** We request reporting and examples demonstrating activity and outcomes, including recent successful and unsuccessful engagement case studies, and voting/engagement reporting at fund and/or firm level

Post-investment, we monitor funds regularly against key sustainability indicators (for example, ESG score, carbon intensity, exclusions and controversies) and review our due diligence regularly, including updates on voting and engagement activity.

2. Alternatives

HSBC Alternatives invests through third-party managers to provide clients with private markets (including private equity, private credit, infrastructure equity and impact strategies), as well as hedge fund asset class solutions. In these strategies, due diligence is undertaken to monitor sustainability risks at both fund and manager level.

Prior to onboarding, all third-party managers complete a sustainability questionnaire developed by our Operations Due Diligence (ODD) team. Additionally, as part of the Investment Due Diligence (IDD) process, our investment team conducts a comprehensive assessment of each strategy and sustainability capabilities of the third-party manager. This assessment is embedded within the broader investment process and considers sustainability factors across the four IDD pillars— People, Performance, Process and Philosophy— alongside relevant macroeconomic considerations. Our investment team also engages with General Partners to understand the third-party manager’s sustainability risk management and monitoring practices, the sustainability track record, leadership and resourcing.

Findings are discussed and reviewed within the relevant Alternatives Asset Class Investment Committee and other investment oversight bodies. Ongoing monitoring includes periodic updates to the sustainability questionnaire and continued investment due diligence reviews, with engagement undertaken where appropriate.

Case Study



External Manager Oversight in Alternatives

Region: Global

Teams involved: Alternatives

Progress status: Addressing some of our concerns

Attributes: Controversy, Sustainability Due Diligence, Integration

Background

We became aware of media reporting raising concerns about practices at an underlying investment held within a third-party manager's platform. The reporting included allegations relating to customer outcomes, workforce matters, and aspects of financial reporting. We had no direct exposure to the specific asset referenced.

Key engagement objectives

1. Understand the nature of the allegations and steps taken to investigate them
2. Assess the external manager's governance, oversight and escalation processes for managing controversies and safeguarding outcomes
3. Determine whether the issues were isolated or indicative of broader risks in the manager's approach

Engagement activities

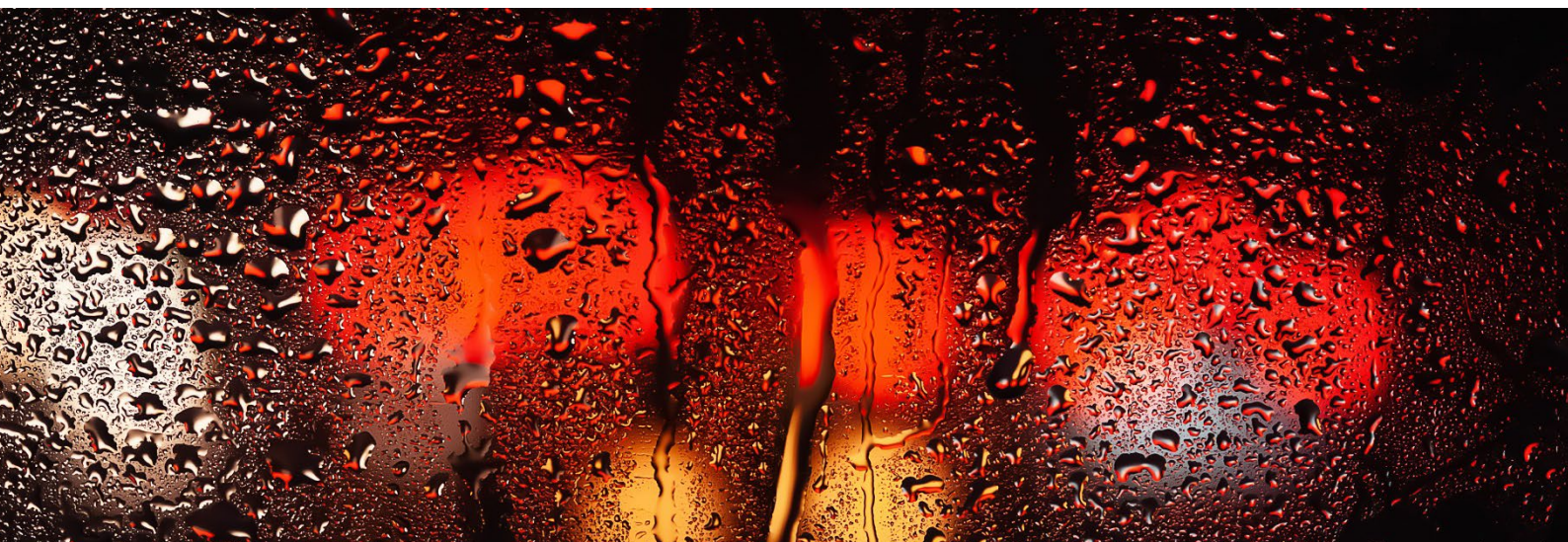
During the period, we held a dedicated meeting with the external investment manager to discuss the concerns raised in the media. We sought the manager's perspective, including any rebuttals, actions taken, and the controls in place to support appropriate standards of conduct and delivery of intended outcomes across the portfolio.

Outcomes

The manager provided relevant senior stakeholders to address our questions. Based on the information shared, including additional assurance steps where appropriate, we concluded the concerns had been investigated and addressed. We did not identify evidence that the matters indicated systemic issues across the manager's broader platform.

3. Passives

Please refer to [Principle 1](#) for our approach on engaging with index providers.



Principle 6: Monitoring service providers



1. Proxy service provider

We utilise a third-party proxy service provider to deliver custom voting recommendations aligned with our Global Voting Guidelines. This enables us to focus our resources on significant governance matters and non-routine resolutions. Our guidelines are reviewed annually to ensure they reflect evolving governance codes, good practice, and our own engagement priorities.

The provider's extensive resources and expertise ensure their research offers a thorough overview of voting issues for each meeting. Their reporting capabilities allow us to generate client-specific reports and analyse voting trends across different markets and issues.

2. Monitoring the quality and accuracy of services

We monitor the quality of service in different ways, including in-depth analyses of voting items and assessments of the application of our Global Voting Guidelines to issuers on our priority list.

In general, we provide feedback to our proxy service provider when we identify potential errors in their research or application of our policy. In some cases, we ask for the custom recommendations to be re-issued to ensure there is an accurate record of the recommendation, intended vote (pre-engagement) and instruction.

We also escalate cases to our proxy service provider's customer support contacts when research is not available for meetings with imminent instruction deadlines.

We have an annual meeting with our proxy service provider to review the service and identify where improvements are required, in addition to weekly meetings and ad-hoc meetings to discuss day-to-day and specific issues. Local offices also have local customer support contacts and provide feedback on service levels.

One of our stewardship team members is a member of the Oversight Committee for the Best Practice Principles Group of the proxy voting advisory and research industry. The Oversight Committee comprises investor representatives, issuer representatives, and academics. Our participation complements our monitoring activities of our proxy voting service provider and helps us to compare their services with other providers. The 2025 Oversight Committee annual report can be found at: [BPP Oversight Committee 2025 Annual Report](#).

In addition to monitoring, we also ensure that the services are being delivered to meet our needs. We aim to have high quality and granular policies with clear scenario-based instructions to ensure that our voting principles can be applied at scale and across different markets with varied local regulations.

Appendix 1: Data tables³⁹

Engagement

Table 1: Engagement activity summary

	2025		2024	
Total number of entities engaged	1,206		1,071	
Total number of engagement events	2,030		1,848	
Purposeful	502	25%	382	21%
Insightful ⁴⁰	177	9%	-	-
Investment monitoring	1,351	67%	1,466	79%
Number of entities engaged collaboratively ⁴¹	25		36	
Number of collaborative engagement events	26		44	

Table 2: Number of engagement events by event format (purposeful and insightful events only)

	2025	2024
One-to-one meeting or call	329	151
Group meeting or call	91	65
Written communication	249	88
Other	10	11

Table 3: Number of engagement events by corporate attendees⁴² (purposeful and insightful events only)

	2025	2024
Investor Relations	559	184
Subject Matter Expert/Lead	186	99
C-Suite or Senior Executive	149	33
Board	16	11
Other	45	38

Table 4: Number of engagement events by region (purposeful and insightful events only)

	2025	2024
Europe	164	107
Asia	300	165
Americas	177	96
Other	38	14

³⁹ Engagement and voting data based on 1 January – 31 December 2025, extracted on 4 March 2026.

⁴⁰ Insightful engagement events have been tracked since 2025 and are reflected in the data and charts shown; they are not available for 2024.

⁴¹ This includes purposeful and insightful engagement events only.

⁴² Please note that engagement events may have multiple attendees. This data is provided for purposeful and insightful events.

Table 5: Number of engagement events by theme/topic⁴³

	No. of engagements (all) – 2025	No. of engagements (purposeful and insightful) – 2025
All Environment engagements	832	531
Environment - Climate change	644	482
Environment - Natural resource use/impact (e.g. water, biodiversity)	320	187
Environment - Pollution, Waste	233	114
Environment - Antimicrobial Resistance (AMR)	1	1
All Social engagements	745	306
Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying)	359	33
Social - Human and labour rights (e.g. supply chain rights, community relations)	204	73
Social - Human capital management (e.g. inclusion & diversity, employee terms, safety)	361	223
Social - Inequality	85	42
Social - Public health	154	10
All Governance engagements	1,440	349
Governance - Board effectiveness - Diversity	54	54
Governance - Board effectiveness - Other	504	117
Governance - Remuneration	101	76
Governance - Shareholder rights	118	15
Governance - Strategy, Financial and Reporting	1,314	239

Table 6: Number of engagement events by sector (purposeful and insightful events only)

	2025	2024
Utilities	109	70
Industrials	81	42
Financials	80	39
Energy	69	60
Materials	61	40
Consumer Discretionary	55	40
Consumer Staples	47	41
Information Technology	42	16
Health Care	31	16
Real Estate	17	8
Communication Services	17	10

Table 7: Engagement objectives by milestones

ICSWG definition	HSBC milestones	Up to 31 Dec 2025	
Concern was raised with the entity	M1 - Concern raised	635	61%
The entity acknowledged the concern as a serious matter worthy of a response	M2 - Concern acknowledged	281	27%
	M3 - HSBC contribute to change	27	3%
The entity developed a credible strategy to achieve the engagement objective or stretching targets were set to address the concern	M4 - Credible plan developed	38	4%
The entity implemented a strategy or measures to address the concern	M5 - Change completed	57	5%

⁴³ Based on ICSWG Engagement Reporting Guide 2024. Please note, engagement events may cover multiple themes or topics. If an event addresses several sub-themes within a main theme (for example, both Remuneration and Shareholder Rights under Governance), we count the event only once for the main theme (Governance). However, each sub-theme discussed is counted separately – so the event would be counted once for Remuneration and once for Shareholder Rights in the sub-theme totals.

Table 8: Engagement objectives by theme/topic

	Up to 31 Dec 2025	
Climate	461	44%
Biodiversity & Natural Capital	142	14%
Corporate Governance	138	13%
Human Capital	134	13%
Social Inclusion & Shared Prosperity	50	5%
Responsible Products & Services	43	4%
Corporate Behaviour	38	4%
Circular Economy & Waste Management	23	2%
Strategy & Financial	9	1%

Table 9: Engagement objective topics by HSBC milestone (for open and completed objectives up to 31 Dec 2025)

	M1 - Concern raised	M2 - Concern acknowledged	M3 - HSBC contribute to change	M4 - Credible plan developed	M5 - Change completed
Climate	333	96	5	7	20
Biodiversity & Natural Capital	86	39	4	10	3
Corporate Governance	63	53	5	4	13
Human Capital	72	42	7	8	5
Social Inclusion & Shared Prosperity	16	21	3	6	4
Responsible Products & Services	24	10	1	1	7
Corporate Behaviour	20	11	2	2	3
Circular Economy & Waste Management	15	8	0	0	0
Strategy & Financial	6	1	0	0	2
Total	635	281	27	38	57

Table 10: System stewardship

	2025
Total number of system-level engagements	50
Format:	
One-to-one meeting or call	7
Group meeting or call	27
Written communication	11
Other	5
Top 3 topics:	
Climate	18
Corporate Governance	16
Social Inclusion & Shared Prosperity	8

Voting

Table 11: Vote summary⁴⁴

	2025	2024
Total number of votable meetings	11,010	10,810
Total number of meetings voted	10,700 (97%)	10,230 (95%)
Total number of votable proposals	107,400	104,260
Total number of proposals voted	104,050 (97%)	97,960 (94%)
Number of management proposals voted	101,080 (97%)	94,670 (97%)
Number of shareholder proposals voted	2,970 (3%)	3,290 (3%)
Proportion of resolutions voted in line with management	84%	83%
Proportion of meetings with at least one vote against, withheld or abstain for a management proposal	58%	58%
Number of votes different from custom recommendations per Voting Guidelines	390 (0.38%)	240 (0.24%)

Table 12: Number of shareholder proposals supported by theme

	2025		2024	
Climate	57	80%	76	82%
Bioeconomy and Nature Capital	32	91%	36	92%
Human Rights	31	82%	34	79%
Social Opportunities	30	81%	56	92%
Trusted Technology & Data	17	71%	8	67%

⁴⁴ All figures are rounded

Appendix 2: Case Studies Index

Engagement

Key: EQ = Equity; FI = Fixed Income; Alts = Alternatives

#	Principle	Title	Attributes	Sector	Region	Asset Class
1	1	Integration: Investment Restrictions	Policy, Controversy, Investment Decision, Stalled	Utilities	Asia	FI
2	1	Integration: VST in Action	Integration, Investment Decision	Consumer Staples	S America	FI
3	1	Thermal Coal Policy 2025 Updates	Escalation, Investment Decision	Utilities	Global	EQ, FI, Alts
4	1	Integration: Asset Class Differences	Integration, Investment Decision	Utilities	Europe	EQ
5	1	Integration: Small Cap in Active Equity	Integration, Voting	Information Technology	Europe	EQ
6	1	Quarterly Governance Meetings with Index Providers	Service provider	-	Global	Passive
7	1	Alternatives Asset Class	Controversy, Integration	Utilities	Europe	Alts
8	2	EMIA Financials Working Group	Positive Progress Collaborative	Financials	N America	FI
9	2	Good Work Coalition	Voting, System Level, Escalation	Various	Europe	EQ
10	2	Policy Engagement Supporting a key Asian market's Sustainable Finance Agenda	System Level, Collaborative	-	Asia	-
11	2	Industry Engagement on Transition Guidance Development for a Pilot Sector in Asia	System Level	-	Asia	-
12	2	Strengthening Data Quality through Engagement with External Data Providers	Service provider	-	Global	-
13	2	Biodiversity Commitment	System Level, Commitments & Pledges, Positive Progress	Various	Global	EQ, FI
14	2	Collaboration on AI Governance	System Level, Collaborative	Industrials	N America	EQ, FI
15	2	ACGA Korea Conference	System Level, Collaborative	Various	Asia	-
16	3	Fund-Driven Engagement	Positive Progress, Controversy	Materials	Europe	EQ
17	3	ACGA Collaborative Engagement	Escalation, Positive Progress, Voting, Collaborative	Consumer Discretionary	Asia	FI

#	Principle	Title	Attributes	Sector	Region	Asset Class
18	3	CA100+ Collaborative Engagement	Collaborative, Commitments & Pledges, Sustainability Due Diligence, Stalled	Materials	Asia	FI
19	3	30% Club UK Investor Group	Collaborative, Voting	Industrials	Europe	EQ, FI
20	3	Corporate Governance and Bioeconomy	Controversy, Site Visit, Positive Progress	Healthcare	Europe	EQ
21	3	Climate Change and Human Rights	Policy, Controversy	Utilities	Asia	FI
22	3	Bioeconomy and Natural Capital	Positive Progress	Financials	Asia	EQ, FI
23	3	PRI Advance Collaborative Engagement	Collaborative, Positive Progress, Commitments & Pledges, Policy, Site Visit	Utilities	Asia	EQ, FI
24	3	Human Rights and Social Opportunities	Controversy, Collaborative	Industrials	Asia	EQ, FI
25	3	Social Opportunities and Climate Change	Controversy, Sustainability Due Diligence, Voting	Materials	Europe	EQ, FI
26	3	Social Opportunities	Positive Progress, Investment Decision	Healthcare	Europe	EQ
27	3	Trusted Technology and Data	Collaborative, Sustainability Due Diligence, Voting, Positive Progress, Investment Decision	Communication Services	Asia	EQ, FI
28	3	Powering AI Growth	Policy, Controversy	Utilities	Asia	FI
29	3	Positive Progress on UNGC	Sustainability Due Diligence, Positive Progress	Energy	Asia	FI
30	3	Positive Progress on Social Opportunities	Escalation, Site Visit, Voting, Investment Decision	Consumer Discretionary	N America	EQ, FI
31	3	Positive Progress on Green Bond Issuance	Policy, Positive Progress, Investment Decision	Utilities	Asia	EQ, FI
32	3	Controversies and Potential UNGC Violations	Controversy, Collaborative	Materials	Asia	EQ
33	3	Site Visit	Site Visit, Positive Progress	Information Technology	Asia	EQ
34	3	Escalation	Controversy, Sustainability Due Diligence, Investment Decision, Escalation	Financials	N America	FI
35	3	Escalation	Collaborative, Escalation, Voting	Consumer Discretionary	Europe	EQ
36	3	Escalation	Policy, Escalation, Controversy, Collaborative, Investment Decision	Utilities	Asia	FI
37	5	External Manger Oversight in Alternatives	Controversy, Sustainability Due Diligence, Integration	-	Global	Alts

Voting

#	Principle	Proposal type	Theme	Sector	Region
1	4	Management	Corporate Governance	Financials	Europe
2	4	Management	Corporate Governance	Industrials	Europe
3	4	Management	Climate Change	Energy	North America
4	4	Management	Bioeconomy and Natural Capital	Consumer Staples	South America
5	4	Management	Human Rights, Social Opportunities, Corporate Governance	Industrials	Asia
6	4	Management	Human Rights	Industrials	North America
7	4	Management	Social Opportunities, Corporate Governance	Communication Services	North America
8	4	Management	Social Opportunities	Consumer Discretionary	Europe
9	4	Shareholder	Corporate Governance	Consumer Discretionary	North America
10	4	Shareholder	Corporate Governance	Utilities	North America
11	4	Shareholder	Climate Change	Financials	Asia
12	4	Shareholder	Bioeconomy and Natural Capital	Consumer Staples	North America
13	4	Shareholder	Bioeconomy and Natural Capital	Consumer Staples	Asia Pacific
14	4	Shareholder	Human Rights	Financials	North America
15	4	Shareholder	Social Opportunities	Consumer Discretionary	Europe
16	4	Shareholder	Trusted Technology and Data	Communication Services	North America

Appendix 3: Stewardship Code Mapping

**Hong Kong Securities and Futures Commission (SFC)
Principle of Responsible Ownership**

UK Stewardship Code 2026

Principle 1	Investors should establish and report to their stakeholders their policies for discharging their ownership responsibilities	Policy and Context Disclosure Sections C, E; Activities and Outcomes Report Principles 5, 6
Principle 2	Investors should monitor and engage with their investee companies	Activities and Outcomes Report Principles 3, 4
Principle 3	Investors should consider and establish clear policies on when they will escalate their engagement activities	Activities and Outcomes Report Principles 3, 4
Principle 4	Investors should have clear policies on voting guidance	Policy and Context Disclosure Section C; Activities and Outcomes Report Principles 4, 6
Principle 5	Investors should be willing to act collectively with other investors where appropriate	Activities and Outcomes Report Principle 3
Principle 6	Investors should report to their stakeholders on how they have discharged their ownership responsibilities	Policy and Context Disclosure Section E; Activities and Outcomes Report Principles 4, 5
Principle 7	When investing on behalf of clients, investors should have policies on managing conflicts of interests	Policy and Context Disclosure Section D; Activities and Outcomes Report Principle 4

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