

4.4 Diversity, Equity & Inclusion (DE&I)

Our position

We align our engagement strategy on DE&I with HSBC AM’s internal efforts in promoting DE&I within the firm. In our DE&I programme, we have established more than ten work streams to promote all forms of diversity by theme and by function – gender, ethnicity, ability, LGBTQi+, mental health, social mobility, spirituality and self-knowledge, working parents, commercial and investments. Our understanding of best practices and challenges informs how we set our engagement objectives. We engage with issuers on addressing challenges related to DE&I, from pipeline development, ways to address fairness and unconscious bias, to best practices in fair hiring practices and talent management.

What we do

Ensuring diversity, equity and inclusion at all levels of the company including board and C-suite levels is imperative for the long-term success of a business. There have been many studies which demonstrate a positive link between diversity and company performance¹¹. The promotion of DE&I is also important from a social justice perspective and businesses have significant roles to play in the society by leading on this key topic.

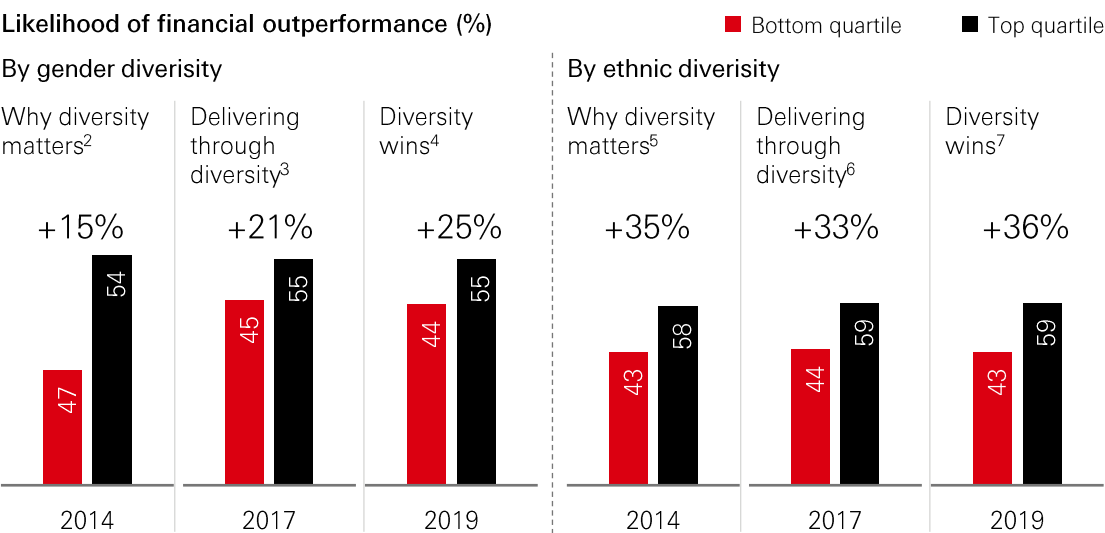
HSBC AM is a member of the 30% Club UK’s Investor Group, Diversity Project and the Hong Kong Board Diversity initiative (part of the 30% club Hong Kong chapter). To promote the wider agenda of human capital management beyond DE&I, we continue to support ShareAction’s Workforce Disclosure Initiative (WDI) and encourage our investee companies to participate.

Despite the trend improvements over the years, gender inequality remains a big challenge in many markets as does board gender diversity. Globally speaking, women still make up less than 30 per cent of the board for many issuers. This varies by region. While the average has increased to 30 to 40 per cent in North America, UK and Europe, the figure is less than 20 per cent in most emerging markets as well as Japan. In the US and the UK, we have seen notable improvements in racial diversity on the boards and related disclosure in recent years, following the Parker Review in the UK and the Black Lives Matter movement.

In addition to diversity on the board, diversity among the executive team and senior management is equally important for the success of a business¹² (see on the next page).

11. Source: [PWC - The Diversity Project: Diversity is the solution, not a problem to solve, June 2018](#)
12. Source: [McKinsey & Company: Diversity wins: How inclusion matters, May 2020](#)

The business case for diversity in executive teams remains strong



²Likelihood of financial outperformance vs the national industry median; p-value <0.05, except 2014 data where p-value <0.1. ³n = 383; Latin America, UK, and US; earnings before interest and taxes (EBIT) margin 2010–13. ⁴n = 99; Australia, Brazil, France, Germany, India, Japan, Mexico, Nigeria, Singapore, South Africa, UK, and US; EBIT margin 2011–15. ⁵n = 1,039; 2017 companies for which gender data available in 2019, plus Denmark, Norway, and Sweden; EBIT margin 2014–18. ⁶n = 364; Latin America, UK, and US; EBIT margin 2010–13. ⁷n = 589; Brazil, Mexico, Singapore, South Africa, UK, and US; EBIT margin 2011–15. ⁸n = 533; Brazil, Mexico, Nigeria, Singapore, South Africa, UK, and US, where ethnicity data available in 2019; EBIT margin 2014–18.
Source: Diversity Wins data set

Yet diversity among top executives tends to be lower than that on the board. For example, only 25.8% of executives were women in the UK, while board gender diversity had reached 37.8%¹³ and a similar difference is observed in other markets. Increasing diversity among senior management may prove more challenging particularly in certain sectors where women constitute a small part of the total workforce. Companies need to invest more in a development pipeline for women and other underrepresented groups, which could take a number of years before achieving a significant improvement in diversity at the senior management level.

While much of the focus has been on gender and racial diversity to date, we place importance on other types of diversity, including but not limited to LGBTQ+, social mobility, neurodiversity and disability. Since data on these areas are scarce and inconsistent, engagement plays an important role in raising awareness.

In order to improve diversity particularly at senior levels, it is important that underrepresented groups are given opportunities to succeed and progress. This “equity” element is crucial in making company culture truly diverse and fair, and there are a number of ways in which companies can provide this at different stages of employment from hiring, training, promotion as well as daily work arrangement. Companies also need to ensure that everyone, including underrepresented groups, feels included and respected and periodically measure progress.

Since the structure of the executive team and the definition of senior management varies from one company to another, data on diversity can be inconsistent. We therefore assess an appropriate level of diversity in senior management on a company by company basis. We engage with issuers on how to enhance DE&I in senior management and across the workforce through appropriate hiring, training and promotion processes. We also encourage companies to collect granular data in relevant areas and set targets for improvement.

13. [Positions held by women in senior management positions as of 6 January 2023 \(source: EIGE\)](#)

How we engage

The availability of data on diversity in areas other than gender is also limited partly due to lack of awareness of their importance and data collection can also be challenging due to market-specific circumstances. We will therefore set appropriate objectives for each issuer in our engagement coverage depending on its profile and position. We have developed an engagement framework based on our research and consultation with relevant working groups.

To achieve DE&I objectives, we may engage with other stakeholders to enable systemic change, including stock exchanges, who dictate some corporate governance rules to all their listed companies, and recruiters, whose practices can influence diverse hiring outcomes.



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