

HSBC Responsible Investment Funds SRI Balanced

This subfund promotes environmental or social characteristics but does not have sustainable investment as its objective.

HSBC Asset Management's "do no significant harm" (DNSH) assessment of issuers as part of its sustainable investment process includes consideration of all mandatory principal adverse impacts (PAI). The principle of "do no significant harm" to environmental or social objectives applies only to the underlying sustainable investments of the subfund. Issuers considered to be in violation of one or more of the 10 principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises are excluded. Companies are also assessed according to international standards such as the OECD Guidelines for Multinational Enterprises.

The subfund promotes the following environmental or social characteristics:

- Selection of issuers with good ESG practices according to a "rating improvement" approach and consideration of specific sustainability indicators for non-government issues. ESG selection approach for government issues.
- Exclusion of securities from issuers based on ESG criteria defined by the SRI label framework and HSBC Asset Management's responsible investment policies. The exclusions are listed in the SFDR appendix to the prospectus in the section on the binding elements of the investment strategy.
- Careful consideration of environmental issues through voting and engagement activities.

Investment strategy

The investment strategy of this subfund uses the following approaches:

- ESG integration (inclusion of ESG criteria in financial analysis);
- "Rating improvement" approach and consideration of specific sustainability indicators for non-government issues and ESG selection approach for government issues;
- Exclusion of securities from issuers based on ESG criteria defined by the SRI label framework and HSBC Asset Management's responsible investment policies. The exclusions are listed in the SFDR appendix to the prospectus in the section on the binding elements of the investment strategy.
- Engagement and voting activities.

Proportion of investments:

- #1 Aligned with (E/S) characteristics: 70% minimum
- #2 Others (not aligned with E/S characteristics or not considered sustainable investments): 30% maximum
- #1 A Sustainable investments: 15% minimum
- #1 B Other E/S characteristics (aligned with E/S characteristics but not considered sustainable investments): 55% minimum
- Aligned with EU Taxonomy: 0%
- Other environmental: 15% minimum
- Social: 0%

Monitoring of environmental or social characteristics

Funds are monitored to ensure that the portfolios meet the non-financial criteria and, where applicable, internally established thresholds (such as the portfolio's average ESG score or exclusions). First-level controls are also performed by independent management teams (investment restrictions team and risk team).

Methods and Data sources and processing

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

Our investment team relies on the information available in the Global Research ESG intranet tool, which uses data from the following providers: MSCI ESG Research, ISS ESG, S&P Trucost, Sustainalytics, RepRisk, FTSE Green Revenues, Carbon4, Iceberg Datalab (IDL), GAIA Research, Equileap and Denominator. HSBC Asset Management verifies the data used. For the portfolio's ESG rating, the data are weighted by coefficients reflecting our analysis of the various business sectors and their respective ESG impacts.

Limitations to methods and data

The management company relies on non-financial data providers. As a result, the company is subject to certain operational and data quality risks associated with reliance on third-party service providers and data sources. Furthermore, data coverage may be limited depending on the type of issuer (small caps, certain high-yield issuers) and by the geographical area of the issuer (particularly for emerging countries). When non-financial data are not available in our suppliers' databases, we initiate a qualitative analysis and possibly exchanges with the company to supplement our assessment of E/S characteristics. HSBC Asset Management is unaware of any methodological limitations likely to prevent the attainment of the E/S characteristics pursued by the subfund. The subfund uses derivatives. Sustainability risks are therefore more difficult to take into account because the subfund does not invest directly in the underlying asset.

Due diligence

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

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

Engagement policies

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

We prioritise dialogue and interaction with companies in which we have significant positions, but also depending on the importance of the environmental or social issues identified. Furthermore, every year, we define engagement themes that we consider to be key.

Important information

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