



CLIMATE TRANSPARENCY REPORT 2019

HSBC Global Asset Management

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2019 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-20734BE8-03A2-48B4-9177-AB6B1A1D1BEF/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2019 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 01.11 CC	-	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	-	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.4	✓	Public				
SG 14.5	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS

Name	HSBC Global Asset Management
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US\$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2006
Region	Europe
Country	United Kingdom
Disclosure of Voluntary Indicators	100% from 38 Voluntary indicators

HSBC Global Asset Management

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

We believe that environmental, social and governance (ESG) factors can have a material effect on company long-term fundamentals, in terms of both opportunity and risk. As such, and in line with the Principles for Responsible Investment, we incorporate ESG factors into investment analysis and decision-making processes and consider it our fiduciary duty to do so.

This benefits our investment decisions, for example facilitating a better understanding of risks and opportunities that may impact valuations, and therefore ultimately benefits our clients. We also believe that over time active stewardship by ourselves and others will have a beneficial impact upon the real economy.

SG 01.5

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

As long term investors we believe ESG factors can materially impact a company's performance.

Taking ESG into account allows us to identify possible risks and opportunities.

It can also provide an early warning of potential deterioration in company fundamentals. This enables us to make more considered valuations and can enhance investment performance. As such, it is consistent with our fiduciary duty to safeguard clients' money.

No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC**Voluntary****Public****Descriptive****General**

SG 01.6
CC

Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.

As a global investor, we are aware of the risks climate change presents to our investments and as such we are committed to playing our full part in addressing the challenge of climate change. Without global action to address the challenge of climate change, investors' holdings, portfolios and asset values will be impacted in the short, medium and long term. From an investment perspective, the transition to a low carbon economy presents both risks and opportunities.

The primary areas are identified below:

* **Transition risk** - the structural changes required for a global movement from a high-carbon to a low-carbon economy could result in a reassessment of the value of a range of assets. This could be driven by higher explicit or implicit carbon prices as a result of tighter environmental regulations, adoption of energy efficient and disruptive technologies or market changes. There are also early indications that large carbon emitters may be found liable for damages associated with the direct impact or inadequate disclosure related to climate risks.

* **Physical risk** - more frequent and severe climate events as well as longer-term shifts in climate patterns could result in the devaluation of assets due to physical damage to property and facilities, disrupted global supply chains and reduced access to natural resources.

* **Climate opportunities** - at an operational level, companies can benefit from efficiency and cost savings associated with reducing greenhouse gas emissions. There is also a growing market for existing and new disruptive technologies focused on reducing climate impact.

SG 01.7
CC

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

SG 01.8
CC

Indicate the associated timescales linked to these risks and opportunities.

We worked with Vivid Economics to develop six new illustrative low carbon transition scenarios, initially looking at two critical axes of uncertainty - the timing of action and the technology pathway of the transition. The scenarios chosen for this report are in line with the IEA Sustainable Development Scenario (SDS), as well as its earlier WEO 450 scenario. In comparison to the IPCC 1.5° Special Report (IPCC 1.5 SR) scenarios, the scenarios used here are in between IPCC scenarios for achieving 1.5° C with a 50-66% probability, and scenarios for achieving 2° C with a 50-66% a probability.

The scenarios are produced using Imperial College London's TIMES Integrated Assessment Model (TIAM-Grantham). TIAM is a global system model with a high degree of disaggregation, containing thousands of technologies, fourteen regions and five major energy end-use sectors. All analysis was based on modelling of the economic impacts from 2018 to 2050.

No

SG 01.9
CC

Indicate whether the organisation publicly supports the TCFD?

Yes

No

SG 01.10
CC

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

We have a clear policy aimed at increasing the climate resilience of our clients' investments as well as contributing towards financing the transition to a low carbon economy.

Two key pillars of our strategy are firstly, to identify and integrate climate-related risks and opportunities presented by climate change and climate policy to our investment portfolios using relevant data and analysis, including scenario analysis, to inform our investment decisions and secondly to engage with investee companies to better understand and support their disclosure and management of the risks and opportunities presented by climate change and climate policy.

We engage directly and collaboratively, using our voting decisions, where appropriate, to escalate.

No

SG 1.12 CC Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1 Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

- Policy setting out your overall approach

URL/Attachment

- URL

URL

{[hyperlink:http://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing](http://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing)}

- Attachment (will be made public)
- Formalised guidelines on environmental factors

URL/Attachment

- URL

URL

{[hyperlink:http://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/climate-change](http://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/climate-change)}

- Attachment (will be made public)
- Formalised guidelines on social factors
- Formalised guidelines on corporate governance factors

URL/Attachment

- URL

URL

{[hyperlink:https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/stewardship](https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/stewardship)}

- Attachment (will be made public)
- Fiduciary (or equivalent) duties

URL/Attachment

- URL

URL

{[hyperlink:https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing](https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing)}

- Attachment (will be made public)
- Asset class-specific RI guidelines
- Screening / exclusions policy

URL/Attachment

- URL

URL

{[hyperlink:https://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/responsible-investment-policy-may-2017.pdf](https://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/responsible-investment-policy-may-2017.pdf)}

- Attachment (will be made public)
- Engagement policy

URL/Attachment

- URL

URL

{hyperlink:https://www.global.assetmanagement.hsbc.com/-/media/files/attachments/common/resource-documents/engagement-policy-en.pdf}

Attachment (will be made public)

Attachment

[File 1:app-ukengage \(1\).pdf](#)

(Proxy) voting policy

URL/Attachment

URL

URL

{hyperlink:https://www.global.assetmanagement.hsbc.com/-/media/files/attachments/common/resource-documents/global-voting-guidelines-en.pdf}

Attachment (will be made public)

We do not publicly disclose our investment policy documents

SG 02.2

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

{hyperlink:http://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing}

Attachment

Your investment objectives that take ESG factors/real economy influence into account

Time horizon of your investment

Governance structure of organisational ESG responsibilities

ESG incorporation approaches

URL/Attachment

URL

URL

{[hyperlink:http://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/esg-integration](http://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/esg-integration)}

Attachment

Active ownership approaches

URL/Attachment

URL

URL

{[hyperlink:https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/stewardship](https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/stewardship)}

Attachment

Reporting

URL/Attachment

URL

URL

{[hyperlink:https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing](https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing)}

Attachment

Climate change

URL/Attachment

URL

URL

{[hyperlink:https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/climate-change](https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/climate-change)}

Attachment

We do not publicly disclose any investment policy components

SG 02.3

Additional information [Optional].

We have developed a set of policies outlining our commitment and approach to embed ESG and stewardship within our investment practices. We view these as part of our stewardship and fiduciary responsibilities.

* Responsible Investment Policy: Applying to all asset classes, this document describes the overarching principles framing our ESG Integration and broader RI and stewardship commitment.

* Climate Change Policy: Outlines our approach to addressing climate-related risks and opportunities for our clients.

* Montreal Pledge Report: As signatories to the Montreal Pledge since 2015, we have committed to measure and publicly disclose the carbon footprint of our clients' investment portfolios on an annual basis. In 2018, we reported on all equity portfolios and corporate fixed income portfolios managed in five major locations - USA, UK, France, Hong Kong and Germany.

* Voting guidelines: We believe high standards of corporate governance help companies deliver sustainable returns to shareholders. In our dealings with investee companies, and in our voting, we encourage adherence to international and local best practice standards in corporate governance. Our Voting Guidelines have been developed leveraging our experience voting across the markets in which we invest as well as reflect widely accepted principles of good governance as reflected in local corporate governance codes.

* Stewardship report: In this report we set out our approach to stewardship, providing an overview of our voting, engagement and policy advocacy activity for 2018.

Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General
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SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Portfolio managers
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Investment analysts
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Dedicated responsible investment staff
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	External managers or service providers
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.7
CC

For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.

As already mentioned, senior staff members have overall ESG oversight and this obviously includes the supervision of our climate-related practices.

- **Our Global Chief Investment Officer** is ultimately responsible for our investment process across all asset classes, which includes our integration and stewardship process.
- **Our Global Head of ESG Research** is responsible for ensuring we have access to adequate data, produce sector level and thematic ESG research and developing/maintaining the tools required to integrate ESG issues into our investment process.
- **Our Global Head of Corporate Governance** oversees the implementation of our global voting guidelines and our engagement activities. Both our Global Head of ESG Research and our Global Head of Corporate Governance sit within our investment function and report to the Chief Investment Officer responsible for investment governance. Our Global CIO chairs our investment ESG Oversight committee, attended by senior management from the investment function to oversee and monitor our integration and stewardship practices.
- **Our Global Head of Product Equities and Responsible Investment** has oversight of all RI-related products.
- Finally **the Stewardship and Fiduciary Conflicts Forum (SFCF)** manages and monitors HSBC Global Asset Management's stewardship responsibilities at Board level. Its membership includes some of our most senior staffs: **Global Chief Executive Officer, Global Chief Investment Officer, Global Head of Product Equity and Responsible Investment, Global Chief Risk Officer; Global Head of Communications, Global Head of Fiduciary Governance.**

ESG issues in asset allocation

SG 13

Mandatory

Public

Descriptive

PRI 1

SG 13.1

Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities

Describe

Over the course of 2018 we worked with Vivid Economics to explore the impact of six low-carbon transition scenarios on equity valuations. This work is continuing into 2019, with additional scenario analysis and reviewing implications of 1.5 degrees as well as exploring the implications for corporate credit valuations.

- No, not to assess future ESG/climate-related issues

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify

Impact of countries' ESG ratings on Balanced Strategies' strategic asset allocation is currently being scrutinized.

- We do not consider ESG issues in strategic asset allocation

SG 13 CC	Voluntary	Public	Descriptive	General
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SG 13.4 CC	Describe how the organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, the results and any future plans.
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- Initial assessment

	Describe
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The scenario analysis we undertook with Vivid Economics developed six illustrative climate transition scenarios to explore how policy timing and future technology costs influence both the sector and company level valuation for a diversified equity portfolio.

The analysis breaks down climate impacts into three main transmission mechanisms: direct carbon costs imposed on emitters, lower demand for carbon-intensive products and higher demand for 'clean tech' products. Direct carbon costs affect all emitting companies, but value impairment depends on a firm's abatement potential and ability to pass on costs to consumers. The analysis revealed interesting findings, in particular, the range of impacts within sectors and across various transition scenarios.

- Incorporation into investment analysis

	Describe
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As outlined above, analysts are expected to take material climate-related factors into account in their research recommendation.

This includes identification of material risks and opportunities using third party and in-house analysis and assessment and integration of these risks and opportunities into the investment cases as part of our fundamental research process.

- Inform active ownership

	Describe
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Our climate-related engagement is informed by analysis of the climate-related risks facing key holdings. Our scenario analysis will feed into our priorities in 2019.

- Other

**SG 13.5
CC**

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

specify

Investment analysts

**SG 13.6
CC**

Indicate whether the organisation has evaluated the impacts of climate-related risk, beyond the investment time-horizon, on the organisation's investment strategy.

- Yes

Describe

The scenario analysis looks out to 2050 but we recognise that this can have implications in the short, medium and long term

- No

**SG 13.7
CC**

Indicate whether a range of climate scenarios is used.

- Yes, including analysis based on a 2°C or lower scenario
- Yes, not including analysis based on a 2°C or lower scenario
- No, a range is not used

**SG 13.8
CC**

Indicate the climate scenarios the organisation uses.

Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="border: 1px solid black; background-color: #cccccc; padding: 2px;">Other (1) please specify:</div> Bespoke scenarios as outlined below
Other	<input type="checkbox"/> Other (2)	
Other	<input type="checkbox"/> Other (3)	

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

other description (1)

Exposure to green revenues. <w:br />We completed a report on water scarcity during 2018.

- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		2	300	000	000
Currency	USD				
Assets in USD		2	300	000	000

Specify the framework or taxonomy used.

Assets Under Management (AUM) above combine various strategies or processes which all benefit from an external or internal certification:

- 3 French-domiciled SRI/"best in class" strategies - Euro bonds, Euro Equities, Global Equities, totalising USD 0.8 Bn AUMs which also benefit from the French government's SRI label
- 1 French-domiciled Ecologic and Energy transition strategy benefiting from the French Government "TECC" label, with some USD 60 M
- 2 Luxembourg-domiciled thematic strategies Lower Carbon strategies reviewed and approved by SIEG and having, in total, USD 100 M AUMs
- We have also strengthened our investment in Green Bonds, which are "now part and parcel" of most of our Fixed Income strategies. As a result, our allocation to green bonds already represents USD 1.3 Bn in total. Our ambition is to do much more especially in the emerging markets space. We assign a score of zero for Carbon Intensity ratio to approved green bonds in our general portfolios. All these Green Bonds strictly comply with ICMA's Green Bond Principles.

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

HSBC was represented on the Task Force on Climate-related Financial Disclosure (TCFD) and we are strong supporters of and contributors to its on-going work.

- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

Green revenues analysis.

- None of the above

SG 14.4

If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

As signatories to the Montreal Pledge since 2015, we have committed to measure and publicly disclose the carbon footprint of our clients' investment portfolios on an annual basis.

In 2018, we reported on all equity portfolios and corporate fixed income portfolios managed in five major locations - USA, UK, France, Hong Kong and Germany. This represents approximately 80% of both our equity and corporate fixed income holdings - approximately 33% of our total assets under management.

SG 14.5	Additional information [Optional]
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Portfolio managers have ESG and carbon data embedded in the decision support tools they use. This allows for a high level assessment of climate-related risk exposure on an absolute and relative basis.

SG 14 CC	Voluntary	Public	General
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SG 14.6 CC	Please provide further details on these key metric(s) used to assess climate related risks and opportunities.
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Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Assess the climate risk management by the company	Governance score 0-10	Governance score relating to quality of climate risk management from 3rd party data providers
Weighted average carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Compare fund carbon performance to benchmark	mT co2e/\$m revenue	Using company annual carbon emissions from our carbon data providers (scope 1 and 2) normalised by annual revenue. Where data is missing for comparison we use the sector average
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	to measure carbon emission associated with fund holdings compared to benchmark.	mT co2e	Using company annual carbon emissions from our carbon data providers (scope 1 and 2)
Portfolio carbon footprint	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			
Carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Compare the carbon efficiency of companies in the universe to facilitate investment allocations	mT co2e/\$m revenue	Using company annual carbon emissions from our carbon data providers (scope 1 and 2) normalised by annual revenue. Where data is missing for comparison we use the sector average.
Exposure to carbon-related assets	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Demonstrate minimum or zero exposure to coal assets	mt Co2e equivalent of coal reserves or \$m holdings of coal related assets	Using coal reserve company data attributed to portfolio holdings.

SG 14.7
CC

Describe in further detail the key targets.

Targettype	Time Frame	Description	Attachments
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target	Short, medium and long term	lower carbon funds target a portfolio weighted average carbon intensity below the benchmark	
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.
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☉ Process for climate-related risks is integrated into overall risk management

Please describe

Ex-ante: We aim at embedding climate-risk analysis into our pre-investment research. Having opted for full ESG integration, our process involves an analysis of the key Environmental (E), Social (S), Governance (G) issues, those showcasing the highest level of financial materiality.

In many industries including automotive, agriculture, utilities or extractive industries, the most impactful environmental issues relate to climate-related risk and/or opportunities: gas flaring, draughts and/or water scarcity, internal combustion engines emissions and shift towards electric or hybrid vehicles, just to name a few...

To let analysts and portfolio managers embed these climate-related dimensions into their investment thinking, these are depicted into a series of sector/industry-specific ESG sector checklists. Designed in house, these concise documents provide investment professionals with a summary of the issues, strive to anticipate how the related legal framework is set to evolve. They also point to the climate indicators to look for when scanning companies' filings or interacting with a company when having a corporate access meeting.

In order to better assess a company's actual level of climate-risk, an analyst can then benchmark it with its sector peers in terms of carbon intensity for instance: a very good first proxy to the overall level of climate risk.

Ex-post now, these same metrics mentioned in 14.6 and 14.7 CC can be used to compare the level of climate-risk of a portfolio compared to its benchmark, a valid indicator to track for portfolio managers. As we benefit from Scope 1 and Scope 2 data for a very vast majority of our strategies and have uploaded this information into the decision support tools supporting Equities, Fixed Income, Liquidity and Multi Assets strategies. As a consequence, producing such assessments proves now very easy. Let's highlight that for our 2 lower carbon strategies, the level of the portfolio's carbon intensity has to be permanently and significantly inferior to that of the benchmark.

For us, due to the ever growing importance of climate change, measuring its impact on our investment strategies has fast become unavoidable. Going forward in order to make this risk measurement even more accurate and investment-relevant we will supplement existing carbon intensity data by more prospective metrics like: exposure to stranded assets, capex and/or R&D allocated to the development of green projects or technologies, balance between the green and brown share of business ...

- Process for climate-related risks is not integrated into our overall risk management

SG 14.9 CC	Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.
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- Yes

Please describe

The Chair of the Trustee board of the HSBC Bank (UK) Pension Fund is the Special Advisor to the Task Force on Climate-related Financial Disclosures (TCFD) and we are strongly supportive of their recommendations.

We are founding signatories and on the steering committee of the Climate Action 100+ initiative. One of the three overarching engagement objectives for this initiative is for target companies to provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below 2-degrees Celsius, and improve investment decision-making.

More broadly on climate-related disclosure, we have over many years engaged with companies from carbon intensive sectors that do not disclose Scope 1 and Scope 2 emissions, report to the Carbon Disclosure Project or have otherwise inadequate reporting. In 2018, we explicitly articulated in our Global Voting Policy that in our engagement, we encourage companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, we will normally vote against the re-election of the company chairman.

We support shareholder resolutions aligned with our focus on climate strategy and disclosure. In the past year we have supported more than 70 climate-related shareholder resolutions. These resolutions included reporting on climate-related risks, 2 degree portfolio alignment and setting greenhouse gas (GHG) emissions reduction targets.

We were amongst the co-filers of the resolution at Exxon Mobil requesting that the company annually assess the portfolio impact of 2 degree policies following unsuccessful engagement with the company on climate disclosure over the course of a year. We were delighted that this resolution was supported by almost two thirds of shareholders, the first time a climate resolution had received majority support at Exxon Mobil. We shall continue our engagement to encourage the company to make progress.

- No, we do not engage

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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0.5

SG 15.3

Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

Area

- Energy efficiency / Clean technology
- Renewable energy
- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water
- Other area, specify

SRI Sustainable Responsible Investment <w:br />Climate Change / Lower Carbon <w:br />Energy Transition <w:br />Green Bonds

Asset class invested

- Listed equity

% of AUM

35

- Fixed income - SSA

% of AUM

15

- Fixed income - Corporate (financial)

% of AUM

25

- Fixed income - Corporate (non-financial)

% of AUM

25

Fixed income - Securitised

Brief description and measures of investment

* We have 3 French-domiciled SRI portfolios managed according to a best-in-class methodology. These 3 strategies have attracted substantial inflows and the plan is to keep on promoting them this year. This year they received ISR accreditation.

* We continue to develop our two Lower Carbon strategies launched in September 2017. HSBC Global Investment Funds Lower Carbon Equity Fund and HSBC Global Investment Funds Global Lower Carbon Bond Fund are both pursuing a double objective consisting in tracking mainstream benchmarks while striving to achieve a significantly lower carbon intensity.

* This range was supplemented in December 2018 by a TEEC strategy: Environmental and Energy Transition, aligned with French Energy Transition Law.

* We strengthened our investment in Green Bonds, which are "now part and parcel" of most of our Fixed Income strategies. As a result, our allocation to green bonds already represents USD 1.3 Bn in total. Our ambition is to do much more especially in the emerging markets space. We assign a score of zero for Carbon Intensity ratio to approved green bonds in our general portfolios. This mechanism allows us to factor in the company's efforts to reduce carbon emission and avoid that its bonds be penalised.

No