2025
Stewardship Plan

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

HSBC Asset Management

5. Stewardship themes

In this section, we outline our engagement themes and key actions that we believe mitigate risk and/or enhance value and therefore encourage investee companies to work towards in order to address the relevant issues associated with these themes.

These actions provide guidance on good practices. 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.

The key actions we outline are not exhaustive, and we acknowledge that many of our themes are interconnected, with each potentially influencing and being influenced by the others.

Overview of themes

Theme	Key engagement topics	
Corporate Governance	Board effectiveness Accountability	Market standards Disclosures
Climate Change	Strategy Risk and reporting Adaptation	Just Transition Governance
Bioeconomy and Natural Capital	Strategy Risk and reporting	Governance Engagement
Human Rights	Policy Board oversight Due diligence	Grievance mechanisms and remediation Ongoing monitoring Disclosures
Talent and Opportunity	Working conditions Fair reward Inclusion and belonging	
Trusted Technology and Data	Technology and data risks Security and protection	Privacy and digital rights Technology and data solutions

Climate change

Why we engage

Climate change continues to reshape our world, with 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 to be reached by 2030.[9] Without significant action, global temperatures are projected to rise between 2.2°C and 3.5°C by 2100.[10] Such an increase would result in more frequent extreme weather events, rising sea levels, and irreversible ecological damage.

Increased exposure to extremely high temperatures is linked to a reduction in firms' revenues and operating income,[11] while changing temperatures and weather shocks are associated with negative economic impacts.[12] Even with significant reductions in emissions today, the global economy is projected to face substantial income reductions by 2050.[13]

The cost of inaction is estimated to far outweigh the cost of mitigation needed to limit global warming to within 2°C. Adaptation alone requires huge investment; developing countries, for example, are estimated to need between $215 billion and $387 billion per year this decade to adapt.[14]

To address climate risks, policymakers and regulators have acted with an aim to reduce emissions, improve climate reporting, and enhance risk management, while facilitating the movement of capital to companies at the forefront of the transition to a low-carbon economy. However, the global regulatory environment remains volatile, with shifting political dynamics adding further uncertainty. For our investee companies, this means growing exposure to transition risks and the need to adopt flexible and forward-looking strategies that align with sustainability goals while also navigating evolving regulatory frameworks.[15]

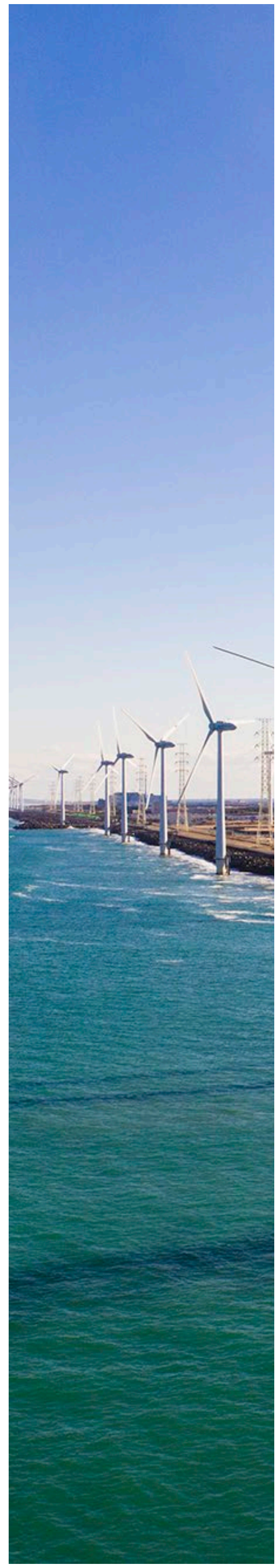
9. The G20/OECD Principles of Corporate Governance can be accessed via this link: https://www.oecd.org/corporate/principles-corporate-governance/
10. Intergovernmental Panel on Climate Change (IPCC). (2023). Summary for policymakers. In H. Lee & J. Romero (Eds.), Climate change 2023: Synthesis report. 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..
11. 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.
12. 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.
13. Kotz, M., Levermann, A., & Wenz, L. (2024). The economic commitment of climate change. Nature, 628, 551–557. https://doi.org/10.1038/s41586-024-07219-0.
14. United Nations Environment Programme (UNEP). (2023). Adaptation gap report 2023. https://www.unep.org/resources/adaptation-gap-report-2023.
15. 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.

5. Stewardship themes

Climate change

Issues relating to this theme include:

Climate Transition Risk	Green Solutions	Net Zero Strategy	Energy Management
Just Transition Risk	Physical Climate Risk	GHG Emissions	



Responsible Investing Policies

Our global responsible investing policies have been developed to guide our investment and engagement activities.[16] Our policies are subject to change over time to respond to evolving global norms, regulatory developments, and client preferences.

Coal Policy

Under the HSBC AM Coal Policy, we engage with companies with more than 10 per cent revenue exposure to thermal and/or metallurgical coal, prioritising those in which we have the highest exposure.

We expect that companies who derive revenue from coal above this threshold provide suitable TCFD-aligned or equivalent reporting. We may vote against the re-election of relevant company directors where this disclosure remains weak.

Energy Policy

Under the HSBC AM Energy Policy, we will engage with and assess transition plans of listed issuers responsible for around 70 per cent of relevant emissions. We have commenced engagement with oil and gas, and power and utilities companies in this group, and will continue to have ongoing conversations with these companies as they transition.

We will assess their transition plans in line with an IEA Net Zero Scenario, including aspects such as plans to reduce carbon exposure and develop alternative energy sources, alignment of capital expenditure, timelines for transition, interim emission reduction targets, and the quality of climate risk management disclosure and emissions reporting. These aspects of the transition will inform the engagement objectives we set for issuers.

16. HSBC AM policies, including our Coal and Energy policies, are available via this link: https://www.assetmanagement.hsbc.com.hk/en/intermediary/about-us/responsible-investing/policies.

5. Stewardship themes

Climate change

Engagement approach

When engaging with companies, we consider a variety of risks and potential value creation opportunities, including our internal net zero alignment assessment of those constituting our top 70% of financed emissions. We highlight good practices below and encourage priority companies, where climate change is a relevant issue, to work towards these.

Climate strategy including decarbonisation and emissions reduction	◆ Set a net zero ambition from the company that covers all material areas of business and operations, aligned with the objectives of the Paris Agreement. ◆ Develop clear short and medium-term emission reduction targets, for scope 1, scope 2 and material scope 3 emissions. ◆ Set out sector-based decarbonisation strategies supporting the achievement of the company's net zero target, including climate solutions and objectives to grow green revenue. ◆ Set out capital expenditure plans to support the company's net zero targets and objectives. ◆ For companies covered under our Coal or Energy policies, set out a credible transition plan (see above).
Climate risk and reporting	◆ Publish comprehensive climate risk disclosures and scenario planning, including details on assumptions used e.g., carbon pricing. We strongly encourage companies to align with the recommendations of the TCFD and report in accordance with IFRS S2. ◆ Disclose emissions data and provide independent assurance of this information, including emission reduction trajectories (absolute and intensity).
Climate adaptation	◆ Evaluate and disclose potential risks, resilience gaps and opportunities related to physical climate impacts over short, medium and long-term horizons against established pathways. This should encompass the company's assets, operations and value chain. ◆ Develop a clear plan to manage, monitor and adapt to physical risks, including measures to strengthen operational and value chain resilience ◆ Embed physical climate risk considerations into corporate strategy, capital expenditure plans and risk management processes to support business resilience. ◆ Disclose the impacts of physical events on the company's operations and value chain, where significant.
Just Transition	◆ Set out how the company has engaged with stakeholders, including workers, suppliers, and communities to identify impacts associated with the energy transition in their climate strategy. ◆ Identify risks and opportunities related to a Just Transition and develop a suitable approach to addressing these considerations. ◆ Integrate Just Transition objectives within transition plans, for example, specific metrics or objectives in relation to employee training and development, green job creation, and dialogue, among others.
Climate governance including lobbying	◆ Ensure senior management is accountable for the company's climate strategy and that there is sufficient board oversight of material climate risks. ◆ To publish the company's climate policy engagement position and assess alignment of lobbying activities with the goals of the Paris Agreement.

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