

The UN Principles for Responsible Investment (UNPRI)

Environmental, social and governance (ESG) concerns such as climate change, water shortages, the use of arable land for competing needs or the link between health and nutrition are generating new risks and opportunities for companies.

HSBC Global Asset Management believes that the ability of companies to manage these risks and opportunities impacts the value of our investments. The business case for responsible investment is clear. We believe it is in the interest of our clients and society at large to encourage the companies we invest in to manage environmental, social and governance issues appropriately, as well as to understand the materiality of these issues and to incorporate them into our investment decisions. These beliefs underpin our commitment to the [United Nations Principles for Responsible Investment](#).

Launched in April 2006 by former UN Secretary General Kofi Annan, this initiative consists of a set of voluntary principles for asset owners and investment professionals. The six principles are not prescriptive, but instead provide a framework to incorporate environmental, social and governance issues into mainstream investment decision-making and ownership practices. Approximately 600 financial institutions have signed the UNPRI, representing a total of over US\$18 trillion in assets under management as of December 2009.

The 6 Principles:

1. We will incorporate ESG issues into **investment analysis** and decision-making processes.
2. We will be active owners and incorporate ESG issues into our **ownership policies** and practices.
3. We will seek appropriate **disclosure** on ESG issues by the entities in which we invest.
4. We will **promote acceptance** and implementation of the Principles within the investment industry.
5. We will **work together** to enhance our effectiveness in implementing the Principles.
6. We will each **report** on our activities and progress towards implementing the Principles.

"The Principles provide a framework for achieving better long-term investment returns, and more sustainable markets. They offer a path for integrating environmental, social and governance criteria into investment analysis and ownership practices. If implemented, they have tremendous potential to more closely align investment practices with the goals of the United Nations, thereby contributing to a more stable and inclusive global economy".

Kofi Annan, April 2006

Implementing the Principles

HSBC signed the PRI in 2006 with the strong support of the Group Chairman, Stephen Green. HSBC's global asset management business is progressively integrating ESG issues across all its investment processes and geographies.

1. We will incorporate ESG issues into investment analysis and decision-making processes

The analysis of ESG issues, and how these affect companies' performance and investment results has traditionally been the remit of Sustainable & Responsible Investment (SRI) analysts. HSBC Global Asset Management's long-standing commitment to SRI has grown from a team of one SRI analyst in 2003, to a global team of 5 SRI analysts spanning France, Brazil and India. Their expertise is now being leveraged to provide mainstream investment teams with the latest thinking on ESG and how these issues can have a material impact on the companies the Group invests in.

Our [Responsible Investment policy](#) provides a starting point and some high-level guidance to all investment teams. It is supported by a proprietary intranet platform dedicated to ESG analysis, which provides fund managers and analysts with a centralised access to in-house research, extra-financial research from specialist providers and selected broker research. Internal training is being conducted to raise awareness of ESG issues and their relevance to mainstream investment processes amongst investment professionals.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices

Our active ownership approach combines voting practices on governance issues and direct engagement with companies, particularly on environmental and social issues.

We believe that voting at shareholders' meetings constitutes a key element in the dialogue with companies. As responsible investors, our portfolio managers have both a right and duty to exercise their votes and influence the management of companies in which we invest on behalf of our clients, in accordance with our voting policy guidelines and procedures.

Our voting policies outline the Corporate Governance principles we promote and cover key voting issues such as transparency of appointment/remuneration of executives and board directors, respect of shareholder interests, approval of accounts and financial operations, regulated conventions, as well as decisions leading to a change in status and good practices of governance.

Corporate Governance Committees have been established at both local and global levels to continuously review and improve our voting policies, particularly in light of the evolution of global and local governance codes and practices, as well as to monitor votes during the AGM season and to handle sensitive cases. Engagement is conducted privately with companies' management on environmental and social issues that have been identified as a material risk or opportunity for their industry and can therefore impact their bottom line. This sector-specific, materiality-driven approach enables us to focus on a few critical issues that are relevant to companies and mainstream investment teams alike.

For more information, please see our [Engagement Guidelines](#).

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest

In accordance with our Engagement Guidelines, we strongly encourage companies to communicate the strategic importance of environmental, social and governance issues that are material to their business to mainstream investors and to disclose information in a timely and consistent fashion. We are also a signatory to the [Carbon Disclosure Project](#) which invites companies to report on the business risks and opportunities presented by climate change.

4. We will promote acceptance and implementation of the Principles within the investment industry

We actively participate in the UNEP Finance Initiative (UNEP FI). As co-chair of the UNEP FI Asset Management Working Group (AMWG). And as co-chair of this coalition (between 2006 and 2009), we have driven collaborative research effort to help clarify the link between responsible investment and performance. Read UNEP FI's "[Demystifying Responsible Investment Performance](#)" report (82 page pdf 1,200k).

To support existing and potential PRI signatories, we have produced a series of 5 short videos (available by contacting the [PRI Secretariat](#)) capturing the vision of some leading institutional investors on responsible investment. These testimonials have been integrated in a comprehensive training tool developed by the [Responsible Investment Association Australasia](#). We strongly supported this effort to develop an effective primer on ESG issues and hosted an event to present this engaging tool to UKSIF members and enable more asset managers and asset owners to benefit from it in the future.

On behalf of the PRI we have also showcased our existing PRI achievements in locations like New York (US), Milan (Italy) and Istanbul (Turkey). We also hosted a PRI workshop in Sao Paulo (Brazil) in 2008.

5. We will work together to enhance our effectiveness in implementing the Principles

We are a member of, or signatory to, a number of collaborative engagement initiatives, such as the Carbon Disclosure Project (CDP), the Institutional Investors Group on Climate Change (IIGCC) and the International Corporate Governance Network (ICGN).

6. We will each report on our activities and progress towards implementing the Principles

Having signed up to the PRI in June 2006, we submitted our first report of activities for the second half of 2006 to the PRI Secretariat at the beginning of 2007. We are committed to continuously communicating our progress in implementing the PRI in a transparent manner.

Last year in 2009, the results of our assessment clearly highlighted the progress we have made. We were ranked in the top quartiles for our performance on several of the principles.