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

1. Introduction

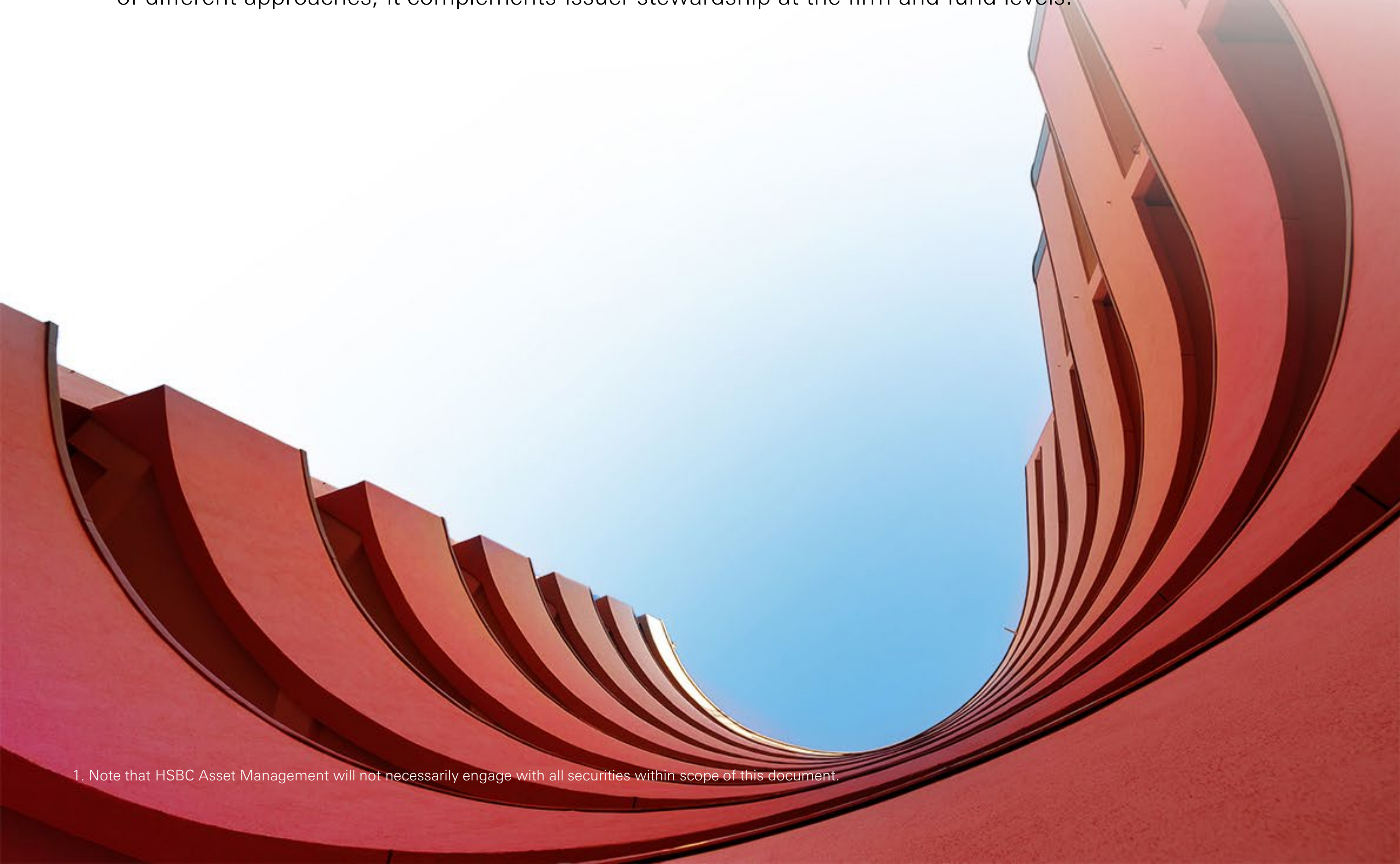
The purpose of the HSBC Asset Management ("HSBC AM") 2025 Stewardship Plan is to communicate our approach to stewardship for the upcoming year. In developing our Plan, we consider insights and feedback received from our clients over the past year.

Our Stewardship Plan covers listed assets (equities and fixed income) held by funds manufactured in the following HSBC AM locations: US, UK, France, Germany, Hong Kong, and Singapore unless otherwise stated.[1] This includes listed alternative asset classes but excludes other alternative asset classes and strategies managed by HSBC AM, as well as excluding funds held in our multi-asset strategies managed by third parties. We aim to incorporate other entities within our Stewardship Plan in the future.

At HSBC AM, we recognise that sustainability matters may have an effect on the value of our clients' investments. As a powerful tool to mitigate risk and enhance the value of companies we invest in, our stewardship activities play an important role in our investment processes. Engagement, whether through direct discussions with companies or engagement with other stakeholders, is integral to providing valuable insights for more informed investment decision-making and promoting value for our clients. Exercising voting rights at company meetings and engaging around shareholder meetings are core parts of our stewardship activities.

We carry out our stewardship activities at the firm, fund, and system levels:

- **Firmwide stewardship:** Manages risks and opportunities across our client portfolios through issuer engagement and proxy voting.
- **Fund-driven stewardship:** Supports sustainability objectives where appropriate for selected client portfolios in our sustainable investment product range.
- **System stewardship:** Addresses market-wide and system risks impacting our client portfolios using a range of different approaches; it complements issuer stewardship at the firm and fund levels.



1. Note that HSBC Asset Management will not necessarily engage with all securities within scope of this document.

How stewardship creates value for investors

Empirical evidence is building regarding the link between stewardship and value for investors.[2] Stewardship creates value by:

1. **Driving growth.** Holding company boards accountable for delivering sustainable growth for shareholders.

2. **Managing risks.** Encouraging companies to proactively address both current and emerging risks to protect investor value.

3. **Improving transparency and disclosure**. Supporting better investment decisions and reducing uncertainty for investors, potentially leading to lower costs of capital. Enhanced disclosure also helps companies gain insights into their businesses, leading to improvements in growth and risk management.

4. **Promoting strong governance.** Acting in our clients' interests to encourage high standards of behaviour in the markets where companies operate.

5. **Encouraging sustainable practices**. Promoting responsible social and environmental practices to manage risks, build trust with stakeholders, and safeguard companies' licenses to operate.

In Section 2 of our Stewardship Plan, we set out our approach to how we exercise firmwide stewardship. In Section 3, we outline our approach to fund and system stewardship. In Section 4, we provide an overview of our stewardship governance. In Section 5, we provide further information on our engagement themes. Our Plan complements our Stewardship Policy and Global Voting Guidelines, which are published separately.

2. As examples, Hoepner et al. (2024) found that engagement on ESG issues can benefit shareholders by reducing firms' downside risks (available at Hoepner, A. G. F., Oikonomou, I., Sautner, Z., Starks, L. T., & Zhou, X. Y. (2024). ESG shareholder engagement and downside risk. Review of Finance, 28(2), 483–510. https://doi.org/10.1093/rof/rfad034). Additionally, and Dimson, Karakaş, and Li (2015) found that successful engagements are followed by positive abnormal returns (available at Dimson, E., Karakaş, O., & Li, X. (2015). Active ownership. The Review of Financial Studies, 28(12), 3225–3268. https://doi.org/10.1093/rfs/hhv044).

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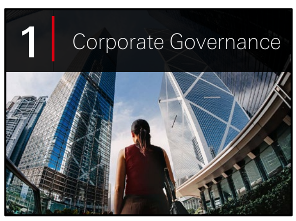
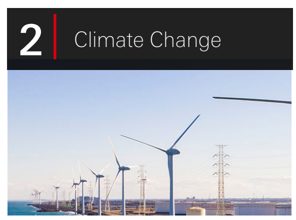
1. Identifying relevant engagement themes

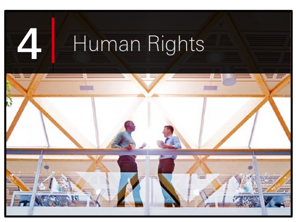
Each year, we outline our engagement themes and key actions that investee companies can work towards to address relevant issues associated with these themes, especially those with significant risk exposure.

In developing our themes, we focus on issues with the potential for financial impact on investee and portfolio performance and value creation, while also considering emerging risks. Our investment team sector specialists in collaboration with our responsible investment team have identified relevant issues for key sectors and industries. Our engagement themes also link to indicators we use to assess whether companies can be held by funds in our sustainable investment product range.[3]

For 2025, our themes are:







See Section 5 for further information on our core themes.

How stewardship specialists and investment teams work together to identify relevant sustainability issues

Virtual Sector Teams (VSTs) capture sector-specific knowledge across asset classes and geographies. These teams bring together sustainability research and integration analysts, stewardship specialists, and credit and equity analysts based in different regions. VSTs are responsible for conducting sector research, overseeing the development of sustainability checklists, deriving related scores, and aligning our engagement activities with risk issues.

3. These indictors include Principle Adverse Impact (PAI) indicators under the European Union's Sustainable Finance Disclosure Regulation (SFDR).

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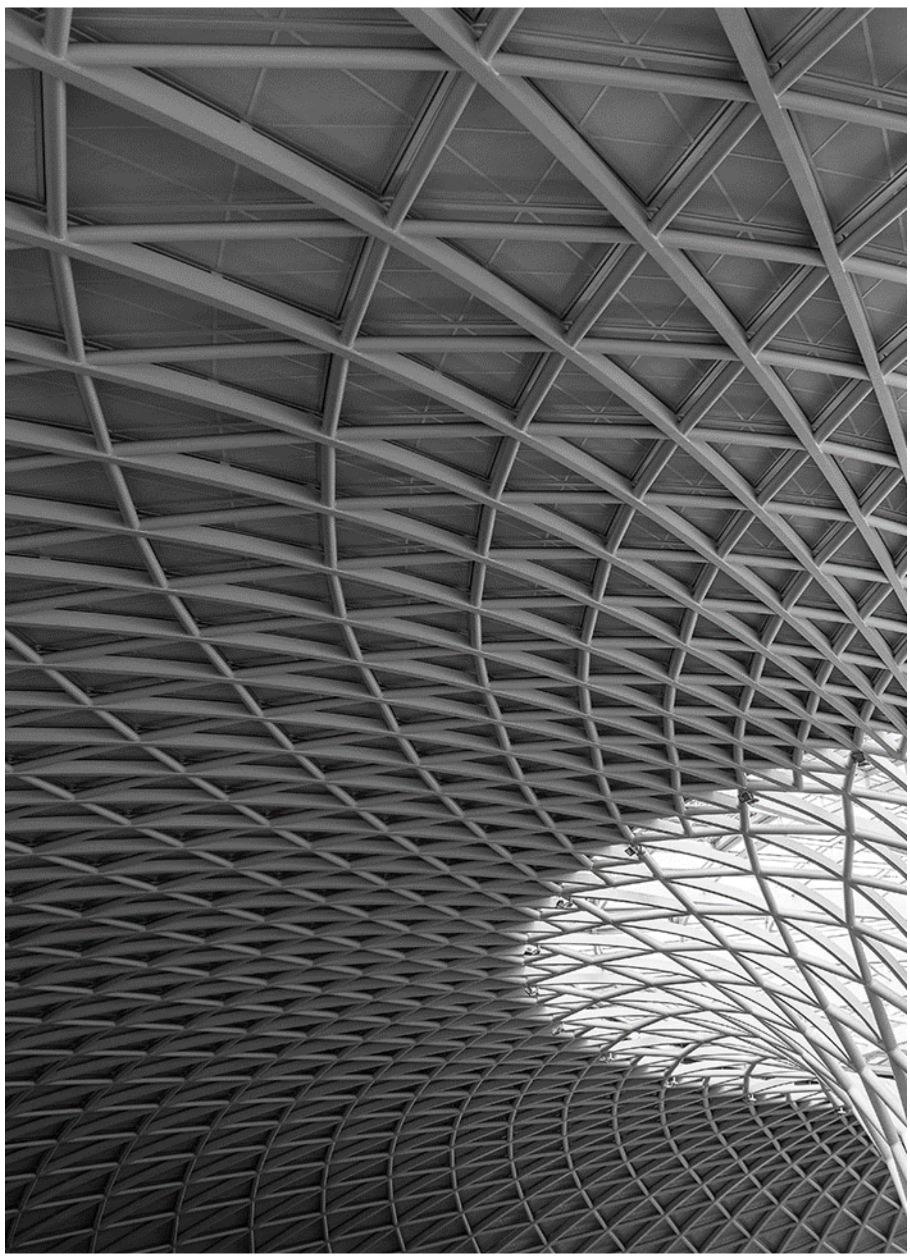
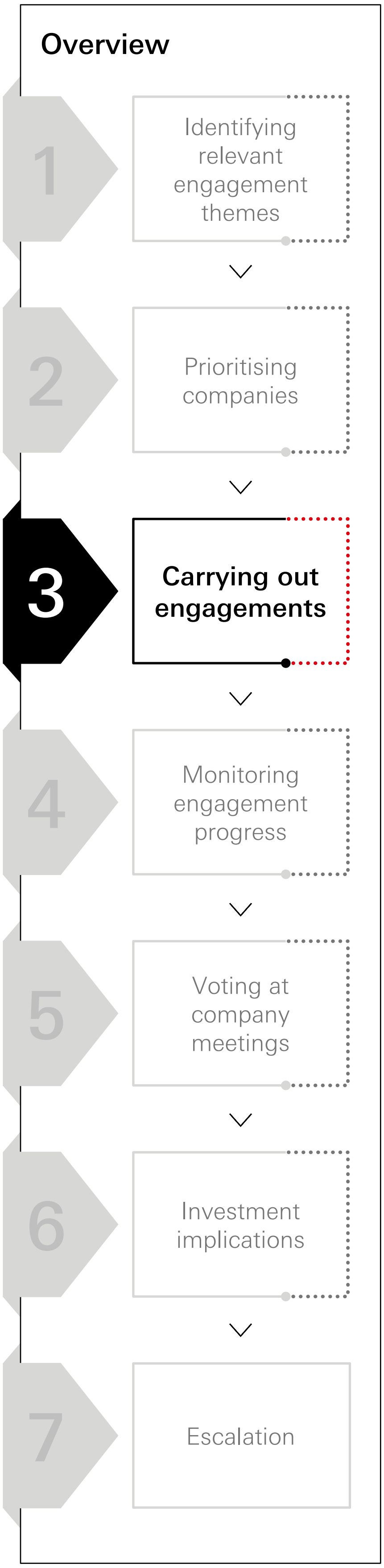
2. Prioritising companies

We maintain a Priority List of issuers for engagements to help us prioritise impactful engagements that support investment decision-making.[4] Issuers covered by HSBC AM polices and commitments, or held in selected client portfolios within our sustainable investment product range, are also included on the list if they meet specific criteria. Prioritising companies this way helps us to monitor engagement capacity and resources, and facilitates coordination and collaboration across different teams.

4. It is important to note that not every company with a relevant issue identified by our research processes will be engaged, and not every relevant issue will be addressed in our engagements with the companies we have prioritised.





3. Carrying out engagements

Engagements are typically carried out by stewardship specialists and by investment teams. Investment analysts and stewardship specialists often work together to conduct research, develop engagement plans and objectives, and conduct dialogue with issuers with the aim of enhancing and protecting shareholder value. Additionally, our stewardship specialists, based in the UK and Hong Kong, provide regional, sectoral, and thematic expertise in conducting engagements and in assessing sustainability performance to evaluate areas of potential risk and value creation.

Engagements may be conducted in a variety of manners, including through in-person meetings, calls, letters or emails; site visits; with other stakeholders as appropriate; or through industry bodies.

When engaging with and voting proxies with respect to the portfolio companies in which we invest our clients' assets, we do so on behalf of and in the best interests of the client accounts we manage and do not seek to change or influence control of any such portfolio companies.

We carry out three broad types of engagements:

Purposeful engagements:
outcomes-focused interactions aimed at achieving specific changes from an issuer. These engagements are linked to engagement objectives, which we track over time.

Insightful engagements:
two-way dialogue with issuers aimed at gaining a deeper understanding of their practices, strategies or challenges related to sustainability topics, while explaining our perspectives and why we view these topics as important to mitigating risk or enhancing value. While they do not involve setting specific objectives, they provide detailed insights that may inform responsible investment activities such as our sustainability due diligence process (see below).

Investment monitoring:
regular interactions with companies, such as earnings calls. These events typically focus on financial and strategic topics and may sometimes cover sustainability topics.

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4. Monitoring engagement progress

Engagement activities are recorded using internal engagement recording tools, which enable the tracking of engagement progress and topics discussed, as well as the integration of engagement insights into our investment research platforms.

For purposeful engagements, we track progress on engagement objectives against five milestones:

Milestone 1	Concerns Raised	We share concerns with the issuer and highlight the need for action.
Milestone 2	Concerns Acknowledged	The issuer acknowledges our concerns.
Milestone 3	HSBC AM Supports Change	We provide guidance and examples to encourage positive change.
Milestone 4	Plan Established	The issuer develops a plan to address our concerns.
Milestone 5	Change Achieved	The desired change is completed, with outcomes documented.

If an issuer shows insufficient progress in response to our requests for change and we believe the lack of progress may increase risk or harm value to the investment objective the fund or mandate seeks to achieve, we may initiate our stewardship escalation process (see below).

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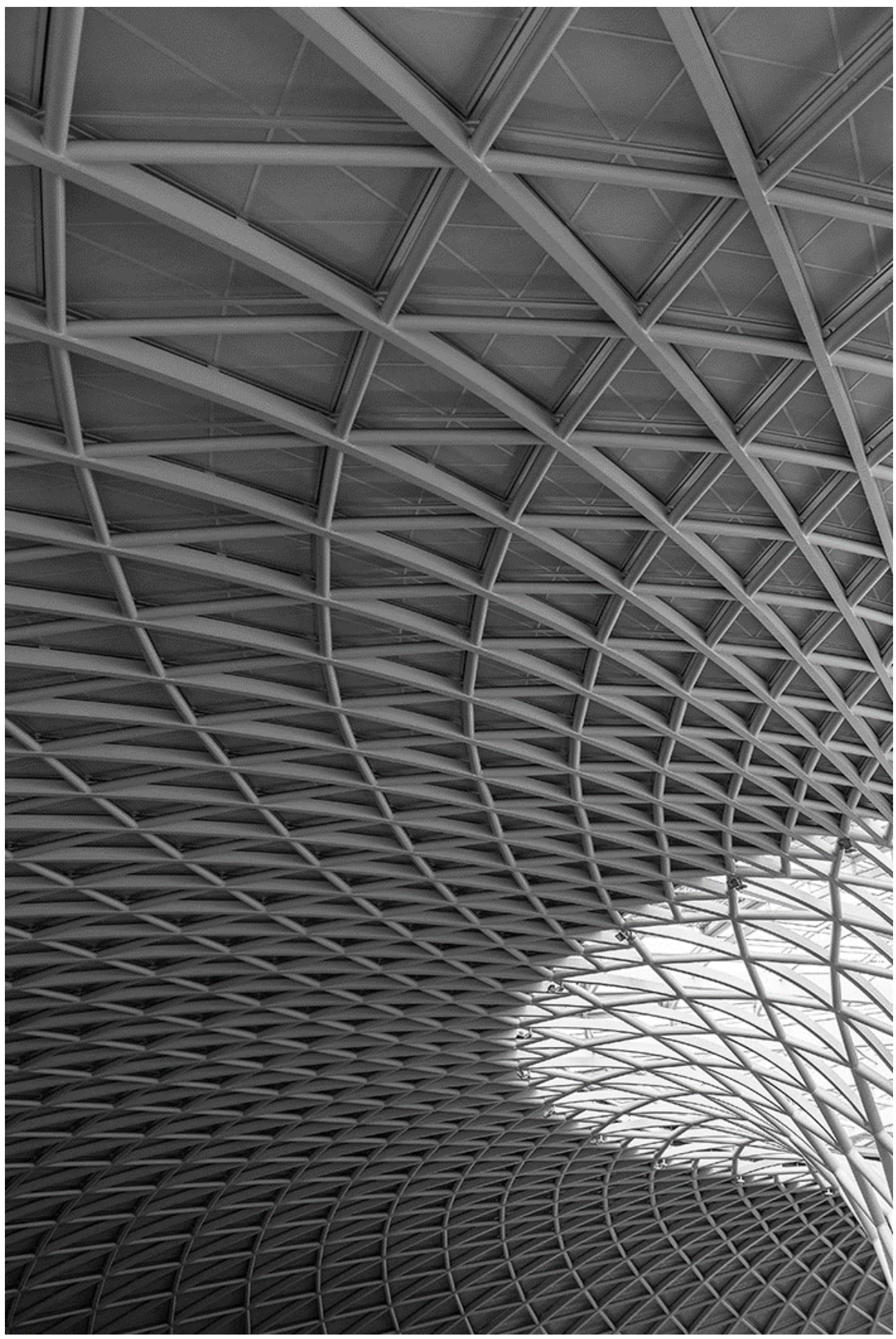
5. Voting at company meetings

Exercising our voting rights is a core part of our stewardship activities and broader responsible investment approach.

Our Global Voting Guidelines are updated annually and can be found here.



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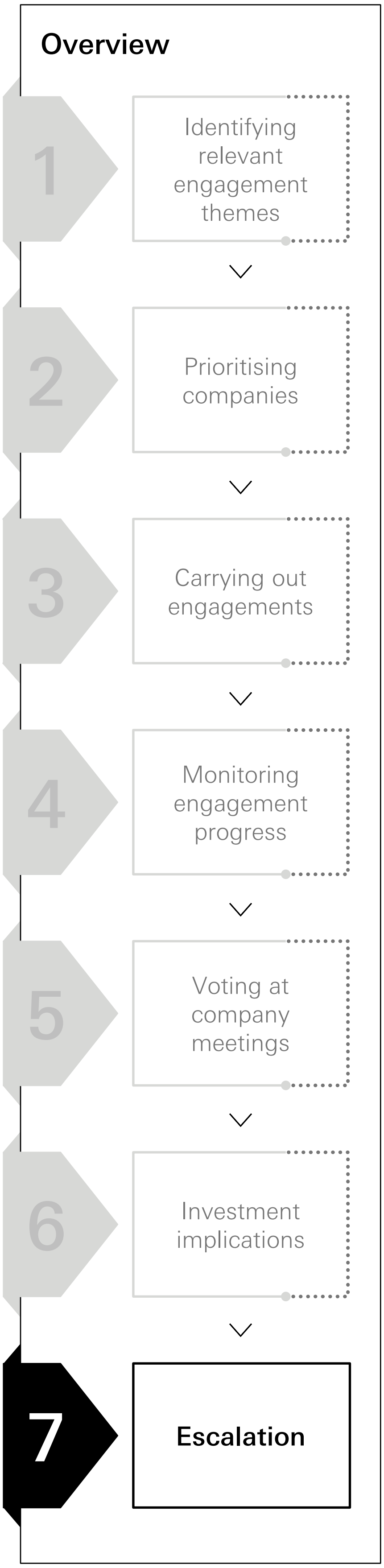
6. Investment implications

Engagement activities may inform investment decision-making, including the inclusion or exclusion of issuers within specific funds or their respective fund universes, or the introduction of investment restrictions on a security (e.g., “do not add”). This may include investment decisions related to HSBC AM policies and commitments, as well as sustainability due diligence processes as appropriate.

Our stewardship specialists contribute to the assessment of relevant issues for each company, identifying risks and opportunities and their investment implications. We discuss how sustainability matters, including engagement insights, change our fundamental views of risks and value for the company and may identify further engagement opportunities as a follow-up.

Sustainability due diligence

Due diligence is part of our research and governance process designed to address and manage sustainability risks associated with issuers in our traditional and sustainable active fundamental investment strategies. For instance, due diligence may be triggered by issuers in breach of our policies or risk thresholds, or if they do not meet the minimum requirements of a HSBC AM fund or product. Once due diligence has been conducted, a range of follow-up actions may be considered, including whether the issuer can remain in the portfolio.



7. Stewardship escalation options

Potential stewardship escalation options include, but are not limited to, dialogue with senior management or board members, including written communications, and participation in industry initiatives. For companies where we hold publicly listed shares, escalation options also include voting against certain management proposals, including director (re)elections, and co-filing shareholder proposals.

The escalation options chosen, as well as the order and timescales in which they are taken, will vary by issuer depending on the specific context. We also consider market and region-specific nuances such as cultural expectations, geopolitical challenges, and local laws regulations and practices.

Decisions to escalate are guided by several factors, including the issuer's responsiveness to our requests and timeliness in enacting change; the relevance of the issue and its potential to negatively impact shareholder value; and the potential for our chosen escalation activity to effectively address the issue.

We do not publicly comment on company engagements, but our voting records are availably publicly via our Proxy Voting Dashboard.[5]

5. Our Proxy Voting Dashboard can be accessed via this link: https://vds.issgovernance.com/vds/#/MjIwNw==.

3. Our approach to fund and system stewardship

Fund-driven stewardship

Fund-driven stewardship can support sustainability objectives where appropriate for selected client portfolios in our sustainable investment product range. Engagements related to fund-driven stewardship are added to our Priority List.

Certain sustainability-labelled funds, such as those falling under the SRI Label from the French Government ("Label ISR de l'État Français") and the UK's Sustainability Disclosure Requirements (SDR) framework, may be required to comply with local regulations regarding engagement and escalation strategies.

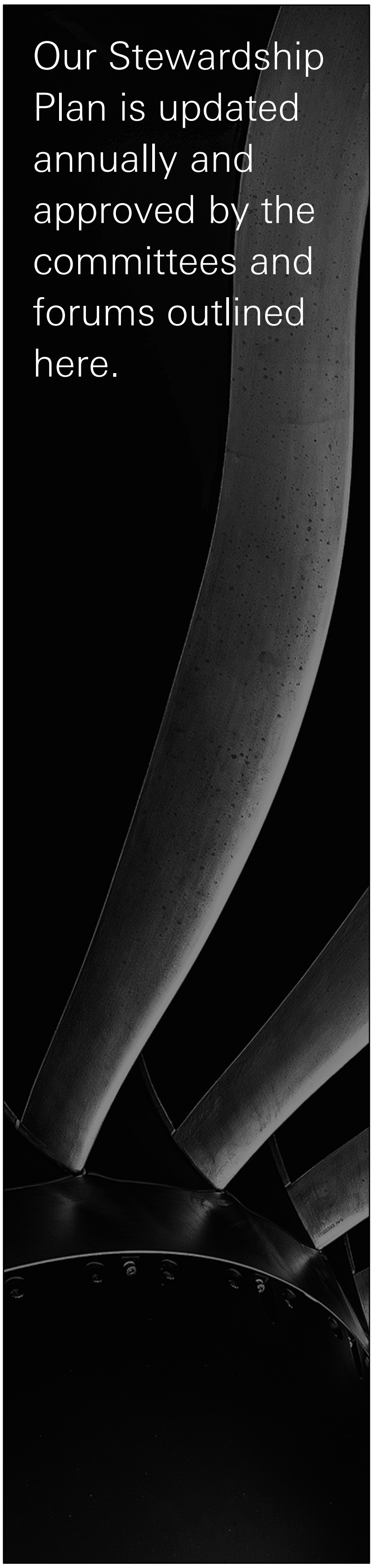
System stewardship

We may participate in systemic, or system, stewardship activities to address risks and opportunities affecting the wider market or financial system, when relevant to our client portfolios and consistent with applicable legal requirements.

Participation in industry initiatives provides us with valuable research, resources, insights, and expertise that we can leverage as needed, enhancing our efficiency. Additionally, such engagements strengthen our voice as a minority investor, ultimately creating greater value for our clients. Examples include industry initiatives with other asset managers and owners, public policy engagements, as well as engagements with index providers, service providers, and other stakeholders as appropriate.

We aim to identify opportunities to engage with regulators, governments, or monetary authorities, primarily through our memberships in industry or sustainable finance associations, to provide perspectives on policy development. Our engagement with regulators includes responses to industry consultations on sustainability practices, including sustainability frameworks, disclosure, or assurance standards.

HSBC Asset Management acts independently in its investment and voting decisions. We do not coordinate investment or voting decisions with any members of any industry engagement body.



Governance and oversight of stewardship activities

Oversight of stewardship activity is embedded within our governance framework, including:

- **ESG Investment committee:** chaired by our Global Chief Investment Officer (CIO) and Global Head of Responsible Investment, this is the highest-ranking investment decision-making body overseeing responsible investment implementation, including stewardship activities, ensuring best practice and alignment with our policies. The committee typically meets on a monthly basis and is part of the management structure of the global investment function.
- **Sustainability Forum:** comprising a sub-set of our global senior leadership team, this forum is responsible for managing and monitoring our sustainability activities, including stewardship, and serves as a platform to discuss subjects that could result in conflicts in fulfilling our fiduciary obligations.
- **Stewardship Committee:** reporting to the ESG Investment committee, this committee oversees the successful implementation and delivery of the Stewardship Plan, Global Voting Guidelines, and stewardship aspects of policies (e.g., coal policy) across the investment function. It also provides guidance to internal stakeholders on stewardship matters and thematic priorities, sharing market and industry best practices where relevant. This committee meets at least quarterly.

Resourcing of stewardship activities

The stewardship function is part of the HSBC AM Responsible Investment team. It leads our voting and engagement activity, and is responsible for integrating stewardship into our investment research process.

Stewardship activities are also carried out by other individuals across the investment function, including analysts and portfolio managers, which helps us scale our stewardship efforts across a broad range of companies and markets. The stewardship function provides support and training to investment teams involved in stewardship activities.

Our stewardship activities are also supported by operational, client services and technology teams.

Conflicts of Interest

For our approach to Conflicts of Interest, please refer to our policy published online.[6]

6. A summary of the HSBC AM Conflicts of Interest Policy can be accessed via this link: https://www.assetmanagement.hsbc.com.hk/en/individual-investor/conflicts-of-interest-policy.

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

Corporate Governance

Why we engage

We believe that good corporate governance is critical to business success and value creation. It provides the framework for accountability, transparency, and effective decision making.

Boards are responsible for maintaining high standards of corporate governance and holding management accountable. They play an important role in overseeing the implementation of corporate strategy and promoting a strong company culture that aligns with investor interests and broader stakeholder expectations. Additionally, boards oversee the company's management of risks and opportunities, as well as capital allocation decisions, including those related to sustainability. We believe that an effective board will help management navigate today's complex and uncertain macroeconomic environment, building resilience across the company.

In our engagements, we expect our investee companies to uphold high standards of corporate governance. Just as boards hold management accountable, our role is to hold boards accountable on behalf of our clients.

Issues relating to this theme include:

Business Ethics	Corruption & Instability
Management of the Legal & Regulatory Environment	Business Risk Management
Governance Issues (pay, ownership structure, board, remuneration)	Transparency, Reporting, and Accounting

Corporate Governance

Engagement approach

We reference the International Corporate Governance Network (ICGN)'s Global Governance Principles (2021),[7] the G20/OECD Principles of Corporate Governance (2023),[8] as well as local codes.

Board effectiveness	◆ When setting engagement objectives, we recognise the interconnectedness of different governance issues. For example, the separation of the Chair and CEO roles, overall board independence and diversity levels are closely linked to the board's approach to succession planning. Succession planning may be influenced by the presence of a controlling shareholder, a highly influential leader, or entrenched culture and values. ◆ For directors to succeed in discharging their duties and responsibilities, we consider a number of attributes, including but not limited to board leadership, independence, composition, skill sets, succession planning, and the composition and effectiveness of board-level committees.
Accountability	◆ We expect corporate strategies and incentive structures to align with – and for the board to act to protect – minority shareholder interests. This includes ensuring appropriate levels and structures of remuneration, guardrails against the over-concentration of power (e.g., through weighted voting rights), as well as sound capital management and shareholder return policies. ◆ We also engage companies on business continuity, incident management, anti-bribery and corruption, whistleblowing mechanisms and audit effectiveness.
Market standards	◆ We aim to engage with regulators and respond to market consultations that seek to enhance corporate governance, either directly with standard setters or via industry associations. We also participate in industry organisations and initiatives, including those a specific focus on sustainability topics. (See System Stewardship in Section 4 for further information.)
Disclosures	◆ We support the adoption of IFRS sustainability disclosure standards and advocate for the assurance of these disclosures to strengthen investor trust and confidence.

7. The ICGN's Global Governance Principles can be accessed via this link: https://www.icgn.org/icgn-global-governance-principles.
8. The G20/OECD Principles of Corporate Governance can be accessed via this link: https://www.oecd.org/corporate/principles-corporate-governance/.

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]

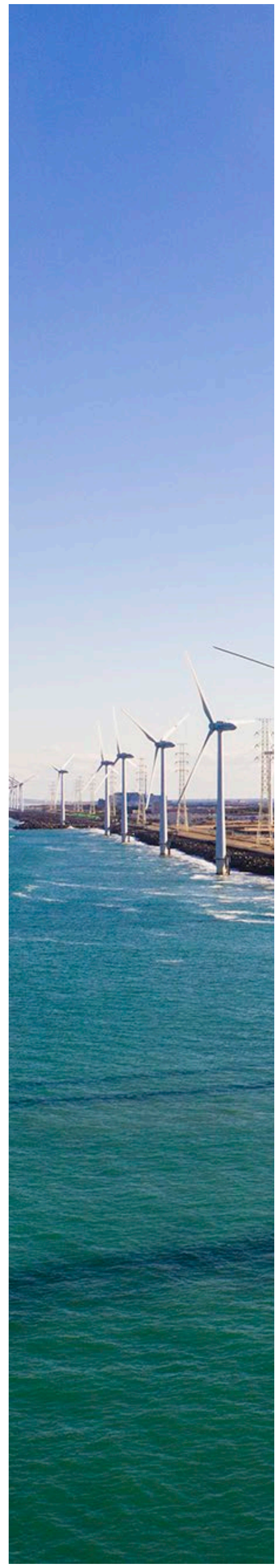
To address climate risks, policymakers and regulators have acted with an aim to reduce emissions, improve climate reporting, and enhance risk management, while facilitating the movement of capital to companies at the forefront of the transition to a low-carbon economy. However, the global regulatory 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.

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.

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.

Bioeconomy and natural capital

Why we engage

The bioeconomy, in this context, refers to an economic system that utilises biological resources, such as plants, animals, and microorganisms, to produce food, materials, and energy. Natural capital refers to the world's stocks of natural assets, including geology, soil, air, water, and all living things.

Biodiversity loss and the degradation of natural ecosystems have reached critical levels, posing significant economic risks. Over one quarter of the world's species are now estimated to be threatened with extinction.[17] This decline jeopardises ecosystem services essential for human wellbeing, such as pollination, water purification and the regulation of our climate. Companies that negatively impact biodiversity and nature are increasingly exposed to regulatory and reputational risks, as governments and the public pay more attention to these issues.

Ecosystem services are important for many of the industries and companies in which we invest on behalf of our clients - over half of the world's total GDP is estimated to be moderately or highly dependent on nature and its services.[18] Similarly, exceeding "tipping points" in key ecosystem services, such as wild pollination, marine fisheries, and timber provision, could result in losses of $2.7 trillion in global GDP by 2030 – over 2% of global output - with low-income countries hit hardest.[19] Nature offers many social benefits to society, in addition to its inherent worth. As a result, there is growing interest from investors in business models that help to restore, rather than degrade, biodiversity and nature.

The bioeconomy and natural capital are broad and complex issues, but they can be addressed in our engagements by focusing on key areas, including (but not limited to) deforestation, agricultural practices (such as regenerative agriculture), responsible husbandry (including animal welfare and mitigating antimicrobial resistance), the overexploitation of natural resources, pollution (air, water, land), and promoting the circular economy.

17. Please refer to the IUCN Red List for further information: https://www.iucnredlist.org/.
18. World Economic Forum. (2020). Nature risk rising: Why the crisis engulfing nature matters for business and the economy. https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf. See also PricewaterhouseCoopers. (2023). Managing nature risks: A guide for business. https://www.pwc.com/gx/en/strategy-and-business/content/sbpwc-2023-04-19-Managing-nature-risks-v2.pdf.
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Bioeconomy and natural capital

Issues relating to this theme include:

Air Quality, Pollution & Toxic Waste	Nature-Based Solutions	Raw Material Sourcing	Biodiversity & Ecological Impacts
Nature Strategy	Water & Wastewater Management	Circular Economy Solutions	Product Design & Lifecycle Management

Engagement approach

We recognise that nature and biodiversity encompass a broad range of environmental topics and understand that practices continue to evolve in this space. We highlight good practices below and encourage priority companies, where bioeconomy and natural capital are relevant issues, to work towards these.

We also consider actions specific to sectors and industries. We acknowledge that this topic is complex and that setting targets can be challenging, particularly as science-based sectoral pathways and universal data metrics continue to evolve. We encourage companies to continue to make progress, and to utilise the many public resources available. During our engagements, we aim to share good practices to support positive outcomes.

Bioeconomy and natural capital strategy	◆ Publicly recognise the importance of biodiversity and nature loss, and commit to minimising their negative impacts, as well as to conserving and restoring ecosystems across their operations and value chains by 2030. ◆ Develop a company-wide plan on how they will achieve this. We believe that companies should prioritise action where they can contribute most positively to biodiversity and nature, such as implementing a zero-deforestation policy or committing not to operate in or source from biodiversity-sensitive areas as examples. ◆ Set clear targets informed by their specific impacts, dependencies, risks, and opportunities, and include information about baselines and methodologies used. Good practice includes setting targets that are time-bound and aligned with scientific evidence.
Bioeconomy and natural capital risk and reporting	◆ Assess the impacts, dependencies, risks, and opportunities related to biodiversity and nature across their operations and value chains. ◆ Publicly disclose progress on nature and biodiversity topics at least annually in sustainability reports and in reporting frameworks such as CDP. We also encourage companies to work towards reporting under the Taskforce for Nature-related Financial Disclosures (TNFD).
Bioeconomy and natural capital governance	◆ Establish and disclose board-level and management oversight to promote accountability and transparency, and be clear about the scope of activities covered. Upskilling on the topic for employees should also be prioritised.
Bioeconomy and natural capital engagement	◆ Work across value chains to learn and share best practices, and work in collaboration with Indigenous Peoples and Local Communities when they are affected. ◆ Work to positively influence system-level change through participation in trade associations and interactions with policy makers and other stakeholders.

Human Rights

Why we engage

Businesses play an important role in respecting and upholding human rights, which is increasingly recognised as a key factor in regulatory compliance, reputational risk management, operational stability, and supply chain resilience. As investors, we prioritise human rights violations that carry the greatest risk of causing significant negative impacts due to actions caused or contributed to by companies in our investment portfolios.

Failure to address these violations can escalate into legal penalties, regulatory investigations, operational and supply chain disruptions, damage to brand reputation, boycotts, and loss of market access. These risks not only impact the financial performance of individual investee companies but also create financial and reputational risks for our clients' investments.

Human rights legislation and regulations have been on the rise around the world, evolving from disclosure requirements to include mandatory supply chain due diligence and import controls. There are also industry efforts to standardise human rights disclosures, such as the recently launched Taskforce on Inequality and Social-related Financial Disclosures (TISFD) and IFRS' work plan to explore human capital as a potential future disclosure standard.[20]

Adverse human rights impacts, such as modern slavery, can arise in any sector. However, certain industries, geographies, or business models are at heightened risk. When engaging with investee companies, we take into account that human rights issues are complex and often intertwined with broader political and systemic challenges, sometimes beyond the control of the companies (e.g., situations involving state actors).

Issues relating to this theme include:

- Human Rights
- Community Relations
- Supply Chain Management

20. Please refer to the following links for further information: https://www.tisfd.org/ and https://www.ifrs.org/projects/work-plan/human-capital/#about.

Human Rights

Engagement approach

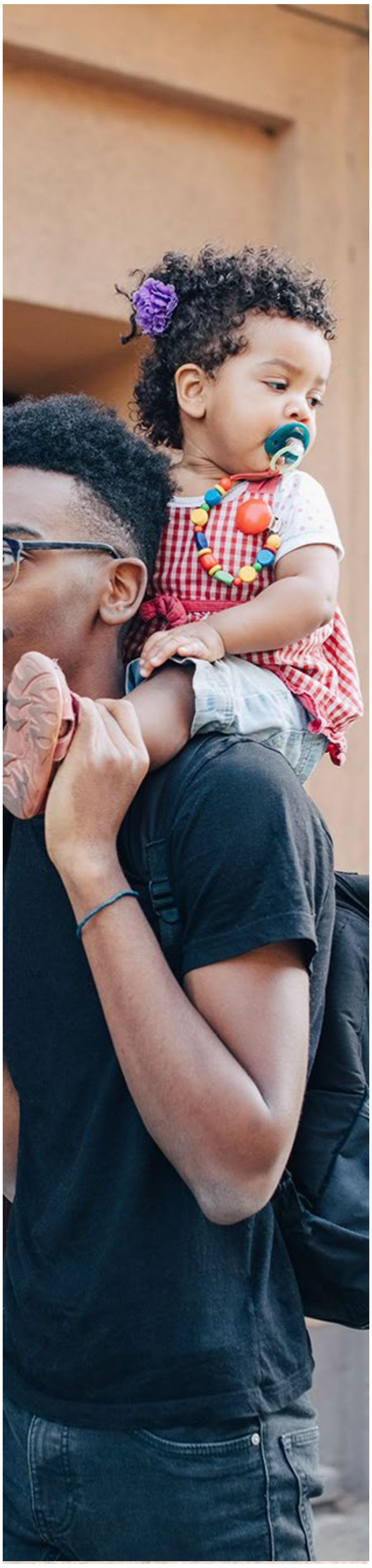
We highlight good practices below and encourage priority companies, where human rights are a relevant issue, to work towards these.

Human rights policy	◆ Establish a public policy committing to respect human rights, ideally aligned with a global standard such as the UN Guiding Principles, the UN Global Compact, or the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct .[21]
Board oversight	◆ Provide evidence of board and senior management oversight of human rights commitments, practices, and performance.
Due diligence	◆ Develop a robust due diligence process to identify and assess human rights impact on stakeholders in its operations, products and services, and value chain. The approach may vary depending on industry, geography or business model. ◆ Take steps to avoid causing or contributing to adverse human rights impacts.
Grievance mechanisms and remediation	◆ Provide grievance channels that are accessible and free from retaliation. ◆ Where violations are found, ensure timely investigation and develop corrective action plans. Consider third-party opinions, and provide impacted stakeholders with effective remedies and communications.
Ongoing monitoring	◆ Ensure findings are integrated into relevant business processes, and monitor for evolving and emerging risks on an ongoing basis.
Disclosures	◆ Provide greater transparency through disclosures across these areas, including relevant metrics, targets and case studies.

We recognise that sometimes system-level stewardship is needed to tackle broader challenges related to human rights – for example, to improve the transparency and consistency of human rights data and assessments carried out by commercial data providers.

21. Please refer to the following links for further information: https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf; https://unglobalcompact.org/what-is-gc/mission/principles; and https://mneguidelines.oecd.org/.

Talent and Opportunity



Why we engage

Significant investment opportunities can arise from societies becoming more economically inclusive, with a greater number of people having higher incomes and wealth to spend and invest. In our own portfolios, we have observed through our engagement that companies providing good working conditions and fair rewards report to have employees who are more engaged and productive, thereby driving our investee companies forward through loyalty, innovation, and excellent customer service. Academic research has found a link between employee satisfaction and firm value for countries with flexible labour markets, with companies listed among the "Best Companies to Work For" outperforming their peers in stock market performance.[22] Research has also found that the positive relationship between employee satisfaction and outperformance is particularly strong during market downturns, which can be beneficial for investors, employees, and wider society.[23]

While the specific outcomes of diversity can vary based on a range of factors – such as company culture and governance – diversity of experiences, skills, viewpoints and backgrounds is increasingly recognised by investors and other stakeholders as a way to bring broader perspectives to decision-making, and enhance the ability to navigate complex challenges. Gender diversity has been positively linked with firm performance,[24] although the broader social context remains important in determining the strength of this relationship.[25]

Issues relating to this theme include:

Access & Affordability	Employee Engagement
Labour Relations	Inclusion & Belonging
Health & Safety	Social Inclusion Opportunities

22. Edmans, A., Pu, D., Zhang, C., & Li, L. (2023). Employee satisfaction, labor market flexibility, and stock returns around the world. *Management Science. Forthcoming*. https://doi.org/10.2139/ssrn.2461234.
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24. Brahma, S., Nwafor, C., & Boateng, A. (2021). Board gender diversity and firm performance: The UK evidence. International Journal of Finance and Economics, 26(4), 5704-5719. https://doi.org/10.1002/ijfe.2089.
25. Zhang, L. (2020). An institutional approach to gender diversity and firm performance. Organization Science, 31(2). https://doi.org/10.1287/orsc.2019.1297.

Talent and Opportunity

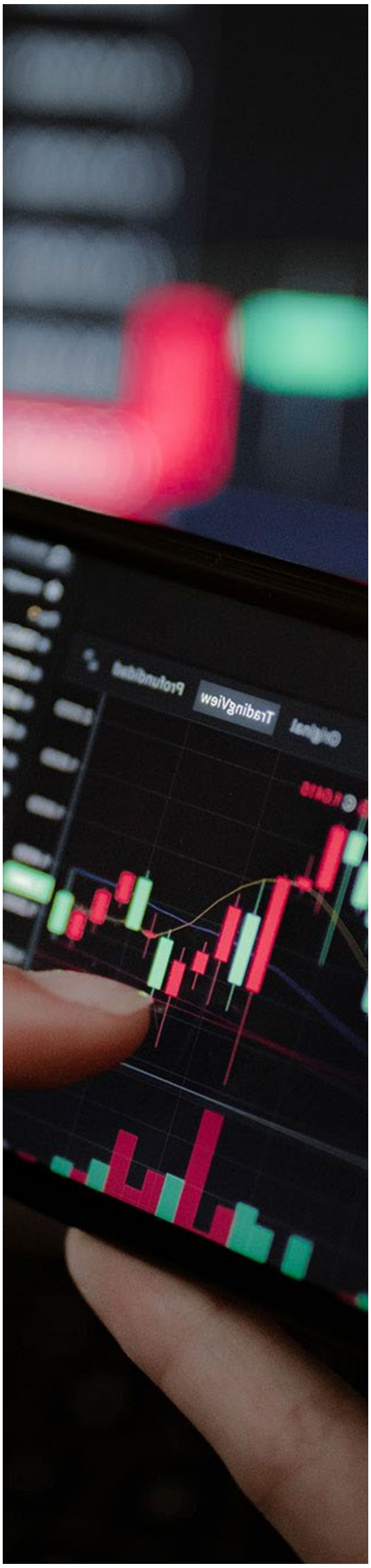
Engagement approach

We highlight good practices below and encourage priority companies, where talent and opportunity are relevant issues, to work towards these.

Working conditions	◆ Ensure robust steps are taken to protect the health and safety of workers. ◆ Develop thoughtful employee training programs and opportunities for career progression. ◆ Provide a formal platform for workers to give feedback to management and strong, safe mechanisms for staff to raise ethical concerns. ◆ Disclose, via public reporting, high-quality information and narratives on working conditions, career development, and worker voice, allowing investors to understand how companies develop and manage talent.
Fair reward	◆ Provide living wages to staff,[26] visibility and flexibility in working hours, and other meaningful benefits such as broad-based share ownership schemes. ◆ Disclose and reduce pay gaps in accordance with applicable legal and regulatory requirements. ◆ Ensure executive team pay is reasonable within the company and societal context
Inclusion and belonging	◆ Improve diversity, including of backgrounds, skills, experiences, and viewpoints, at all levels, including the board, senior management, and the wider workforce, through appropriate hiring, training and promotion processes. ◆ Collect, publish, and monitor granular diversity data, disaggregated by seniority and regions/countries of operation.[27] ◆ Set time-bound targets for improvement on diversity metrics where permitted under applicable law. ◆ Take steps to ensure that everyone feels included and respected. These steps should cover different stages of employment, including hiring, training, promotion, and daily work arrangements. ◆ Periodically measure and report on the progress of inclusion initiatives.

26. Defined by the Global Living Wage Coalition as: 'The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.' Please refer to the following link for further information: https://www.globallivingwage.org/about/what-is-a-living-wage/.
27. We are aware of certain market-specific circumstances that make data collection challenging, and we tailor our engagements to reflect this.

Trusted Technology and Data



Why we engage

Digital connectivity can support international collaboration, economic growth, and sustainable development. However, rapid changes in technology can be disruptive to both society and businesses, creating significant risks and opportunities for investors.

Governments and regulators, including those in the UK, EU, and US, have introduced new rules to address risks from digital technologies, including from artificial intelligence (AI) and digital assets.[28] This follows earlier regulations on privacy and data protection, such as the EU's General Data Protection Regulation (GDPR). Regulations increase compliance costs and the risk of large penalties for breaches. They may also lag behind innovations, meaning some risks may not be addressed at the company or system level. At the same time, major technology firms are intensifying lobbying efforts to shape regulations in ways that align with their business interests.

Misinformation and disinformation on digital platforms can distort public perceptions and erode trust in institutions. This can pose risks to companies and financial markets, for example, by damaging corporate reputations, amplifying market volatility, or undermining investor confidence. Digital platforms are also subject to shutdowns and censorship by state actors, with implications for human rights as well as business continuity.

Growing demand for digital products, especially AI, is increasing demand for energy and raw materials. The IEA predicts that electricity consumption from data centres, AI and the cryptocurrency sector could double by 2026 (compared to 2024). [29] Meanwhile, economic shocks (such as COVID-19) and geopolitical competition for key materials and components (such as semiconductors), can impact production costs and output volumes for some sectors.

Issues relating to this theme include:

Data Security & Privacy	Product/Service Governance & Responsibility	Product/Service Quality & Safety

28. For example, Digital Markets, Competition and Consumers Act 2024 (UK) (https://www.legislation.gov.uk/ukpga/2024/13/contents) , Digital Markets Act (EU) (https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%3AL%3A2022%3A265%3ATOC&uri=uriserv%3AOJ.L_.2022.265.01.0001.01.ENG) , and Financial Innovation and Technology for the 21st Century Act (US) (https://www.congress.gov/bill/118th-congress/house-bill/4763).
29. International Energy Agency. (2024). Electricity 2024: Executive summary. https://www.iea.org/reports/electricity-2024/executive-summary.

Trusted Technology and Data

Engagement approach

We highlight good practices below and encourage priority companies, where trusted technology and data are relevant issues, to work towards these.

Technology and data risks	◆ Identify and report on how the company is managing sustainability and financial risks that may arise from their provision of, or use of, technology and data (including bias and misinformation). ◆ Provide transparency regarding the use and impact of AI from an operational and product/service perspective. ◆ Adopt international standards regarding information AI e.g., ISO/IEC 42001.
Security and protection	◆ Take steps to protect cybersecurity, including within cyber supply chains. ◆ Integrate effective protection, security, and prevention strategies into technology and data-related policies. ◆ Carry out an independent review and verification of technology and data-related policies. ◆ Adopt international standards regarding information security, cybersecurity, and privacy protection e.g., ISO/IEC 27001.
Privacy and digital rights	◆ Educate employees and users regarding data collection, storage, processing, and dissemination. ◆ Safeguard data and user rights to privacy, and carry out enhanced due diligence on any business model or operations carrying a risk of rights infringement. ◆ Take steps to uphold, protect, and respect human rights within a digital environment e.g., by implementing an independent and expert-driven committee to protect digital human rights in both real and digital environments.
Technology and data solutions	◆ Identify opportunities for technology and data solutions that address environmental and social practices.

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