# Investing for a sustainable future

HSBC | Opening up a world of opportunity

Global Private Banking

# The pursuit of sustainability

We believe the needs of the present can be met without compromising the ability of future generations.

Sustainability is a well-established investment theme. Thirty-five years ago, a report entitled 'Our Common Future' was published by the United Nations. It highlights that "the pursuit of sustainability requires major changes in international economic relations."

'The world's estimated financial needs for achieving the SDGs are between US$5 trillion and US$7 trillion a year[1].

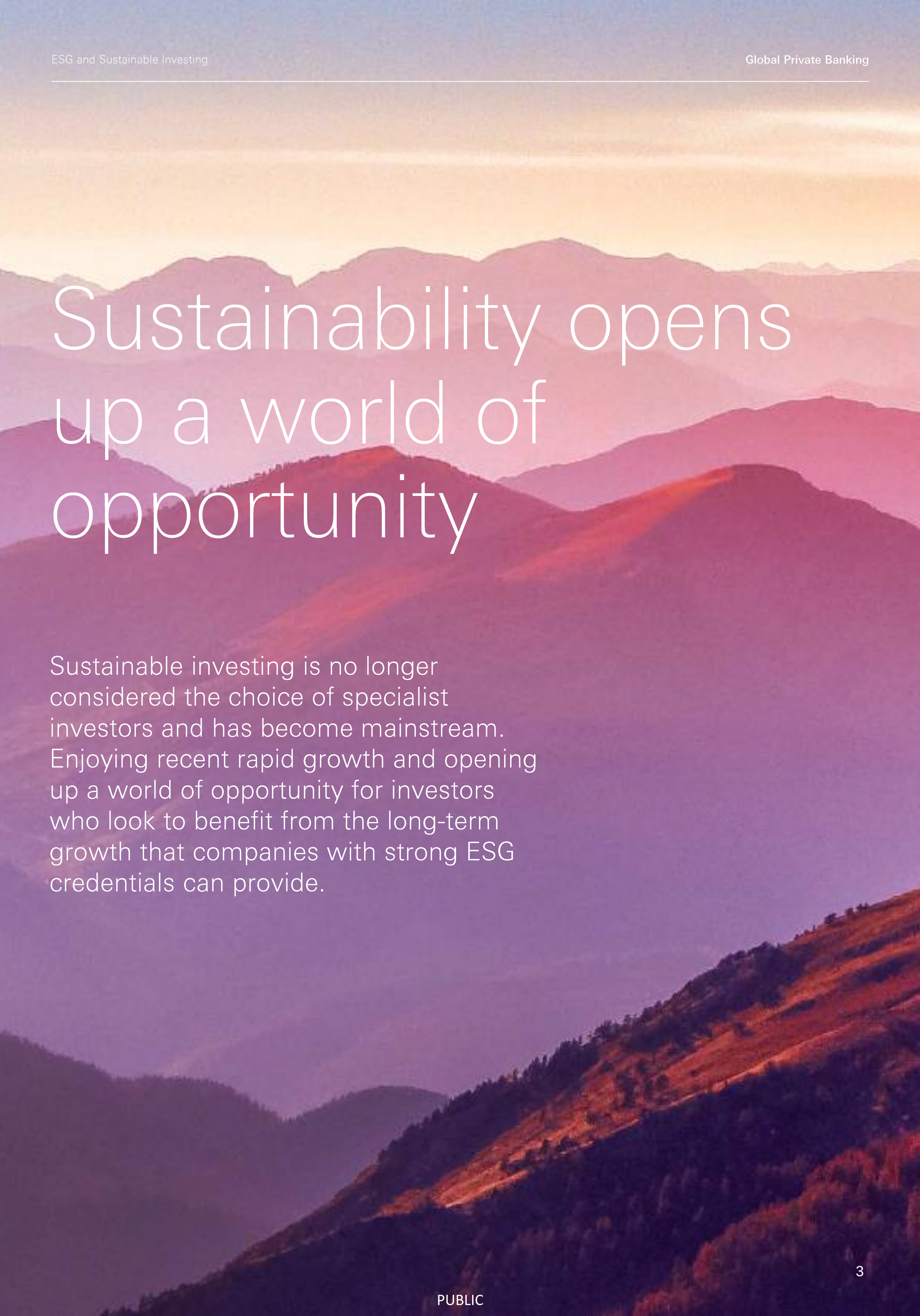
Major changes have taken place, spurred by the UN's 17 Sustainable Development Goals encompassing issues such as energy consumption, social justice, biodiversity, and economic growth.

We help clients understand the environmental, social, and governance ('ESG') implications of investments, combining their financial objectives with their sustainability preferences. Providing expertise, tools and access to sustainable investment solutions.

Today, sustainable investment is going mainstream, with more investors focusing on generating long-term financial returns while contributing positively to the environment and society.

There is much still to be done. We support our clients on their sustainability journey.

[1] Source: UNA-UK, sustainablegoals.org.uk



# Sustainability opens up a world of opportunity

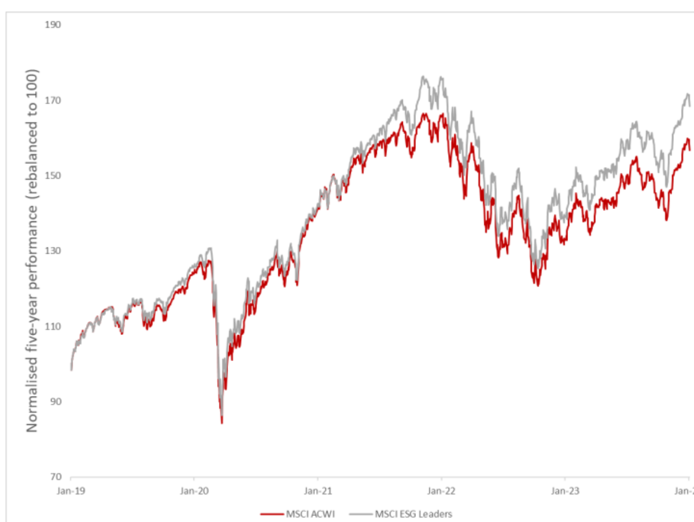
Sustainable investing is no longer considered the choice of specialist investors and has become mainstream. Enjoying recent rapid growth and opening up a world of opportunity for investors who look to benefit from the long-term growth that companies with strong ESG credentials can provide.

# HSBC believes the transition to a sustainable economy is a multi-decade investment opportunity

Evidence shows that companies with better Environmental, Social and Governance (ESG) credentials were more likely to show high profitability.[2] Companies that manage ESG risks create value for stakeholders and are more likely to survive economic cycles.

The graph below shows the relative performance of the MSCI ACWI index compared to the MSCI ESG leaders index over the five-year period to Jan 2024.

**ESG equity index outperformed the wider market**




Past performance is not a reliable indicator of future performance.
Source: Bloomberg, HSBC Global Private banking and wealth, Jan 2024

[2] Source: NYU Stern: Centre for Sustainable Business: ESG And Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020

# Integrating ESG in a diversified portfolio

Our sustainable investing approach starts with understanding your financial objectives.

We see three main ways to embed sustainability into an investment portfolio, which can be applied across portfolio allocations:

**ESG Enhanced: Investment products that follow specific ESG criteria**

Range of investment products: Funds/ETFs, Discretionary, Alternatives, Equities and Corporate Bonds, Sustainability Linked Bonds, Structured Products.

For example, a carbon related managed strategy, a minimum 30% improvement in carbon related metric compared to non-ESG benchmark or initial investment universe; or a financial instrument that has a top ESG score ranking within the sector.

**Thematic: Investment products that focus on ESG related growth areas by identifying companies aligned to specific sustainable themes**

Range of investment products: Funds/ETFs, Discretionary, Alternatives, Equities, Structured Products.

For example, a financial instrument or an investment product that focuses on sustainability themes such as renewable energy, energy transition, gender equity and diversity, with relevant criteria that outline how the investment would align to the theme. This can be assessed based on their revenue exposure or operational-related metrics.

**Impact: Investment products that aim to have a direct, positive impact on society, environment or both. There are clearly pre-defined measurable impact targets and are subject to periodic impact reporting**

Range of investment products: Funds/ETFs, Discretionary, Alternatives, Structured Products, Green, Social and Sustainability bonds.

For example, impact investing requires identification of the positive impact intent (e.g. the use of proceeds is defined for green bonds) and the metric(s) must be clearly linked to a sustainability-focused outcome.

Note: Subject to product availability by markets

# To support our clients in their sustainability journey, we offer a full range of ESG, sustainable and impact investing products:

## Managed Solutions

Sustainable investing funds, ETFs, discretionary mandates & alternatives investments

## Capital Markets

Fixed Income (such as Green, Social, Sustainability, Sustainability-Linked bonds), Equities, Structured Products

## Research & Insights

Comprehensive coverage of ESG insights publications

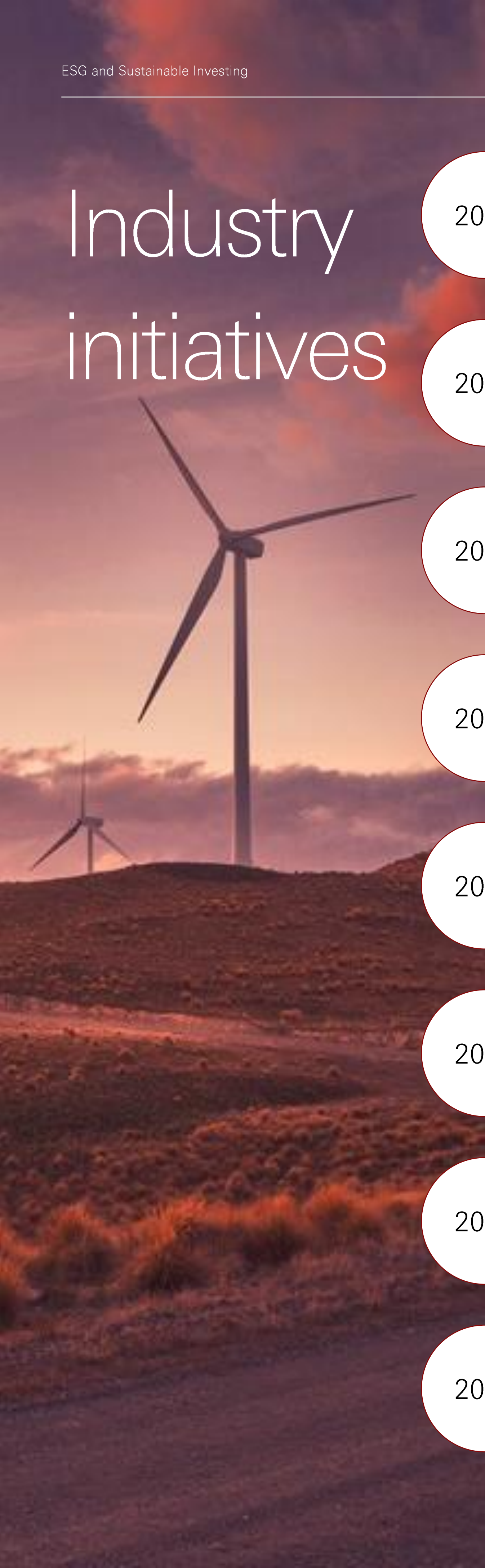
## Group Solutions

Access to commercial banking, global markets and asset management capabilities

Note: Some services are not available in certain location

# Contact us

Speak to your Relationship Manager to find out more about HSBC ESG and Sustainable Investing



# Industry initiatives

**2001** Joined the UK Sustainable and Finance Association

**2006** Signatory to the Principles for Responsible Investment

**2007** Joined Institutional Investors Group on Climate Change

**2015** Signatory to the Montreal Carbon Pledge

**2017** Launched ClimateAction100+ initiative in collaboration with other investors

**2019** Founding member of One Planet Asset Manager Initiative supporting the One Planet Sovereign Wealth Fund Working Group

**2020** Founding signatory of the Finance for BiodiversityPledge

**2021** Founding member of Finance to Accelerate the Sustainable Transition infrastructure (FAST- Infra) Signatory of the Net Zero Asset Managers Initiative

# Awards & Recognition

HSBC is committed to publishing regularly updated information on its ESG performance. The achievements have been recognised in receipt of awards including:

**HSBC Global Research**
Award winning Climate Change Centre of Excellence

**Five 'Lead Manager of the Year**
Awards across social, sustainability and green bond categories (Environmental Finance, 2020)

**Middle East's Best Bank for Sustainable Finance**
(Euromoney, 2019, 2020, 2021)

**Asia's Best Bank for Sustainable Finance**
(Euromoney, 2019, 2020, 2021, 2022, 2023)

**Improved MSCI ESG rating to AA**
('ESG Leader'), recognising our strong corporate governance and commitment to sustainable finance (2021)

**ESG Investing Product/Services Excellence Award**
(Bloomberg Bizweek 2022, 2023)

**World's Best Bank for Sustainable Finance**
(Euromoney, 2019, 2020)

**Western Europe's Best Bank for Sustainable Finance**
(Euromoney, 2020)

### Important information about sustainable investing

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors to varying degrees. Certain instruments we classify as sustainable may be in the process of changing to deliver sustainability outcomes. There is no guarantee that ESG and Sustainable investing products will produce returns similar to those which don't consider these factors. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for, ESG and Sustainable investing or the impact of ESG and Sustainable investing products. ESG and Sustainable investing and related impact measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors. HSBC may rely on measurement criteria devised and reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the ESG / sustainability impact or measurement criteria of an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of ESG / sustainability impact will be achieved. ESG and Sustainable investing is an evolving area and new regulations are being developed which will affect how investments can be categorised or labelled. An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future."

"When we classify an investment product or service against our ESG and Sustainable Investing (SI) categories described in this document: ESG Enhanced, Thematic or Impact, this does not mean that all individual underlying holdings in the investment product or portfolio will meet the relevant SI criteria. As such, an SI classification does not mean that all underlying holdings in a fund or discretionary portfolio meet the relevant sustainable investment criteria. Similarly, where an equity or fixed income investment is classified under an ESG Enhanced, Thematic or Impact category this does not mean that the underlying issuer's activities are fully sustainable. Not all investments, portfolios or services are classifiable under our SI categories. This may be because there is insufficient information available or because a particular investment product does not meet HSBC's SI classifications criteria".

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of performance statistics, however, they have a negative impact on it. If, for

example, the initial investment is 1.000 EUR, and the transactions costs for buying and selling are 1,00 % each time, and the custody fee is 0,50 % per year (for our actual fee structure please see our schedule of prices & services), the performance over a 5-year-investment-horizon would be reduced 45 EUR

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