

# Engagement Policy

HSBC Private Bank (Luxembourg) S.A.

Date: 8 May 2024

# Introduction

The terms 'we' and 'our' in this engagement policy refer to HSBC Private Bank (Luxembourg) S.A. ("PBLU").

This policy describes our approach to shareholder engagement where we invest for our clients as part of our discretionary management services directly in equity shares. The processes documented in this policy stem from the requirements of the Grand Ducal Law of 1 August 2019 (amending the Law of 24 May 2011 on the exercise of certain shareholder rights) and transposing the Shareholder Rights Directive ("SRD II"). They concern investment in shares of companies with a registered office in an EU member state and whose shares are admitted to trading on an EU regulated market ('traded shares of EU companies'). Nevertheless, our engagement processes also apply to companies whose shares are traded in non-EU countries.

We delegate the investment management of your discretionary portfolio to carefully selected HSBC group and third party asset managers. In these cases, the investment decision-making, monitoring and engagement activity for traded shares of EU companies is undertaken by such asset managers on our behalf for the purposes of managing your investments. The present policy applies uniquely to the specific holdings in companies over which the Portfolio Management department of PBLU has discretionary investment management responsibility and control, and not to any holdings under the control of other members of HSBC group or third party asset managers.

Where we invest in a fund as part of our Discretionary service, the degree of engagement with investee companies and the policy on voting will be a function of the type of fund, the fund manager and their engagement policy.

## Engagement and your investments managed by us

We recognise a responsibility for the stewardship oversight and engagement with those companies and issuers whose securities we manage for our clients as an integral part of our investment process. We therefore carefully monitor and engage with companies held in your discretionary portfolio both before and during the period of our investment in these companies.

For example, we believe that environmental, social and governance (ESG) factors can impact the sustainability of companies' financial returns. We therefore integrate ESG into our investment selection process by considering these factors in conjunction with others which can impact returns.

Engagement with investee companies and other issuers is therefore an important element in both our ESG integration and our stewardship oversight. We engage with investee companies and other issuers to understand them better, to monitor our clients' investments, and to encourage companies to be proactive and transparent in the management of ESG issues and other relevant factors

## How we monitor and engage with investee companies and issuers

We meet the management of companies regularly as part of our investment process. These meetings are a key element in our stewardship oversight of the companies' securities which are held in your discretionary portfolio and managed by us. We challenge management on their delivery of corporate strategy, financial and non-financial performance or risk, allocation of capital and management of environmental, social and governance issues.

We also engage with companies and issuers to understand the corporate governance arrangements they have in place and their effectiveness. We encourage companies and other issuers to establish and maintain high levels of

transparency, particularly in their management of ESG issues and risks. We therefore seek to raise ESG or other concerns with companies and other issuers where we believe that to be in the interest of investors, identifying company specific or systemic risks.

In addition to executive directors and investor relations, we engage with other executives as available, including divisional and regional heads, as well as ESG and strategy specialists. We also engage with board directors, either as part of our regular dialogue or to raise and escalate issues of concern.

Whilst our approach to investment management and engagement does not typically involve communication with stakeholders of companies other than those noted in this policy, we are open to monitoring concerns of other key stakeholders as necessary, including those of customers.

## **Collective engagement and voting rights**

Where we invest in funds, the fund manager may, in accordance with its own policy, cooperate with other shareholders when engaging with companies and other issuers in a form of collective engagement.

While we do not undertake this particular method of engagement in relation to the other companies and issuers held in your portfolio, in due course, we intend to enhance our capabilities to enable such collective engagement.

Similarly, we currently do not exercise voting rights on behalf of our clients.

## **Managing conflicts of interest arising from engagement with investee companies and issuers**

A summary of PBLU's Conflict of Interest policy is available on our website. It requires us to take all reasonable steps to identify and to prevent or manage conflicts of interests.

To achieve this, we:

- Identify the circumstances that may give rise to actual or potential conflicts of interests involving a risk of damage to the interests of one or more clients.
- Implement procedures and measures to prevent or manage conflicts of interests.
- Set the rules for keeping records and disclosure of conflicts of interests that have arisen, or may arise in the context of ongoing services.

In addition, HSBC maintains an organisation wide policy which sets out how it manages actual and potential conflicts of interest arising from or affecting its business activities.

Should we enhance our capabilities to undertake collective engagement and exercise voting rights on behalf of clients, we will consider carefully any associated risks of conflicts of interest and ensure these are addressed and managed appropriately in accordance with HSBC conflicts of interest policies.

## **Annual Disclosure**

HSBC is required to provide an annual disclosure of its shareholder engagement activities. This policy outlines such shareholder engagement activities and how they feature in HSBC's investment processes. Please note that since the 10th June 2019 original publication date of this policy there have been no changes, deviations or

developments in HSBC's engagement activities and, therefore, such activities continue to remain in line with this policy.

Provided that we do not exercise voting rights on behalf of our clients, no annual reporting **including a general description of voting behaviour, an explanation of the most significant votes and the use of** the services of proxy advisors will be published by PBLU.