

**Asset Management**

# Policy on Banned Weapons

**June 2023**



**HSBC**

Opening up a world of opportunity

As early signatories to the Principles for Responsible Investment in 2006, we are committed to integrating environmental, social and governance (ESG) factors into our investment decisions. In 2010, we decided to exclude investment in companies linked to the manufacture of cluster munitions and anti-personnel mines from all of our active fundamental equity and fixed income strategies. We extended this exclusion to our index and systematic active strategies in 2015. We have since broadened the scope to include certain other banned weapons.



## Policy

HSBC Asset Management excludes any security in its active, systematic and index portfolios that have been issued by corporations with verified or strongly indicated involvement in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of weapons banned by certain international conventions.

We consider these weapons to be banned by the following international convention:

- ◆ **Anti-Personnel Mines** – Anti-Personnel Mine Ban Convention (or Ottawa Treaty)
- ◆ **Biological weapons** – Biological Weapons Convention
- ◆ **Blinding laser weapons** – Convention on Certain Conventional Weapons, Protocol IV on Blinding Laser Weapons
- ◆ **Chemical weapons** – Chemical Weapons Convention
- ◆ **Cluster munitions** – Convention on Cluster Munitions (or Oslo Treaty)
- ◆ **Non-detectable fragments** – Convention on Certain Conventional Weapons, Protocol I on Non-Detectable Fragments

This definition includes listed and non-listed corporations currently assessed as involved in these banned weapons or corporations for which there are strong indications of involvement in these banned weapons or their key components. Past involvement in these weapons is not included. Involvement may be direct or as a majority shareholder (>50% ownership stake). We do not capture those corporations where there is an ownership stake of less than 50%.

We note that while the Convention on Certain Conventional Weapons, Protocol III on Prohibitions or Restrictions on the Use of Incendiary Weapons, regulates the use of incendiary weapons, these are not banned under the Convention.

## Scope of the exclusion

This policy applies to all our active fundamental, index and active systematic equity and fixed income strategies. It does not apply universally to strategies incorporating third party funds such as our Fund of Hedge Fund business.

Certain funds exclude other 'controversial weapons' such as depleted uranium weapons and white phosphorous when used for military purposes. These exclusions are set out in the relevant fund prospectus.

## Implementation process

We engage an independent specialist third party research provider to identify corporations that are involved in banned weapons production. These exclusions are applied throughout HSBC Asset Management on a best-efforts basis via our investment restrictions process. The list of corporations is reviewed on an on-going basis and where new securities are identified; we will seek to divest any holdings within 90 business days.



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

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. The capital invested in the fund can increase or decrease and is not guaranteed. The performance figures contained in this document relate to past performance, which should not be seen as an indication of future returns. Future returns will depend, inter alia, on market conditions, fund manager's skill, fund risk level and fees. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries and territories with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries and territories in which they trade. Mutual fund investments are subject to market risks, read all scheme related documents carefully.

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