

# Engagement policy

## **Introduction**

Marks and Spencer Unit Trust Management Ltd (MSUTM) has delegated the investment management of this Fund to HSBC Global Asset Management (“AMG”) (a division of the HSBC Group operating through a number of HSBC Group companies, including HSBC Global Asset Management (UK) Limited). As a result, the engagement activity described in this policy is undertaken by AMG.

## **Engagement and the management of your investments**

AMG believes that environmental, social and governance (ESG) factors can impact the sustainability of companies’ financial returns. AMG therefore integrates ESG into the investment selection process by considering these factors in conjunction with others that impact on investment returns.

Engagement with investee companies and other issuers is therefore an important element in both AMG’s ESG integration and stewardship oversight. AMG engages with investee companies and other issuers to understand them better and to encourage companies to be proactive and transparent in the management of ESG issues and other relevant factors.

AMG challenges companies and issuers on their delivery of corporate strategy, financial and non-financial performance and risk, allocation of capital and management of environmental, social and governance issues.

ESG or other concerns are raised with companies and other issuers where AMG believes that to be in the interest of investors. AMG prioritises engagement on the basis of scale of client holdings, salience of the issues concerned, and their overall exposure to these issues.

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

Engagement is undertaken through meetings, conference calls and correspondence. AMG occasionally co-files shareholder resolutions and supports or delivers statements at shareholder meetings to communicate publicly with companies and escalate their engagement.

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

### **Monitoring and engaging with investee companies and issuers**

As an integral part of the investment process, AMG carefully monitors and analyses all companies and other issuers held in active portfolios both before and during the period of investment.

AMG's monitoring covers: strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance.

It may include assessment of companies and issuers' own and market data, consideration of research from brokers and other independent research providers – including ESG and voting research – attending individual and group meetings with management and directors, visiting production sites, talking to competitors, customers and other stakeholders, and AMG's own financial modelling.

Companies and other issuers held in active portfolios are discussed regularly within AMG's investment teams, informed by their monitoring and analysis. For companies and issuers held only in quantitative portfolios, AMG uses internal and external ESG and voting research to monitor companies' and other issuers' exposure to and management of ESG and other risks, as well as strategic, financial and governance issues which may arise.

### **Collective engagement**

AMG also engages with companies and other issuers, alongside other investors, in a number of collective engagements.

These may form part of a broad initiative to address systemic issues such as climate change, or may reflect an escalation of company-specific concerns shared by investors.

Collective engagement helps companies by allowing a focused dialogue with a number of investors on issues of concern. It also allows investors to share resources and insights to address concerns.

AMG is careful to ensure that they respect rules about acting in concert and other forms of collective action, as well as rules on insider information.

### **Voting**

AMG believes that exercising voting rights is an important expression of its stewardship and broader responsible investment approach.

When voting on resolutions at company meetings, global voting guidelines are used. These guidelines are sensitive to developed and emerging market governance standards.

AMG's global voting guidelines encourage high standards of corporate governance. They also encourage transparency and accountability on environmental and social issues.

Votes for all actively-managed holdings are reviewed by AMG's fund managers. Quantitatively-managed holdings are usually voted automatically in line with guidelines.

Engagement with companies on voting issues is an important element in AMG's stewardship activity.

### **Conflicts of interest**

AMG's engagement and voting is focused upon advancing and protecting the interests of AMG clients as investors in companies and other issuers.

AMG recognises that actual and potential conflicts of interest may arise in its engagement and voting. Policies, procedures and protocols have been established to identify and manage such conflicts. These include: functional and operational independence from other HSBC Group companies, voting guidelines, as well as procedures to escalate, manage and monitor conflicts.

Oversight of conflicts of interest is embedded within the AMG governance framework, which includes regular risk management meetings; a Stewardship, Fiduciary and Conflicts Forum; and CEO responsibility for compliance with HSBC Group's conflicts of interest policy.

Full details can be found in the [AMG's Stewardship and Conflicts of Interest policy](#)

MSUTM is the Authorised Fund Manager and is part of the HSBC Group of companies; the HSBC Group Conflicts of Interest policy in respect of the unit trust funds is outlined within the Fund prospectus documents.

### **Reporting**

Reporting on AMG engagement and voting is available to clients in line with its requirements. AMG also publishes quarterly details of voting, together with annual summary information on its engagement activity. The details can be found in [AMG's voting record](#).

Summary information about AMG's engagement can be found in the latest [Responsible Investment Review](#).

Correct as at 22 February 2023.