HSBC Private Banking

Video Transcript

Integrating ESG in a diversified portfolio

At HSBC, we believe investing should make a positive difference. Our investments aren't just figures, charts, or money in an account. At a personal level, they reflect our values and aspirations for the world we live in.

We believe that sustainable investing can generate long-term financial returns, whilst making a positive change in the world. What is ESG Investing? ESG Investing incorporates environmental, social and governance factors into investment process and decision-making. How do we categorise ESG funds? We have three categories of ESG funds.

First, ESG Enhanced. ESG Enhanced funds use a spectrum of approaches to invest in companies with better or improving ESG characteristics. These strategies seek to enhance returns by targeting companies that are ahead of the curve in managing ESG risks and opportunities, while screening out those that are bad actors on ESG practises.

Next, Thematic. Thematic ESG funds focus on themes and sectors related to ESG growth trends or specific sustainable outcomes such as climate change, the circular economy or education. Finally, Impact Investing. These funds target to have a direct, positive, and measurable impact on society and the environment such as Green Bond funds.

How do we know what works? Our global manager selection team engages with every product provider when assessing firm and product level ESG credentials. On a firm level, we rigorously reviewed the ESG capabilities of fund management groups, including their ESG credentials, resources, operational processes, policies, oversight and transparency to investors.

On a product level, our evaluation focuses on ensuring that the funds truly demonstrate a commitment to ESG. Each fund is assessed based on our definition of sustainable investing. Combining thorough research with portfolio manager interviews, we strive to determine that philosophy, style, process of assessing ESG risks and opportunities, and finally, the outcomes achieved are in line with the sustainability objective.

In all of our approaches, we invest for a better future by analysing and taking action today. It's never been more possible for individuals to make an impact by investing in a better world.

Our aim is to help our clients invest in line with their values.

Important information about sustainable investing

"Sustainable investments" include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors (collectively, "sustainability") to varying degrees. Certain instruments we include within this category may be in the process of changing to deliver sustainability outcomes.

There is no guarantee that sustainable investments will produce returns similar to those which don't consider these factors. Sustainable investments may diverge from traditional market benchmarks.

In addition, there is no standard definition of, or measurement criteria for sustainable investments, or the impact of sustainable investments ("sustainability impact"). Sustainable investment and sustainability impact measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

HSBC may rely on measurement criteria devised and/or 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 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 sustainability impact will be achieved.

Sustainable investing is an evolving area and new regulations may come into effect which may affect how an investment is categorised or labelled. An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future.