



## ESG bulletin 2025

Annual update on managing the Scheme's Environmental, Social and Governance (ESG) risks and opportunities



For members of the HSBC Bank (UK) Pension Scheme (the Scheme)

# Introduction

Welcome to our annual update from the Scheme Trustee about our work managing Environmental, Social and Governance (ESG) risks and opportunities across the Scheme's Defined Benefit (DB) and Defined Contribution (DC) assets. In this ESG bulletin, we focus on the Trustee's two main tools for managing the Scheme's ESG risks and opportunities: investor engagement and investment solutions.

**The Trustee is responsible for the long-term management of the Scheme's assets. As part of its risk management activities, the Trustee focuses on a number of large, system-wide ESG risks, such as climate change, that are likely to have a material financial impact. The Trustee also considers and seeks ESG opportunities, for example, arising from the shift to a more sustainable economy including renewable energy. There's been a lot to explain so we have broken down the 'what, why and how' of our work to manage ESG risks and opportunities over three ESG bulletins.**

## 2023

Our first ESG bulletin introduced the Trustee's ESG investment beliefs and priorities including a focus on how climate change risk is managed on members' behalf.



## 2024

In our next ESG bulletin we described each of the Trustee's ESG priorities in more detail, outlining why they're important for members, and how the Trustee is managing them.



Climate change



Anti-microbial resistance



Biodiversity and nature



Diversity, equity and inclusion

## 2025

In this ESG bulletin we explain more about the tools that the Trustee uses to manage the Scheme's ESG risks and opportunities.



Investor engagement  
**See page 4**



Investment solutions  
**See page 5**



### Click to watch

What are ESG risks and opportunities and why are they important for my pension?



### Find out more

You can find all of the ESG bulletins by visiting the 'Information centre' on futurefocus <https://futurefocus.staff.hsbc.co.uk> (see page 6).

# Progress report against our climate targets

## Why is climate change important to the Scheme?

Climate change will affect the whole of the investment world through its impacts on the economy, society, and the planet.

This means that climate change is an important systemic risk and if it is not appropriately managed, it could reduce the value of the Scheme's DB and DC assets. The Trustee has adopted a set of climate targets as part of an overall climate ambition. Progress against this ambition is outlined in more detail in the Member Summary of the Taskforce for Climate-related Financial Disclosures (TCFD) which can be found on [futurefocus](https://futurefocus.hsbc.co.uk) (see right).

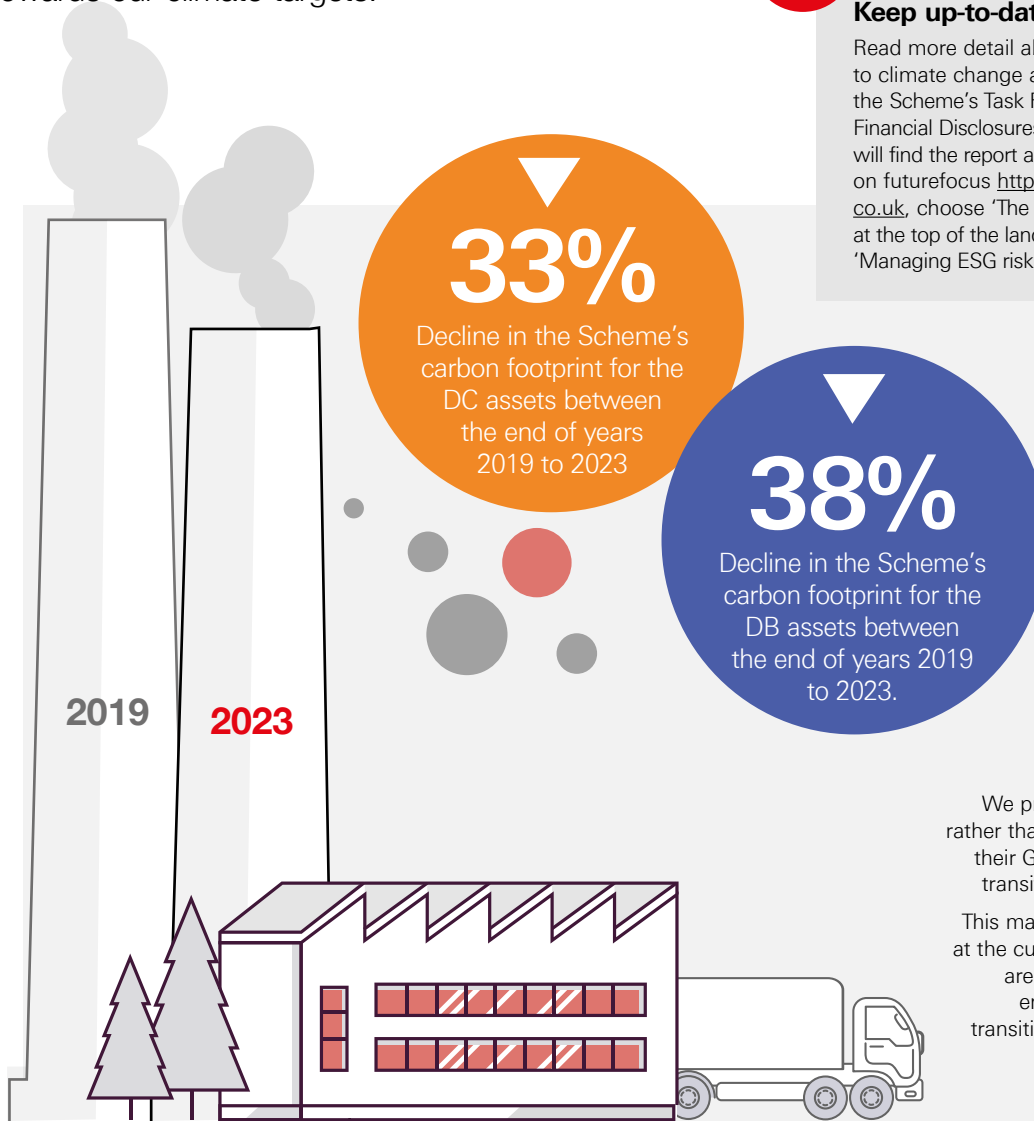
## The Trustee's commitments

The Trustee is committed to playing its part to minimise the impact that climate change may have, and which may impact the Scheme's assets. It has adopted a set of climate targets:

- Achieving net-zero GHG emissions across the Scheme's DB and DC assets by 2050 or sooner.
- Aspiring to achieve a real economy GHG emissions reduction interim target of 50% by 2030 or sooner for the Scheme's equity and corporate bond investments.
- Having the ambition to align the Scheme's corporate bond and equity investments to the goals of the 2015 Paris Agreement<sup>1</sup> by 2030.
- Enhancing the Trustee's engagement (see page 4) and stewardship efforts with the management of companies in which the Scheme's DB and DC assets are invested. We will do this by continuing to work closely with the Scheme's asset managers, to ensure they are engaging with company management, voting at company shareholder meetings and encouraging management to run their businesses sustainably.

<sup>1</sup>The 2015 Paris Agreement was an international agreement by nearly 200 countries to limit global warming.

Positive progress is being made towards our climate targets:



## Keep up-to-date

Read more detail about the Trustee's approach to climate change and recent progress in the Scheme's Task Force on Climate-related Financial Disclosures (TCFD) Report 2023. You will find the report and lots more information on [futurefocus](https://futurefocus.staff.hsbc.co.uk) <https://futurefocus.staff.hsbc.co.uk>, choose 'The Scheme' drop-down menu at the top of the landing page and then click 'Managing ESG risks'.

We prefer to engage with companies, rather than exclude companies, to reduce their GHG emissions and speed up the transition to a lower carbon economy.

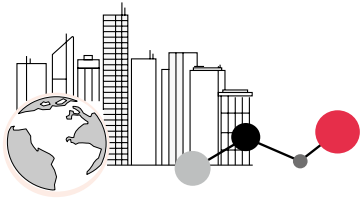
This may include oil and gas companies at the current time, recognising that they are an important part of the current energy mix and require support in transitioning to a low carbon economy.

# Investor engagement

## Explaining investor engagement

Engagement means the conversations we have with policy makers, industry bodies and the Scheme's asset managers with the aim of protecting or enhancing the long-term value of the Scheme's DB and DC assets. This also includes the dialogue between the Scheme's asset managers and the management of the companies in which the Scheme invests. There are two approaches we use regularly which are described below.

## 1. Asset managers

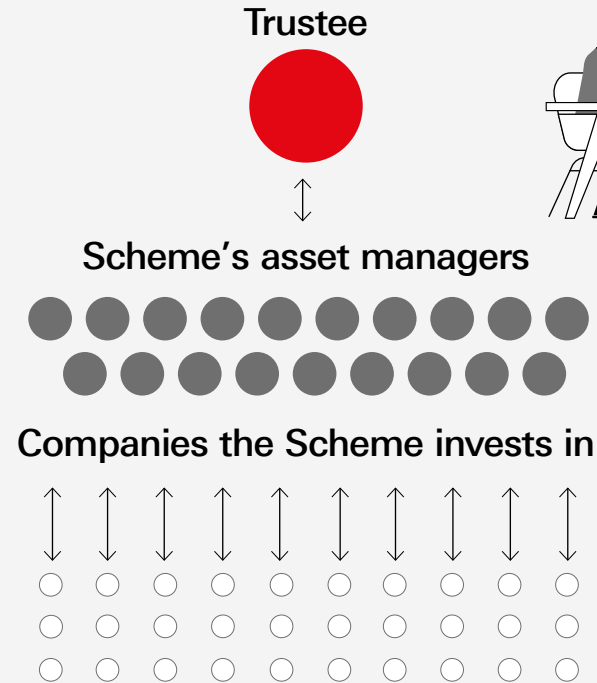


Members' retirement outcomes are linked to a robust global economy which in turn relies on the long-term resilience of the planet, its people and societies. It is in the best long-term financial interests of savers, investors and companies to ensure the risks and opportunities arising from the shift from a high carbon economy to a low carbon economy are well managed.

These risks and opportunities are not just social and environmental, but can have a material financial impact on the Scheme's assets. The Trustee engages with its asset managers to ensure that the financial risks and opportunities of investing in companies that emit high levels of greenhouse gases, such as oil and gas companies, are fully considered on behalf of the Scheme and its members. In turn, the Scheme's asset managers engage directly with the companies in which the Scheme invests to ensure the financial risks and opportunities are being well managed.

Each year the Trustee's Chief Investment Officer writes to the Scheme's asset managers, reinforcing the importance of the Trustee's ESG priorities as part of good investment management practice, and requesting meaningful progress in these areas within their investment and engagement activity. This is followed up by meetings with each asset manager to discuss financially material ESG-related risks and opportunities in greater depth.

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## 2. Policy



We also undertake engagement at a policy level. Public policy is critical as it sets the 'rules of the game' for whole industries, for example, via regulations or standards. Having a good quality framework in which companies operate can support long-term performance for both companies and their investors. Public policy or 'industry-level' engagement can be highly efficient as it can reach and influence many companies at the same time.

For example, the Trustee, alongside a group of other investors representing more than \$3 trillion in combined assets, has urged policymakers to consider a suite of actions to curb the spread of anti-microbial resistance (AMR). This included encouraging companies to reduce the excessive use of antibiotics used in the food chain as well as introducing limits for antibiotics in wastewater from companies' manufacturing facilities. This is important because if left unmanaged, one estimate is a potential loss of around \$100 trillion in global productivity by 2050<sup>1</sup>.

<sup>1</sup>Tackling drug-resistant infections globally; 2016 (<https://wellcomecollection.org/works/thwvsuba>).

# Investment solutions



## Find out more

You can find the 'Changes to the Targeted Investment Strategies' guide and all of the latest DC fund factsheets by visiting the 'Information centre' on futurefocus <https://futurefocus.staff.hsbc.co.uk> (see page 6).

## Explaining investment solutions

Financially material ESG risks and opportunities are considered, where relevant, in all the investment decisions made on behalf of members across both the DB and DC assets of the Scheme. This might take different forms, each of which is carried out in the best financial interests of the Scheme and its members. There are three approaches we use regularly described below.

## ESG risk and opportunity management

### Investment research

Where an asset manager has discretion to decide whether to invest in a company's shares or debt, financially material ESG risks may be prevalent. The Scheme's asset managers are expected to identify and assess these risks as standard as part of the research, analysis and decision making process relative to peers.

### Fund design

In addition to integrating ESG issues into the research, analysis and decision making process as standard, the Scheme's asset managers may also consider ESG issues within the fundamental design of the fund. For example, seeking out high quality companies with stronger than average ESG credentials which they believe will perform well over the long-term.

### Sustainable solutions

ESG issues are not just about risk, they may also be the source of opportunity as companies seek to respond to the sustainability challenges facing the world today. Opportunities may come from a range of environmental themes such as cleaner energy, resource efficiency and water management, or social themes such as health and wellbeing, education and housing.

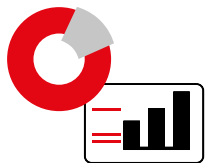
## Early Growth fund

Last year we wrote to all members with a DC pension pot to tell them about the updated Targeted Investment Strategies (see above), introduced in summer 2024. One or more of the ESG approaches described on the left are embedded within all these strategies. The Early Growth fund, used within the Targeted Investment Strategies, has been designed for members who are earlier in their pensions savings journey. This fund is now investing some of the assets in a new type of investment called private markets which offer a wide range of investment opportunities arising from environmental and social themes.

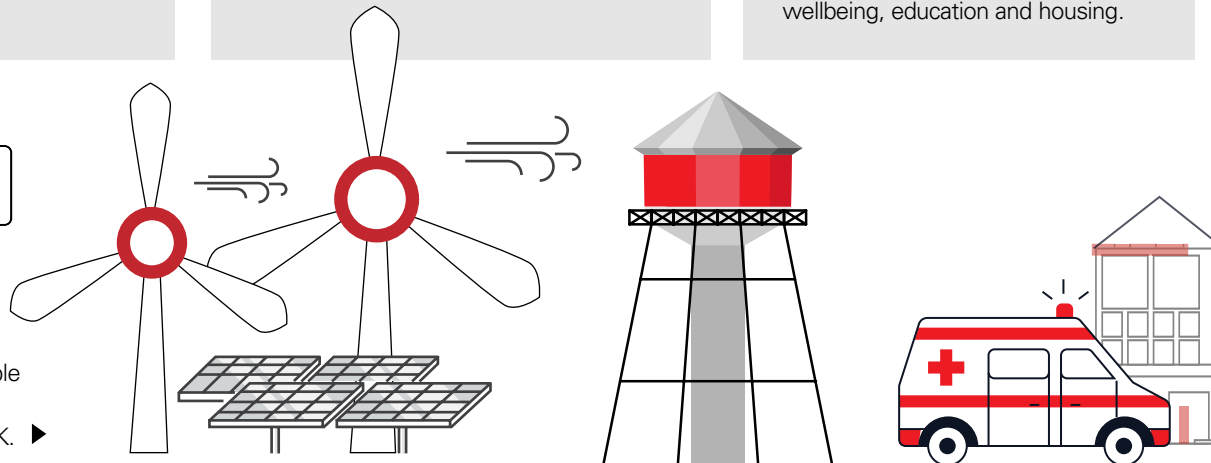
## Sustainable and Responsible Equities - active fund

This is one of the Scheme's Freechoice fund options for members with a DC pension pot. It aims to provide long-term capital growth by investing in global listed shares in companies that operate in a sustainable and responsible manner.

The Trustee has undertaken a review of the fund and has decided to make some important changes, replacing the current underlying fund and creating a blend of two new funds, an impact fund and a sustainable equities fund. The previous underlying fund (the WHEB Sustainability Impact fund) has been replaced with a blend of 25% Ninety One Global Environment fund and 75% Columbia Threadneedle Sustainable Opportunities Global Equity fund. A key aim of this change is to lower the expected volatility of the fund returns for members.



The Scheme's DB assets benefit from earnings across a wide range of assets, including renewable energy assets, many of which are based in the UK. ▶



# Keep up to date on ESG

If you have a general question about the content of this bulletin, visit the Scheme website, futurefocus (<https://futurefocus.staff.hsbc.co.uk>). There's lots of information available including:

- ▶ Managing ESG risks<sup>1</sup>
- ▶ ESG Jargon Buster<sup>1</sup>
- ▶ Why is ESG important to your pension video<sup>1</sup>
- ▶ Summary of the TCFD Report 2023<sup>2</sup>
- ▶ Full TCFD Report 2023<sup>1</sup>
- ▶ Climate Action Plan<sup>2</sup>
- ▶ Statement of Investment Principles<sup>1</sup>



On the futurefocus landing page, go to:

<sup>1</sup>top of the landing page and choose 'The Scheme' drop-down menu and then click 'Managing ESG risks'.

<sup>2</sup>bottom of the landing page and choose 'Information centre' and then click 'Other information tab'.



## Get in contact if you have a benefits query

If you are a **DC member**, contact the HSBC Administration Team at WTW. You can phone 01737 227575 or, email [HSBCpension@wtwco.com](mailto:HSBCpension@wtwco.com) or, write to HSBC Administration Team, WTW, Sunderland, SR43 4JU

If you are a **hybrid member**, contact the HSBC Administration Team at Equiniti. You can phone 0371 384 2631 or, email [HSBCHybridPensions@equiniti.com](mailto:HSBCHybridPensions@equiniti.com) or, write to HSBC Bank (UK) Pension Scheme, PO Box 5227, Lancing BN99 9FN.

If you are a **DB member**, contact the HSBC Administration Team at Equiniti. You can phone 0371 384 2620 or, email [HSBCDBPensions@equiniti.com](mailto:HSBCDBPensions@equiniti.com) or, write to HSBC Bank (UK) Pension Scheme, PO Box 5227, Lancing BN99 9FN.



## Legal Note

This bulletin is based on the Trustee's understanding of applicable law and regulations and does not confer any right to benefits. Members' benefits are governed by the trust deed and rules of the Scheme, as amended from time to time. In the event of any conflict between this bulletin and the trust deed and rules, the trust deed and rules will always override.

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