

### Diversity, Equity and Inclusion (DEI)

There have been many studies which demonstrate that diversity can have a positive impact on companies in many ways<sup>4</sup>. Despite the trend improvements over the years, gender inequality remains a big challenge in many markets as does board gender diversity. Globally, a high number of issuers still have less than 30 per cent women on their boards<sup>5</sup>. This varies by region. In the US and UK, we have seen notable improvements in racial and ethnic diversity on the boards and related disclosure in recent years, following the Parker Review in the UK and the Black Lives Matter movement. In addition to diversity on the board, diversity among the executive team and senior management is equally important for the success of business<sup>6</sup>. Yet the diversity among top executives tends to be lower than that on the board. For example, only 33.5% of executive committees or their direct reports at UK companies are women, while board gender diversity has reached 40.2% in 2022<sup>7</sup> and a similar difference is observed in other markets.

### Engagement approach

We encourage priority companies where DEI is a material issue to:

#### Diversity

- ◆ Improve diversity at all levels for under-represented groups, including the board, senior management and wider workforce, through appropriate hiring, training and promotion processes.
- ◆ Collect, publish and monitor granular diversity data, disaggregated by seniority and regions/countries of operations<sup>8</sup>.
- ◆ Set time-bound targets for improvement on diversity metrics.

#### Equity and Inclusion

- ◆ Take steps to ensure that everyone, including under-represented groups, feels included and respected. The steps should cover different stages of employment, including hiring, training, promotion and daily work arrangements.
- ◆ Periodically measure and report on progress of equity and inclusion initiatives.

### Voting implications

The board should comprise directors with an appropriate range of skills and experiences. Diversity in gender, race, ethnicity and background are amongst the factors we consider when assessing board composition. We generally vote against the re-election of the nomination committee chair of companies where there is insufficient gender balance (typically female representation) on the board. In addition to having sufficient diversity in the board room, we believe that the board should also be responsible for ensuring diversity among senior management. We may vote against the chair or relevant board director at large companies in the US, UK and Western Europe where there is no woman in the executive team or equivalent.

We support resolutions which call for enhanced disclosure on social issues. These include resolutions for reporting of gender and ethnicity pay gaps in markets where it is possible.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.

4. Examples include <https://www.pwc.co.uk/financial-services/assets/pdf/pwc-diversity-is-the-solution.pdf>, <https://30percentclub.org/wp-content/uploads/2023/03/Evidencing-the-Contribution-of-Gender-Balance-to-Board-Effectiveness-Lintstock-and-30-Club.pdf>, Morgan Stanley, HERS Update: Gender Diversity Continues to Drive Alpha, 2023 For the avoidance of doubt, HSBC AM does not guarantee the performance of investments.

5. Global Gender Gap Report 2023 by World Economic Forum (June 2023) - [https://www3.weforum.org/docs/WFF\\_GGGR\\_2023.pdf](https://www3.weforum.org/docs/WFF_GGGR_2023.pdf)

6. Diversity wins: How inclusion matters by McKinsey & Company (May 2020) - <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

7. FTSE Women Leaders Review (Feb 2023) - <https://ftswomenleaders.com/wp-content/uploads/2023/03/ftse-women-leaders-review-report-2022-v2.pdf>

8. We are cognisant of market-specific circumstances which make data collection challenging. We will therefore set appropriate objectives for each issuer in our engagement coverage depending on its profile and position.

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