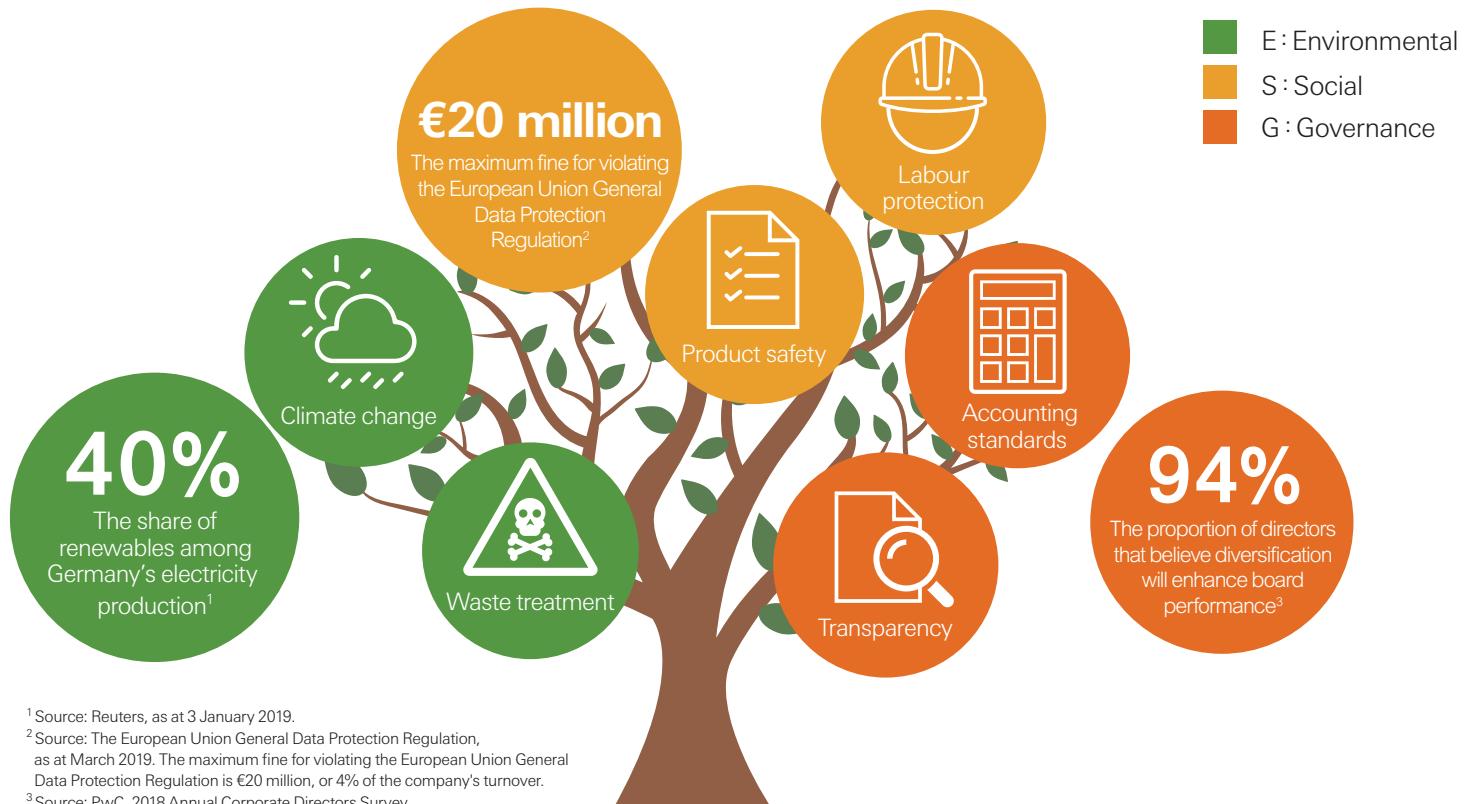




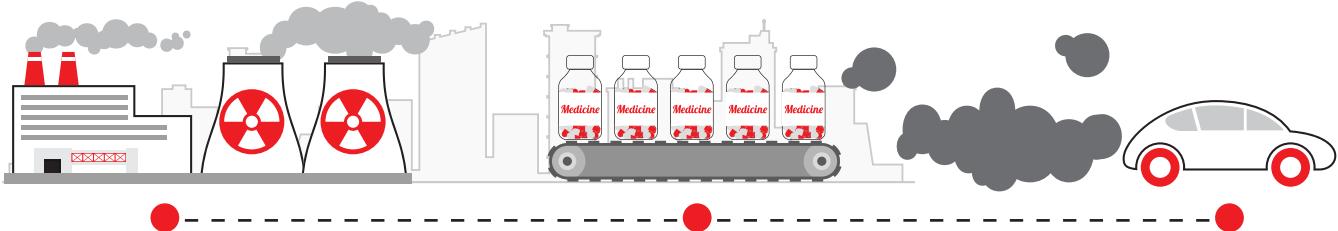
Environmental, social and governance (ESG) going mainstream

Environmental, Social and Governance (ESG) as a concept has gained wide currency in recent years. As the financial market attaches increasing importance to it, a growing number of companies also consider the inclusion of ESG factors into their operational principles an imperative. Such strategy helps build a better world, reduce damage to the environment and society, and create wonderful opportunities.



ESG violations

Profitability should not be the only thing that companies strive for. Social and environmental responsibilities are just as well important. Overlooking ESG factors not only threatens the supply chain, but also puts a company's goodwill and stock prices at risk.



2011

The Fukushima nuclear disaster caused unimaginable losses to a local utility company

2015

A global drugs company is accused of profiteering from monopoly life-saving drugs, leading to a significant drop in share prices

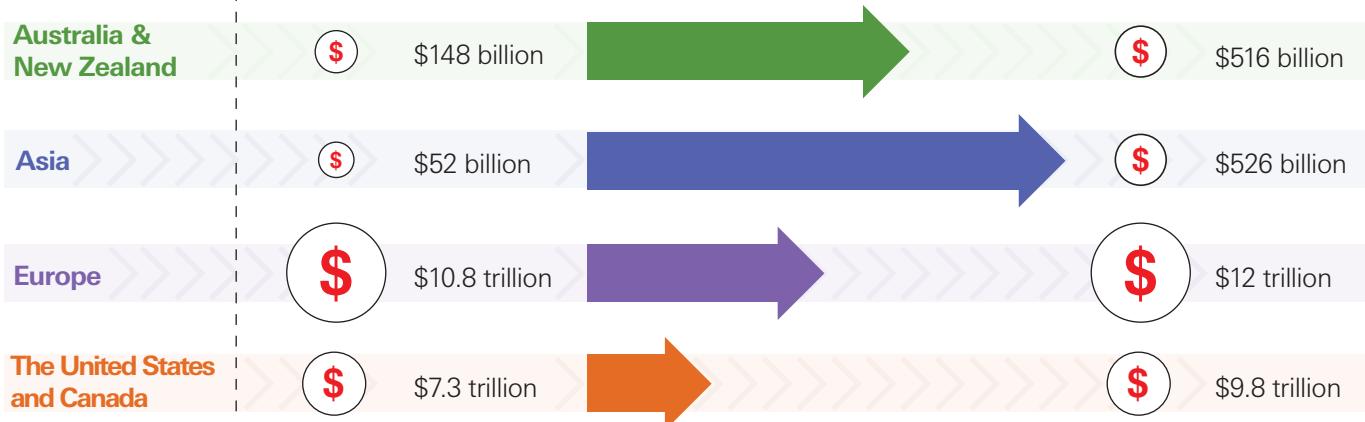
2015

A German automaker saw its share price plummet after found to have cheated on diesel emission tests

► Exponential growth in socially responsible investments⁴

2014 - \$18.3 trillion

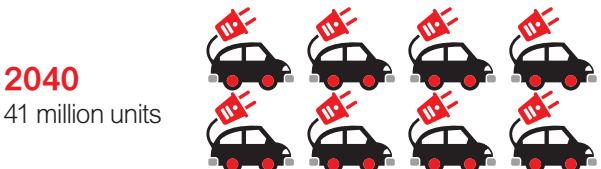
2016 - \$22.9 trillion



(in USD terms)

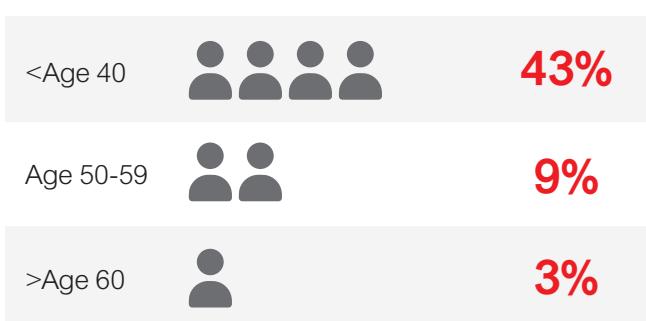
► Sales of electric vehicles reach new highs

Driven by environmental concerns and significant advancement in battery technology, sales of electric vehicles are expected to increase by 90 times between 2015 and 2040, and account for 35% of total car sales⁵.



► Millennials a big driving force behind ESG

Millennials are concerned about environmental and social issues. Up to 43% of the survey respondents aged 40 or below said that they had made relevant investments previously⁶.



⁴ Source: Global Sustainable Investment Review, 2016.

⁵ Source: BloombergNEF, 25 February 2016.

⁶ Source: Barclays, 25 July 2018.

Lower - carbon investment opportunities shine

Companies with good ESG performance tend to have better corporate governance, and hence the advantage of long-term sustainability. Integrating ESG factors into the process of investing not only brings benefits to society, but also effectively manages risks, and creates opportunities for investors.

► How does ESG investing work?⁷

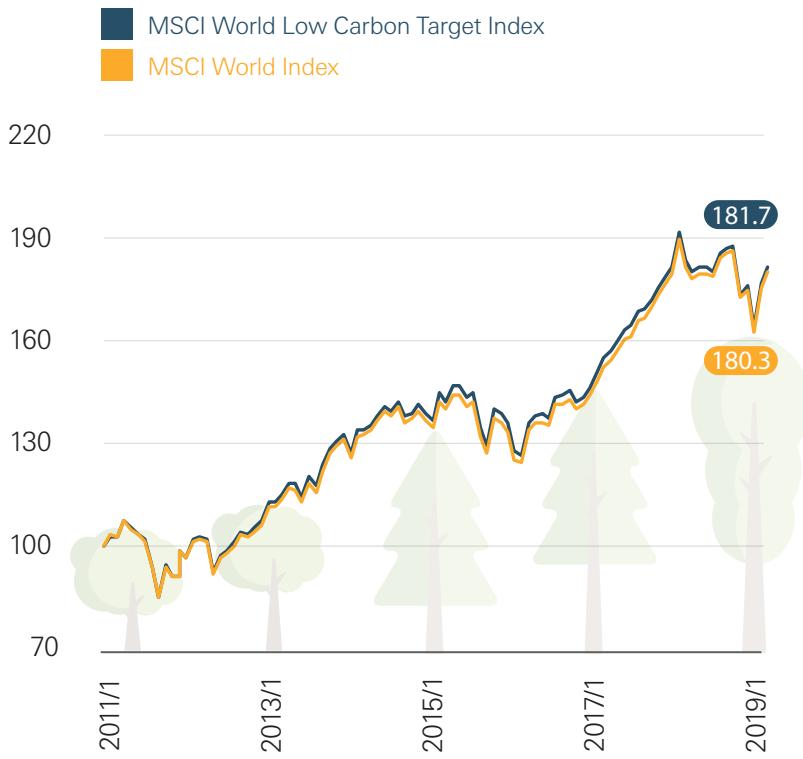


► Three advantages of lower-carbon investment strategies⁷

Lower-carbon investing is an important aspect of ESG strategy. It actively manages climate change risks while bringing opportunities to investors. Both lower-carbon equity and bond strategies provide diversification benefits across geographies and sectors.

- 1 **Manage climate change risks**
Lower the impacts from climate change risks
- 2 **Promote "green" technology**
Invest in green technology and green bonds
- 3 **Stay flexible**
Not excluding energy or other important sectors

► Applying lower-carbon strategies does not mean sacrificing investment returns⁸



⁷ Source: HSBC Global Asset Management. For illustrative purposes only.

⁸ Source: Bloomberg, HSBC Global Investment Management, net total return indices (in USD terms), as of end February 2019.

Investment involves risks. Past performance is not indicative of future performance.

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