Remuneration Policy

HSBC Investment Funds (Luxembourg) S.A.

Date: 3 May2023

Due for next review: 2Q24

Owner: Luxembourg Human Resources (HR)

REVISION HISTORY

Date / version	Drafted by	Reviewed by	Comments
APR19/ v 0.1	HIFL RC	LMC and HIFL's Board of Directors	
APR20-MAY20/ v 0.2	HIFL RC	LMC and HIFL's Board of Directors	Approved by BoD on 1st of April 2020
FEB21-MAY20/ v 0.3	HIFL RC	LMC and HIFL's Board of Directors	Approved by BoD on 10th of March 2021
MAY23/ v 0.4	HIFL RC	HR, LMC and HIFL's Board of Directors.	Approved by the HIFL LMC on 28 February 2023. Approved by BoD on 3 May 2023. At the request of the HIFL Board on 7 March 2023, HIFL has reviewed the gross variable pay limit for HIFL staff, including Identified Staff, to ensure it is consistent with the business requirements and compliant with the relevant regulations.

TABLE OF CONTENTS

1. PREFACE

HSBC Investment Funds (Luxembourg) S.A. (“**HIFL**”, or the "**Management Company**") is a management company authorised under Chapter 15 of the amended Law of 17 December 2010 on undertakings for collective investment (the "**2010 Law**") and Chapter 2 of the amended Law of 12 July 2013 on alternative investment fund managers (the "**2013 Law**"). It acts as the appointed management company of several undertakings for collective investment in transferable securities ("**UCITS**") within the meaning of Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to UCITS (the "**UCITS Directive**") and as an alternative investment fund manager of alternative investment funds ("**AIFs**") within the meaning of Directive 2011/61/EU of the European Parliament and of the Council on alternative investment fund managers (the "**AIFM Directive**"), as indicated in HIFL’s list of managed UCITS and AIFs in Appendix I.
The Management Company forms part of the HSBC group (the "**HSBC Group**"), which applies an enterprise-wide approach to remuneration policies and practice for all Luxembourg entities.

2. REMUNERATION POLICY AND GROUP PRINCIPLES

In this context, the Management Company has put in place this remuneration policy (the "**Policy**") to fulfil the requirements of (i) Articles 111bis and 111ter of the 2010 Law, (ii) Article 12 and Appendix II of the 2013 Law (iii) Commission Delegated Regulation 231/2013 of 19 December 2012 and (iv) the ESMA guidelines on sound remuneration policies under the UCITS Directive (ESMA 2016/575) as well as the ESMA guidelines on sound remuneration policies under the AIFMD (ESMA 2013/232) as amended by ESMA/2016/579 Guidelines on sound remuneration policies under the AIFMD (together the "**ESMA Guidelines**"), (v) article 5 of the Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019, and vi) CSSF Circular 10/437 further guidance and implementation of the EU recommendation 2009/384/EC and CSSF Circular 14/585 (transposition of ESMA guidelines on remuneration policies and practices (MiFID) – Addition of Annex V to CSSF 07/307)

Furthermore, “*HSBC Group compensation principles*” in Appendix II should be considered as part of the Policy.

3. SCOPE OF THE POLICY

For the purposes of this Policy, “remuneration” consists of all forms of payments or benefits made by the Management Company, in exchange for professional services rendered by its employees, including Identified Staff.

Remuneration can be divided into:

i. fixed pay / remuneration (payments, allowances or benefits without consideration of any performance criteria); and
ii. variable pay / remuneration (additional payments or benefits depending on business and individual performance.

Both components of remuneration (fixed and variable) may include:

i. monetary payments or benefits (such as cash, shares, pension contributions);
ii. non (directly) monetary (such as special allowance for car, mobile phone, etc.).

This Policy applies to the Management Company’s staff who qualify as "**Identified Staff**" / “**Material Risk Takers**” (“**MRTs**”) within the meaning of the ESMA Guidelines, which is any individual whose professional activities have a material impact on the risk profile of the Management Company or of the AIFs/UCITS which they manage (or both).

4. IDENTIFICATION OF THE "IDENTIFIED STAFF"

On an annual basis, a remuneration review is undertaken / co-ordinated by the Asset Management (hereafter "AM") Regulatory Compliance (RC) team and 'Reward' team in the UK to have the "MRTs staff tracker" document reviewed / updated as appropriate by the respective RC team of each AM office.
This is done in line with the guidance/rules set down in the AM's staff identification guide (i.e. "UCITS and AIFMD Identified Staff Guidelines for HSBC Global Asset Management").
Furthermore, a review of the MRTs is also undertaken locally by the HR team for all HSBC Luxembourg-based entities, including the Management Company.

- The identification process (maintenance of a list of Identified Staff separately from this Policy) is conducted on an on-going basis by the HR department, with the support of Control Functions and Conducting Officers. The resulting list of Identified Staff is properly documented (including information on the rationale behind the assessment, how the assessment is carried out, the number of staff identified, their role and responsibilities, allocation by business areas, the results compared to previous years, any potential proposals for exclusion etc.) and updated during the year on an on-going basis.
- The list of Identified Staff (including information on the rationale behind the assessment, how the assessment is carried out, new Identified Staff and those removed from the list compared to previous year) is subject to the approval of the BoD once per year.

5. PROPORTIONALITY PRINCIPLE

The criteria set down in the ESMA Guidelines have been factored-in to determine whether the proportionality principle may be applied for the categories of staff covered by the Guidelines (i.e. the "*Identified Staff*" mentioned in section 4 above).

The assessment has been based on the following factors:

Criteria in terms of size, internal organisation and nature, scope and complexity of the activities

- the Management Company has no subsidiaries and no branches;
- its internal organisation is not complex;
- it has only 20 employees;
- the nature, scope and complexity of the business activities of the Management Company are limited; and
- the Management Company delegates the portfolio management, central administration functions and marketing activities and therefore there are limited risks associated with the Management Company's activities;

Group of persons, who have only collectively a material impact on the risk profile of the management company
Some individuals at the level of the Management Company are, in principle, capable of entering into contracts, and taking decisions, that may materially affect the risk positions of the Management Company and/or of the UCITS / AIFs under management.

However, the risks are limited considering the fact that decisions are taken collectively (no individual decisions are taken), and the internal governance arrangements established by the Management Company including but not limited to the set-up of an approval committee and adequate internal control mechanisms.

Structure of the remuneration of identified staff
The structure of the remuneration of the staff members, including "Identified Staff", consists of fixed and variable pay[1]. The amount of variable remuneration and the percentage of variable

[1] ESMA/2013/ 232 Guidelines on sound remuneration policies under the AIFMD: All remuneration can be divided into either fixed remuneration (payments or benefits without consideration of any

remuneration / fixed remuneration have been considered as well for the purpose of this assessment. The percentage of the gross variable pay for Identified Staff does not exceed 50% of the total gross annual pay[2] for the same year..

Considering the above, it has been decided to apply the proportionality principle at the level of Identified Staff.
In this context, the Management Company will not apply the following:

i. requirement to pay out a part of the variable remuneration in instruments and, de facto, the related instrument retention obligations;
ii. requirement to pay out a part of the variable remuneration through a deferral scheme and, de facto, the related ex-post risk adjustment obligations (*malus*); and
iii. requirement to set up a remuneration committee at Luxembourg entity level.

Any gross variable pay that exceeds 50% of the total gross annual pay for the same year, will be treated as an exception and managed according to the HSBC Remuneration Framework (see Appendix II).

6. DELEGATION OF INVESTMENT MANAGEMENT ACTIVITIES

When delegating investment management functions (including risk management), the Management Company will ensure that:

- the entities to which investment management (or, in case of AIFs, portfolio management or risk management) activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines; or

- appropriate contractual arrangements are put in place with entities to which investment management (or, in case of AIFs, portfolio management or risk management) activities have been delegated in order to ensure that these delegation does not result in a circumvention of the remuneration rules set out in the ESMA Guidelines.

At the date of this Policy, the investment management function is delegated only to AM offices.

The EU based entities with whom the delegation arrangements are concluded are UCITS management companies / AIFM or MiFID firms. The ESMA Guidelines provide that regulatory requirements on remuneration under either the Directive 2013/36/EU (CRD IV) or the AIFM Directive are equally as effective for these purposes. This will be the category into which the MiFID firm or EU Investment Managers will fall in.

In cases where the Investment Managers are non EU Investment Managers, the Investment Managers appointed by the Management Company are subject to regulatory or internal requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines since these are subject to the HSBC's Group remuneration policies which are CRD V[3] compliant.
The Management Company will rely on the remuneration policy and procedure arrangements in place for each delegate to ensure that their remuneration structures promote a culture of investor protection and mitigate conflicts of interest.

---

performance criteria) or variable remuneration (additional payments or benefits depending on business and individual performance). Both components of remuneration (fixed and variable) may include monetary payments or benefits (such as cash, shares, options, cancellation of loans to staff members at dismissal, pension contributions, remuneration by AIFs e.g. through carried interest models) or non (directly) monetary benefits (such as, discounts, fringe benefits or special allowances for car, mobile phone, etc.). Ancillary payments or benefits that are part of a general, non-discretionary, AIFM-wide policy and pose no incentive effects in terms of risk assumption can be excluded from this definition of remuneration for the purposes of the AIFMD specific risk alignment remuneration requirements

[2] The gross total annual pay is the gross fixed monthly pay of December of the reference year multiplied by twelve and added to the gross variable pay for the same reference year.

[3] Directive 2013/36/EU as amended by Directive 2019/878 is known as CRD V.

7. GOVERNANCE AT MANAGEMENT COMPANY LEVEL

The Board of Directors of the Management Company (the "**Management Company Board**") is responsible for adopting and providing oversight of the implementation of the Policy and processes, which includes reviewing the Policy at least annually[4].
The management committee of the Management Company (the "**Management Committee**") also reviews and approves the Policy.

The Management Company Board and the Control Functions (i.e. risk management, internal audit or compliance functions) also provide information on local regulatory requirements to the Human Resources for consideration in remuneration decisions to ensure that decisions comply with all mandatory Luxembourg legal and regulatory requirements.

The Risk Management function should assess how the variable remuneration structure affects the risk profile of the Management Company.
The Compliance function of the Management Company should analyse how the remuneration structure affects the Management Company's compliance with legislation, regulations and internal policies.
From time to time, the Internal Audit function will review the implementation of the Policy in the Management Company and report to the Management Company Board on its findings. It should also periodically carry out an independent audit of the design, implementation and effects of the Management Company's remuneration policies.
The implementation of the remuneration policy will be subject to an independent internal review at least annually.

8. SHAREHOLDERS' INVOLVEMENT

HSBC employees acting as Board members do not receive any remuneration for this function while the Independent Directors do not receive any variable remuneration for this function.
The approval of the payment of the fixed remuneration of the Independent Directors ("Directors fees") within the Management Company Board are assigned to the meeting of the shareholders of the Management Company. At each Annual General Meeting ("AGM"), shareholders are asked to approve the level of Directors' fees paid to the Independent Directors for the year.

9. DISCLOSURE

9.1 Internal disclosure

This Policy will be accessible to all staff members, who will know in advance the criteria that will be used to determine their remuneration. Confidential quantitative aspects of the remuneration of staff members will remain confidential and will thus not be internally disclosed.
The information provided to staff members will contain at least the following elements:

- information on the decision-making process;
- information on linkage between pay and performance;
- information on the total amount of remuneration paid to Identified Staff for the financial year, split into fixed and variable remuneration, the number of Identified Staff, and where relevant, any amount paid directly by the UCITS/AIFs itself, including any performance fee/carried interest;
- information on the different forms of non-contractual variable remuneration (i.e. Standard Variable Pay, Guided Variable Pay and Discretionary Variable pay) and the rational for using them and for allocating them to different categories of staff;

[4] The Management Company Board has delegated the authority to the management committee of the Management Company for the approval of any updates to the Policy as long as none of the changes made to the Policy will have a material impact on the process described therein, and subject to submission of the updated Policy at the next meeting of the Board.

- information on the criteria used for performance measurement and the risk adjustment;
- information on the performance criteria on which the entitlement to variable components of remuneration is based; and
- the main parameters and rationale for any annual bonus scheme and any other non-cash benefits.

9.2. External disclosure

A summary of the Policy will be available on AM website, and contain, inter alia, the following elements:

- information on the decision-making process;
- information on linkage between pay and performance;
- information on the performance criteria (including sustainability risks) on which the entitlement to variable components of remuneration is based;
- information on the different forms of variable remuneration and the rationale for using them / allocating them to different categories of staff; determination of Identified Staff;
- delegation of investment management activities; and
- governance matters at the level of the Company.

In accordance with Article 5 of Regulation 2019/2088, HIFL will disclose on its website information on how the Policy is consistent with the integration of sustainability risks.

Furthermore, the total amount of remuneration for the financial year paid by the Management Company to its staff, the aggregate amount of remuneration broken down by the relevant categories of employees, a description of how the remuneration has been calculated and any material changes to the Remuneration Policy will be disclosed in the annual audited financial statements of the UCITS and AIFs under management.

10. POLICY UPDATE

Last updated: 3 May 2023
Last approved by the management committee: 28 February 2023
Last approved by the board of directors: 3 May 2023

11. APPENDIX I: UCITS and AIFs managed

1. UCITS

Luxembourg domiciled funds

- HSBC Global Investment Funds
- HSBC Portfolios
- HSBC Islamic Funds

Ireland domiciled funds

- HSBC Global Funds ICAV
- HSBC Global Liquidity Funds plc
- HSBC ETFs plc
- HSBC UCITS AdvantEdge plc

2. AIF(s)

- HSBC Real Economy Green Investment Opportunity GEM Bond Fund
- HSBC Global RAIF (“RAIF”)
- HSBC Global Infrastructure Debt Fund SCSp
- HSBC Senior Global Infrastructure Debt Fund SCSp

- HSBC Global Infrastructure Debt Fund Feeder SCA SICAV-RAIF
- Red Hexagon Infrastructure Debt Fund SA SICAV RAIF

12. APPENDIX II: HSBC Group compensation principles

HSBC Group compensation principles (part 1): promoting sound and effective risk management and supporting our business objectives

The HSBC remuneration framework is structured in a way to promote sound and effective risk management, through measures that do not induce excessive risk taking, that support our business and risk strategy, including ESG risk-related objectives, corporate culture and values and our long-term interests throughout the Group.

Under our remuneration framework, remuneration decisions are made based on a combination of:

- The Group, global business and regional Risk Strategy teams, assess and report their respective Risk Appetite metrics on a regular basis to their local risk management committee. This process plays a key role in embedding effective risk management and the monitoring of risk throughout the Group;
- At the individual level, risk objectives are included in the performance scorecard of senior executives. Employees with specific risk management duties as defined by the HSBC Risk Management Framework (e.g. risk owners and control owners) receive mandatory objectives specific to their objectives. Additionally, all employees below the Group Executive Committee ("**GEC**") also have a mandatory global risk objective in order to highlight the importance of managing risk and its consistent reinforcement;
- A behavioural rating is assigned to each employee, subject to local laws, bargaining agreements and regulations, which takes into account individual adherence to the Group's values, policies and procedures. This behavioural rating is a factor used in the determination of variable pay for individuals;
- Individual performance; and

Key features of our HSBC remuneration framework:

The key features of our remuneration framework that enable us to achieve alignment between risk, performance and reward are summarized below. Further details can be found in the HSBC Holdings plc *Annual Report and Accounts:*

Scorecards	◆ Assessment of performance is based on clear and relevant financial and non-financial objectives (including sustainability/ESG measures and other elements of the overall Group strategy) set within a performance scorecard framework. ◆ The overall scorecard outcome for the senior management is subject to a risk and compliance modifier.
Group variable pay pool calculation	◆ Fines and penalties are automatically included in the Committee's definition of profit. ◆ Performance against metrics in the Group RAS and conduct framework is taken into consideration.

	◆ We use a countercyclical funding methodology, bounded by a floor and a ceiling. This keeps pay broadly aligned with performance, while reducing excessive volatility, which could otherwise drive short-term decision making. ◆ Group Variable pay is then cascaded by each of the global lines (business or function). The consolidation of each of those budgets determine the proposed regional / country pools, taking into account regional / local performance, which are then assessed and approved by local governance bodies, based on local requirements.
Deferral of variable pay	◆ Beyond local specificities on regulatory remuneration matters, to be taken into account at the level of local business lines and regions, a Group-wide deferral approach is applicable to all employees across the Group, where deferral is applied to annual incentive award above a certain level. ◆ Deferral of variable pay into HSBC shares and / or other instruments to tie recipients to the future performance of the Group and business units.
Malus / adjustment policy	◆ Allows cancellation / reduction of unvested deferred variable pay awards. Longer deferral period for MRTs under the CRD V requirements increases the time period over which malus can be applied. ◆ Ability to perform in-year variable pay adjustments and take other disciplinary actions under our Global Employee Recognition and Conduct Framework.
Clawback policy	◆ Subject to compliance with local labour laws, and local regulatory requirements on remuneration matters, clawback can be applied on up to 100% of the awards granted to MRTs, regardless of the method used for the payment, including deferral or retention arrangements, during at least the deferral and retention periods.
Sales incentives	◆ We generally do not operate commission-based sales plans.

The principles outlined above are adjusted to consider local specificities on remuneration matters. Specific payout provisions of variable pay applicable to HIFL are highlighted under section "*HIFL specific Remuneration Rules*", p.11 of the Policy.

Embedded values in our remuneration structure to ensure alignment between risk and reward:

Furthermore, the following programs help to embed values in our remuneration structure and ensure greater global consistency in our approach to achieve alignment between risk and reward:

Behavioural rating for all employees	◆ Subject to compliance with local labour laws, a values-aligned behaviour rating for all employees ensures performance is assessed not only on what is achieved but also on how it is achieved. This contributes to the sustainability of our business.
Performance Management	◆ Performance objectives define what you need to achieve, how and by when. Creating performance objectives is a key part of Everyday Performance and Development, enabling employees and managers to agree actions and targets in line with business and role priorities. They should be updated throughout the year as priorities change.

	◆ Everyday Performance and Development involves frequent, holistic and meaningful conversations throughout the year between a manager and employee. They provide an opportunity to discuss progress, provide feedback and recognition, identify any support that may be needed and address any issues that could be affecting the employee's sense of well-being.
Employee Recognition and Conduct framework	◆ The framework provides a set of guidelines designed to reward exceptional conduct and handle any conduct breaches consistently across the Group. ◆ Rewarding positive conduct may take the form of use of our global recognition programme 'At Our Best', or via positive adjustments to performance and behaviour ratings and variable pay. ◆ The framework also provides guidance on applying negative adjustments to performance and behaviour ratings and to variable pay, alongside disciplinary sanctions, where conduct breaches have been identified.

HSBC Group compensation principles (part 2): considering sound remuneration requirements

The table below sets out how HSBC Group's compensation principles and practices, overall align with sound remuneration requirements ("**SRR Principles**") across various jurisdictions. Specific implementation provisions for HIFL's under CRD V are highlighted in section "*HIFL specific Remuneration Rules*", p.11 of the Policy.

SRR Principles	How we comply
Principle 1: Remuneration policy promotes sound and effective risk management, through measures that do not induce excessive risk taking	◆ Performance scorecards of GEC align with business objectives and risk objectives and are cascaded to global business lines and regions. ◆ Risk and compliance are a critical part of the performance rating and variable pay assessment process. ◆ Respective objectives are assessed against the risk profile of global business lines and regions. ◆ Performance is judged not only on what is achieved over the period but more importantly on how it is achieved. Subsequently, qualitative performance objectives (including compliance and risk metrics) have enough weight as to prevent any kind of risk taking.
Principle 2: Remuneration policy supports business strategy, objectives, including ESG risk-related objectives, corporate culture and values, with regard to long-term interests of the Group.	◆ Remuneration decisions are based on a combination of performance against Group, business line and regional business financial and non-financial (including ESG) objectives and general individual performance expectations of the role concerned. ◆ Adherence to the HSBC values, business principles, Group, business line and regional risk-related policies and procedures are key considerations taken into account for determining variable pay awards.
Principle 3: Remuneration policy includes measures to avoid conflicts of interest	◆ The remuneration framework and its underlying principles are bound to the Conflicts of Interest procedure, as amended from time to time and as posted on the intranet of respective entities.

SRR Principles	How we comply
	◆ All variable pay and incentive schemes are required to adhere to a set of policy principles and require the review by – and input from – Finance, Risk, Legal, Compliance and HR Functions. ◆ No executive Director or member of GEC is involved in deciding their own remuneration. The same principle applies throughout the Group, business lines and regions. ◆ The Committee is responsible for agreeing individual remuneration packages (including variable pay awards) for Group Executive Directors, Group Executives and other senior Group employees, including the heads of Control Functions. Where local regulation requires so, the Committee shall act as an advisory body to the respective local governance bodies. In such case, the final approval of remuneration packages will remain in the responsibility of such local governance bodies.
Principle 4: Governance of the remuneration policies and oversight of their implementation	◆ All members of the Committee are independent non-executive Directors. ◆ The Committee sets the principles, parameters and governance framework of the Group's remuneration policy applicable to all Group employees. ◆ The Committee periodically reviews the adequacy and effectiveness of the Group's remuneration policy. ◆ The Group Chief Risk and Compliance Officer updates the Committee and informs the Committee of risk related incidents and performance against risk appetite for the purpose of making remuneration decisions. ◆ The GRC and GAC update the Committee on issues which may impact the variable pay recommendations for senior management prior to the Committee's approval as part of the Group's governance. ◆ Where local regulation requires so, the Committee submits Group guidelines to local governance bodies for review, adjustments and / approval. Local governance bodies shall ensure to gather all necessary input of relevant corporate functions, as to ensure sound decisions making.
Principle 5: Employees in Control Functions are independent, have appropriate authority and are remunerated adequately and based on functional objectives	◆ Individuals in Control Functions have a direct reporting line through the functions rather than through the business to ensure conflicts of interest are avoided. ◆ Control Functions are represented at the most senior levels within the Group, including on the GEC. ◆ Senior individuals in Control Functions, including Group Chief Risk and Compliance Officer, provide inputs for remuneration decisions, specifically in relation to individuals involved in any Group-wide notable events. ◆ The performance and reward of individuals in Control Functions, including risk and compliance employees, are assessed according to a balanced scorecard of objectives specific to the functional role they undertake. This is to ensure their remuneration is determined independent of the

SRR Principles	How we comply
	performance of the business areas they oversee. Remuneration for Control Function staff is carefully benchmarked with the market and internally to ensure that it is set at an appropriate level. ◆ The Committee is responsible for agreeing individual remuneration packages (including variable pay awards) for the heads of Control Functions. Where such heads of Control Functions are located in locations with specific local governance requirements, the Committee shall advise local governance bodies on recommended remuneration packages, which shall then review, adjusted and / or approved such recommendations.
Principle 6: Total variable remuneration does not limit the firm's ability to strengthen its capital base	◆ Group's variable pay pool is determined based on evaluation of financial performance and performance against risk metrics. ◆ Funding of the Group's variable pay pool is sized in relation to overall Group performance, Global Business performance, performance against the risk metrics, market benchmarks and overall affordability. Capital strength and shareholder returns are also taken into account at Group and respective regional levels. ◆ The Group's target policy is for the vast majority of post-tax profit to be allocated to capital and to shareholders. ◆ The variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of either the Group as a whole, or the local entity concerned. ◆ To this end, all deferred awards are subject to malus (awards made to MRTs are also subject to clawback provisions) and therefore can be reduced, cancelled or paid back in appropriate circumstances including (but not limited to): • Individual or business unit conduct is considered detrimental; • Restatement, correction or amendment of any (i.e., Group or local) financial statements; • Past performance being materially worse than originally understood; and / or • Improper or inadequate risk management.
Principle 7: Limitation and restructuring of variable remuneration and ban on variable remuneration for firms benefiting from exceptional government intervention	◆ In the event that the Group or any of its Group entities received exceptional government intervention it would apply this principle.
Principle 8: Variable pay components or pools	◆ Group's variable pay pool is determined in the context of Group profitability.

SRR Principles	How we comply
determined based on profits and adjustment for all types of current and future risks	◆ Profit measures used to determine variable pay pool is adjusted for appropriate current and future risks. The Committee also takes into consideration the Prudential Valuation Adjustment ('**PVA**') in determining the variable pay pool. ◆ The Committee exercises its judgement to ensure the variable pay pool reflects the overall performance of the Group including performance against qualitative risk objectives. ◆ Quantitative criteria cover a period which is long enough to properly capture the risk taken by MRTs, business lines as well as respective entities and are adjusted according to any type of present and future risks. ◆ and include economic efficiency measures ◆ Group Variable pay is then cascaded by each of the global lines (business or function). The consolidation of each of those budgets determine the proposed regional / country pools, taking into account regional / local performance. Where required, local governance bodies shall assess whether such proposals would allow them to achieve and maintain a sound capital base, while taking into account the risk profile of the entity concerned and any present and future risks. Local governance bodies shall then review, adjust and / or approved the recommended variable pay pool.
Principle 9: Pension policy is in line with business strategy, objectives, values and long-term interests and discretionary pension benefits are in the form of shares or other instruments	◆ Group pension policies are reviewed to ensure they are in line with market practice and sustainable. ◆ The Group policy is not to award any discretionary pension benefits.
Principle 10: Employees undertake not to use personal investment strategies to undermine the risk alignment effects of remuneration arrangements	◆ Our policy requires employees not to use personal hedging strategies or remuneration- and liability related insurance to undermine the risk alignment effects embedded in our remuneration framework.
Principle 11: Variable remuneration is not paid through vehicles that facilitate non-compliance with the Remuneration Rules	◆ All variable pay awards are currently delivered in the form of cash or shares / share-linked instruments in accordance with the respective remuneration requirements (e.g. CRD V Rules). Thus, the variable pay is not paid through methods or vehicles that would in any way circumvent respective remuneration rules.
Principle 12:	◆ For all employees, remuneration decisions are based on a combination of quantitative and qualitative, including financial and non-financial performance business results,

SRR Principles	How we comply
Remuneration structure is consistent with regulatory remuneration principles across various jurisdictions	performance against objectives set out in performance scorecards, general individual performance of the role and adherence to the HSBC values, business principles, Group risk-related policies and procedures and Global Standards. ◆ Quantitative criteria cover a period which is long enough to properly capture the risk taken by MRTs, business lines as well as respective entities and are adjusted according to any type of present and future risks. ◆ Guaranteed variable remuneration is no longer awarded.Target Variable Pay is offered in exceptional circumstances for new hires and is limited to the individual's first year of employment only. Target VP is an indicative value which is stated in new hire offer letter and differs from a guaranteed VP as payment is subject to a number of factors (such as HSBC Group, Business and individual performance) and the final value remains at the full discretion of HSBC. It will be paid in line with Section 6 of this Policy. The exceptional circumstances where PBLU would offer target variable remuneration would typically involve a critical new hire and would also depend on factors such as the seniority of the individual, whether the new hire candidate has any competing offers and the timing of the hire during the performance year. The total variable pay awards for MRTs are structured as follows: ◆ Total variable pay is capped to a maximum of 200% of total fixed pay. Where local requirements set a lower limit, with the necessity to request shareholder approval the Group or any region concerned shall engage in the necessary process, and through respective governance bodies as required by the local legal and regulatory framework. ◆ The higher of any regulatory deferral requirement and the Group deferral requirement is applied for all variable pay awards. ◆ In general, 40% of total variable pay award (annual incentive plus any long-term incentive award) is deferred for four years, five years or seven years. This increases to 60% for a high variable pay amount in line with regulatory requirements. ◆ At least 50% of annual incentive award (both deferred and non-deferred component) is generally delivered in shares and subject to a retention period of up to one-year on vesting. • Long-term incentive awards are subject to a three-year performance period, and vesting is dependent on performance achieved against pre-defined performance targets. The awards for executive Directors vest in five equal instalments after the end of the performance period and subject to a retention period of up to one year.

SRR Principles	How we comply
	◆ Variable pay awards may be adjusted downwards in circumstances including: • Detrimental conduct, including conduct that brings HSBC into disrepute; • Involvement in events resulting in significant operational losses, or events that have caused or have the potential to cause significant harm to HSBC directly or any of its Group entities; and • Non-compliance with the HSBC Values and other mandatory requirements or policies. ◆ Malus can be applied to unvested deferred awards granted in prior years in circumstances including: • Detrimental conduct, including conduct that brings the business into disrepute; • Past performance being materially worse than originally reported; • Restatement, correction or amendment of any financial statements; and • Improper or inadequate risk management. Variable pay awards will be subject to clawback, for a period of time covering at least the deferral and retention periods. ◆ Clawback can be applied to vested or paid awards granted in circumstances including: • Participation in, or responsibility for, conduct that results in significant losses; • Failing to meet appropriate standards and propriety; • Reasonable evidence of misconduct or material error that would justify, or would have justified, summary termination of a contract of employment; and • A material failure of risk management suffered by HSBC or a business unit in the context of Group risk-management standards, policies and procedures.