Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant:	HSBC Private Bank (Luxembourg) S.A., 213800CD235ST4TMNL94

1. Summary

The present statement is the consolidated statement on principal adverse impacts on sustainability factors of HSBC Private Bank Luxembourg S.A. and its branch in France.

HSBC Private Bank Luxembourg S.A., 213800CD235ST4TMNL94 considers the principal adverse impacts of its investment decisions on sustainability factors.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2024 to 31 December 2024.

HSBC Private Bank Luxembourg S.A. ("We") delegates the investment management of the discretionary portfolios oversight to third-party asset managers (currently to: HSBC AM US: HSBC Global Asset Management (USA) INC. 213800MB7UGCSL5S3P42, HSBC AM UK: HSBC Global Asset Management (UK) Limited 213800L6ERIFAN15KI98, HSBC AM HK: HSBC Global Asset Management (Honk Kong) Limited 213800ICI7E9NI46L160, HSBC AM FR: HSBC GLOBAL Asset Management (FRANCE) W85O53OGKSNJNYNJES25, HSBC AM CH: HSBC Global Asset Management (Switzerland) AG 213800EO6GQHD4AIED29 - these entities are hereinafter referred to as a whole as "HSBC Asset Management" ("HSBC AM") – or to SEIL Investments Europe Limited (SEIL)).

Therefore, sustainable investing activities, including the approach to identify and address principal adverse impacts (PAI), are undertaken by such asset managers on our behalf, based on the regulatory requirements. Being part of the HSBC Group, HSBC Private Bank (Luxembourg S.A.) works closely with HSBC Asset Management, particularly in respect of its policies relating to PAI that apply to our discretionary portfolios. We continue to work with all our partners, to ensure that the third-party asset managers we invest with are truly aligned with our commitments to our clients. We also engage to understand how these organisations are set-up to respond to future sustainable investing challenges.

We recognise that sustainability risks can lead to outcomes that have both positive and negative impacts on the environment or society, as well as the performance of financial products. The integration of environmental, social and governance (ESG) factors, as set out in the HSBC AM Responsible Investment Policy addresses material principal adverse impacts in the fundamental research and contributes to decisions in the investment process. Also, these impacts are considered in the stewardship activities (through HSBC AM) and in further policies, which express HSBC AM sustainability objectives and set out the actions we take to reach them. This approach helps us to manage these adverse impacts and sustainability risks in our investments.

The full range of mandatory climate, environmental, social, employee and human rights impacts, for which mandatory indicators have been identified, are considered in our investment process in the context listed below:

• For our discretionary portfolios, PAI indicators may be reflected in portfolio construction through screening, tilting and other techniques.

• We offer discretionary products that avoid exposure to certain companies or sectors that may seem harmful to the environment or society. For example, the CMS Sustainable portfolio promotes active consideration of low carbon intensity investments, responsible business practices in accordance with United Nations Global Compact (UNGC), and exclusions of investments involved with certain activities (e.g. controversial weapons or tobacco). In addition, for certain products, PAI indicators are selected as sustainability indicators and considered in portfolio construction.

• For our sustainable investment definition under Sustainable Finance Disclosure Regulation (SFDR), relevant PAI are considered amongst Do No Significant Harm (DNSH) criteria.

• HSBC risk management processes monitor and manage relevant PAI to ensure clients mandates reflect their investment objectives.

• We currently do not exercise voting rights on behalf of our clients where companies and issuers are held directly. We intend to enhance our capabilities to enable such collective engagement. However, our approach to voting at company meetings is explained in our third-party asset managers voting guidelines.

• Our engagement policy sets out the approach to engagement, including escalation of engagement where companies do not respond adequately to concerns raised regarding adverse impacts. Further details on expectations for companies in their management of adverse impacts in available in the HSBC AM Stewardship Plan.

Further details of our approach for screening, investment process and engagement are set out in specific policies, including Banned Weapons and Responsible Investment.

On climate change issues in particular, the net zero ambition and interim emissions reduction target of HSBC are the most important expression of our ambition.

Note: The information presented may refer to HSBC global policies and global initiatives. Even though we are involved in the implementation and application of global policies the commitments listed are not necessarily a direct reflection of our entity in Luxembourg, unless specified.

All of the policies mentioned are available on our website: https://www.assetmanagement.hsbc.lu/en/professional-clients/about-us/responsible-investing/policies

2. Description of the principal adverse impacts on sustainability factors

Impacts are calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September, and 31 December of 2024.

As we delegate the investment management oversight of discretionary portfolios to third-party asset managers, all sustainable investing activities including PAI consideration engagement and voting are undertaken by HSBC AM and SEIL on our behalf - therefore we often refer to actions taken & planned by them.

For HSBC AM managed portfolios, a decision was taken to zero down the carbon emission for internally approved green bonds - i.e., green bonds for which “greenness” has been ascertained and approved by a fully-fledged HSBC AM committee. This option has been set in the absence of a more accurate and systematic assessment, which would consist of applying to the concerned bond a reduced GHG emissions based on the financed projects / use of proceeds. The same abatement ("zeroing") will apply to each portfolio position and corresponding benchmark components.

Our portfolios may invest in products, for example Private Assets, for which ESG data is not available and they are not included in this PAI statement, however if data is available in the future those will be included.

Further detailed information, including each PAI calculation methodology and limitations, is available on our website in the user guide on principal adverse impacts.

No	Adverse sustainability impact	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
			Indicators applicable to investments in investee companies				
			CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
1	GHG emissions	Scope 1 GHG emissions (in Tonnes CO_2) Eligible assets: 82.87% Covered assets: 54.27%	27,948.45	38,441.82	38,902.48	Data vendor: Morningstar Sustainalytics The purpose of PAI1 is to measure and assess the negative effects of a company's activities on greenhouse gas (GHG) emissions: - Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Carbon emissions for internally approved green bonds are reported as zero. Impact value represents the sum of a portfolio's corporate asset's GHG scope 1 emissions, weighted by the portfolio ownership (investment value / enterprise value of the company). Note that in the dataset 34% of the values are reported, while the rest is estimated according to Sustainalytics' estimation model.	General approach: HSBC AM is a signatory to the Net Zero Asset Managers initiative. It has an interim target of reducing Scope 1 and 2 financed emissions intensity by 58 per cent between 2019 and 2030 for its in-scope assets under management (AUM), consisting of listed equities and corporate fixed income managed within its major investment hubs. As of 31 December 2019, in scope assets amounted to USD193.9 billion, equating to 38 per cent of global AUM.
	GHG emissions	Scope 2 GHG emissions (in Tonnes CO_2) Eligible assets: 82.87% Covered assets: 54.28%	6,952.68	9,518.91	9,510.46	- Scope 2 emissions are those caused by the generation of electricity purchased by the company. Carbon emissions for internally approved green bonds are reported as zero. Impact value represents sum of portfolio's corporate asset's GHG scope 2 emissions, weighted by the portfolio ownership (investment value / enterprise value of the company). Note that in the dataset 34% of the values are reported, while the rest is estimated according to Sustainalytics' estimation model.	Its targets remain subject to consultation with stakeholders including investors and fund boards on whose behalf it manages the assets. The 58 per cent target is based on assumptions for financial markets and other data, including the IEA Net Zero emissions by 2050 scenario and its underlying activity growth assumptions. Carbon emissions intensity is measured as tonnes of carbon dioxide equivalent per million USD invested (tCO2e/USDMillion invested), where emissions are scaled by enterprise values including cash.

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GHG emissions	Scope 3 GHG emissions (in Tonnes CO_2) Eligible assets: 82.87% Covered assets: 53.82%	247,816.13	354,861.28	342,702.68	- Scope 3 emissions are divided into two main categories: upstream (supply chain, i.e., purchased or acquired goods & services) and downstream (products value chain: use of sold goods and services) activities of a company. We have included a Scope 3 emissions figure, despite concerns about data reliability. Carbon emissions for internally approved green bonds are reported as zero. Impact value represents the sum of a portfolio’s corporate asset's GHG scope 3 emissions, weighted by the portfolio ownership (investment value / enterprise value of the company). Note that in the dataset approximately 20% of the values are reported, while the rest is estimated according to Sustainalytics' Scope 3 estimation model.	HSBC Asset Management is closely following the review that the NZAM Initiative has launched on the future of the initiative. Policies: HSBC AM’s Energy and Thermal Coal Policies have been developed in support of HSBC Group’s net zero ambition. In its capacity as a discretionary investment manager and under its Energy Policy, HSBC Asset Management engages and assesses the transition plans of the largest oil and gas, and power and utilities companies for listed issuers responsible for around 70 per cent of relevant emissions based upon all listed equity and corporate fixed income managed within its major investment hubs, in its capacity as a discretionary investment manager.

Its Thermal Coal Policy is developed in support of the transition from thermal coal-fired power and thermal coal mining (collectively ‘thermal coal’) within the 2030/40 timelines set out in the HSBC Thermal Coal Phase-Out Policy and is intended to help meet the dual objectives of phasing out thermal coal within science-based timeframes and of energy transition in more coal-reliant economies. The Energy Policy and Thermal Coal Policy complement one another and are reviewed at least annually.

For example, HSBC AM has engaged 100 companies by end of December 2024 on thermal coal related topics. Following the due diligence and engagements over 2024, 23 companies were approved for participation in primary issuance and for inclusion in the HSBC AM sustainable funds /portfolios, with 6 companies recommended for green bond purchase only.

Targets set for next reference period: We will continue to work with third-party asset managers to further enhance our ability to address and mitigate principal adverse impacts, leading to responsible investment practices, more sustainable products and to deepen existing thematic priorities in their Stewardship Plans.

We have included a Scope 3 emissions figure, despite concerns about data reliability. Our parent entity's interim emissions reduction target covers Scope 1 and 2 emissions intensity. We believe that Scope 1 and 2 emissions of all listed companies represent the bulk of Scope 3 emissions of listed companies.

		GHG emissions	Total GHG emissions (in Tonnes CO_2) Eligible assets: 82.87% Covered assets: 54.30%	282,717.25	402,822.01	391,115.62	Data vendor: Morningstar Sustainalytics The purpose of PAI1 is to measure and assess the negative effects of a company's activities on greenhouse gas (GHG) emissions. To get to portfolio value, for each investee company we sum up the Scope 1, 2, and 3 emissions, multiply this by the portfolio ownership ratio (investment value / enterprise value of the company), then sum up all these values. Carbon emissions for internally approved green bonds are reported as zero. Note that in the dataset approximately 20% of the values are reported, while the rest is estimated. Note that this datapoint covers Scope 1, 2 and 3 emissions. Please note that this is a derived datapoint.	As above.
2	Greenhouse gas emissions	Carbon footprint	Carbon footprint (Tonnes CO_2 Emissions per invested EUR million) Eligible assets: 82.87% Covered assets: 54.12%	280.38	285.84	266.58	Data vendor: Morningstar Sustainalytics The purpose of this PAI is to measure and assess a company's carbon footprint. This PAI equates to the sum of the carbon emissions (scope 1, 2 and 3) of an issuer multiplied by the portfolio ownership ratio (investment value / enterprise value of the company), divided by the current value of all investments. It is a measure of carbon emissions ownership (tonnes of Co2), as it takes into account the proportion of emissions per investment, relative to the total size of the issuer value. However, carbon footprint can fluctuate without a change in carbon emissions as a result of changes in issuer value.	As above.

3	Greenhouse gas emissions	GHG intensity of investee companies	GHG intensity of investee companies (Tonnes of CO_2 emissions per EUR million of revenue) Eligible assets: 82.87% Covered assets: 54.98%	560.77	504.78	464.53	Data Vendor: Morningstar Sustainalytics GHG intensity measures the quantity of GHG emissions (scope 1,2 and 3) per million Euro revenue of an issuer of a financial investment. It is a measure of environmental efficiency of an issuer, measuring issuer GHG emissions, relative to issuer economic output. It is useful for comparing the economic environmental position of two funds with similar sector and geographic allocation because the level of issuer GHG intensity is dependent in part on the sector, and country policies in which the issuer operates. For comparison purposes, the GHG intensity of the fund/mandate is shown against the GHG intensity of its reference benchmark. Note that in the dataset approximately 19% of the values are reported, while the rest is estimated. Note that this datapoint covers Scope 1, 2 and 3 emissions. Please note that this is a derived datapoint.	As above.
4	Greenhouse gas emissions	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector Eligible assets: 82.87% Covered assets: 56.49%	4.66%	3.88%	4.27%	Data Vendor: Morningstar Sustainalytics This PAI requires investors to disclose the share of investments in companies active in the fossil fuel sector (companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade of fossil fuels). All data points provide the levels or exact percentages of revenue involvement, and the binary metric "involved" is applied, when Fossil Fuel - Revenue percentage is greater than zero. The portfolio impact value represents the share of investments that are involved in the fossil fuel sector.	General Approach: HSBC AM believes that the most significant reduction in GHG emissions will be secured by companies active in the fossil fuel sector achieving a transition away from their dependency on fossil fuel. For that reason, HSBC AM favours engagement in support of robust transition plans over divestment from the sector. HSBC AM’s net zero commitments will also involve divestment over time from companies which do not develop robust transition plans.

Under the HSBC AM Coal Policy, HSBC AM engages with companies with more than 10 per cent revenue exposure to thermal and/or metallurgical coal, prioritising those in which we have the highest exposure. We expect that companies who derive revenue from coal above this threshold prosuitable TCFD-aligned or equivalent reporting. HSBC AM may vote against the re-election of relevant company directors where this disclosure remains weak.

Under the HSBC AM Energy Policy, HSBC AM engages with and assesses transition plans of listed issuers responsible for around 70 per cent of relevant emissions. HSBC AM has commenced engagement with oil and gas, and power and utilities companies in this group, and will continue to have ongoing conversations with these companies as they transition.

HSBC AM assesses their transition plans in line with an IEA Net Zero Scenario, including aspects such as plans to reduce carbon exposure and develop alternative energy sources, alignment of capital expenditure, timelines for transition, interim emission reduction targets, and the quality of climate risk management disclosure and emissions reporting. These aspects of the transition will inform the engagement objectives HSBC AM sets for issuers.

In addition to engagement for robust transition plans for companies' dependent upon non- renewable energy sources, HSBC AM also seeks investment opportunities in renewable energy sources. In 2024, HSBC AM developed an internal framework to define and classify the net zero alignment of companies, based on its views and guidance from the IIGCC's Net Zero Investment Framework implementation guidance.

5	Greenhouse gas emissions	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage Eligible assets: 82.87% Covered assets: 42.58%	consumption: 24.49% production: 4.86%	19.76% 2.86%	19.80% 2.70%	Data vendor: Morningstar Sustainalytics This PAI represents the percentage of the company's total energy production and consumption that is generated using non-renewable sources in the reporting year. It evaluates the company's efforts to shift away from fossil fuel-based energy towards renewable energy sources, such as solar, wind, hydro, or geothermal energy. The portfolio impact value is calculated as the weighted average of the portfolio's corporate asset's non-renewable energy consumption & production.	See above.
6		Energy Consumption Intensity Agriculture, Forestry & Fishing	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 0.02%	0.00	0.00	0.00	Data vendor: Morningstar Sustainalytics This PAI requires the disclosure of energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on the NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities. The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector. Please note that the data for a significant outlier has been restated to null (company reported partial data), which caused the change of Energy Consumption Intensity Manufacturing from 56.99 in 2023 to 0.16 in 2024 and Electricity, Gas, Steam and Air Conditioning Supply from 4.52 to 0.10.	Despite a large research universe, only a fraction of companies are disclosing this metric. Over the course of 2024, HSBC AM made enhancements in the approach to climate-risk management, including the publication of new Energy Policy, aimed at supporting Net Zero commitments. Targets set for the next period: As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.
		Energy Consumption Intensity Mining and quarrying	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 2.22%	0.03	0.03	0.04		

	Energy Consumption Intensity Manufacturing	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 19.22%	0.16	56.99	60.10
	Energy Consumption Intensity Electricity, gas, steam and air conditioning supply	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 1.91%	0.10	4.52	0.96
	Energy Consumption Intensity Water supply; sewerage; waste management and remediation activities	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 0.18%	0.00	0.00	0.00
	Energy Consumption Intensity Construction	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 0.42%	0.00	0.00	0.00
	Energy Consumption Intensity Wholesale and retail trade; repair of motor vehicles and motorcycles	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 1.34%	0.00	0.00	0.00
	Energy Consumption Intensity Transporting and storage	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 0.68%	0.02	0.01	0.01

		Energy Consumption Intensity Real estate activities	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 82.87% Covered assets: 0.78%	0.00	0.00	0.00		
7	Biodiversity	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas Eligible assets: 82.87% Covered assets: 56.50%	3.31%	3.14%	3.08%	Data Vendor: Morningstar Sustainalytics For this PAI, investors need to disclose the share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas. The portfolio impact value represents the sum of the portfolio's corporate assets that have geographic exposure to biodiversity sensitive areas and engage in activities negatively affecting those areas.	General approach: HSBC AM recognises that nature and biodiversity issues may present risks and opportunities to companies, which could have a material effect on a company's risk profile and financial performance over various investment time horizons. HSBC AM has committed to work for the protection and restoration of biodiversity through our investments by signing the Finance for Biodiversity Pledge. Current & future actions include: collaboration and knowledge sharing on assessment methodologies, impacts and targets; engaging with companies to reduce negative and increase positive impacts on biodiversity; assessing the impact of our investments; setting targets to increase positive and reduce negative impacts on biodiversity; and to report annually on these activities. HSBC AM is also a member of the PRI Nature Reference Group, which aims to build investor capacity for addressing nature and biodiversity loss by providing a forum for signatories to advance their awareness of nature-related impacts, dependencies, risks and opportunities. HSBC AM aims to continue its active participation with industry initiatives on biodiversity and nature-related topics. HSBC AM Nature and Biodiversity Strategy is built on three key pillars: · Continue and enhance engagement with companies on its priority list and active participation with industry initiatives,

								· Build expertise through training and investment analysis of issuers, as well as research and integration of nature and biodiversity related risks into investment processes, · Monitor the development of robust third-party metrics with the aim to quantify the progress over time, recognising this is an evolving field. During 2024, HSBC AM continued to engage with companies on biodiversity impacts, including negative biodiversity impacts in its voting criteria and used a third-party data provider to further inform our assessment of investment exposure to biodiversity risk. Targets set for the next period: We will continue to work with third-party asset managers to deepen existing thematic priorities in their Stewardship Plans, including biodiversity. HSBC AM plans include publishing engagement findings starting in 2025.
8	Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average Eligible assets: 82.87% Covered assets: 0.39%	0.00	0.00	0.00	Data vendor: Morningstar Sustainalytics This PAI focuses on harmful substances that are released to water. Emissions are measured in tonnes of pollutants and the following pollutants are considered for the purpose of this metric: Direct emissions of nitrates, phosphate and pesticides, and direct emissions of priority substances (e.g., heavy metals, loads of organic pollutant parameters such as biochemical oxygen demand (BOD) and chemical oxygen demand (COD), nitrogen and phosphorus compounds). The portfolio impact value is calculated as the sum of the portfolio's corporate asset's emissions to water weighted by the portfolio ownership ratio (investment value / enterprise value of the company) adjusted by the current value of all investments (€M).	General approach: Water usage and emissions are amongst those factors included in third party ESG data, which informs HSBC AM's investment process. HSBC AM has integrated this indicator under the Environmental pillar as it develops bespoke sector-based ESG scores. In 2024, HSBC AM released the Environmental, Social, and Governance (ESG) materiality framework leveraging Virtual Sector Teams (VSTs) across asset classes and geographies to guide portfolio managers and analysts. This framework emphasizes that certain ESG issues can materially impact a company's financial performance, share price, or credit spread. However, the significance and impact of these ESG externalities vary by sector.

9	Waste	Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average Eligible assets: 82.87% Covered assets: 54.39%	1.76	1.52	2.41	Data vendor: Morningstar Sustainalytics PAI 9 assesses hazardous waste, which is measured in tonnes of hazardous waste generated by a company. The portfolio value is calculated as sum of the portfolio's corporate asset's hazardous waste weighted by the portfolio ownership ratio (investment value / enterprise value of the company) adjusted by the current value of all investments (€M). Data limitation: At least in the beginning, we expect a highly heterogeneous disclosure with most companies only including a subset of this metric in their reporting.	General Approach: Hazardous waste and radioactive waste ratio are amongst those factors included in third party ESG data which informs HSBC AM's investment process. HSBC AM has integrated this indicator under the Environmental pillar as it develops bespoke sector-based ESG scores. In 2024, HSBC AM released the Environmental, Social, and Governance (ESG) materiality framework leveraging Virtual Sector Teams (VSTs) across asset classes and geographies to guide portfolio managers and analysts. This framework emphasizes that certain ESG issues can materially impact a company's financial performance, share price, or credit spread. However, the significance and impact of these ESG externalities vary by sector.
			INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
10	Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises Eligible assets: 82.87% Covered assets: 56.50%	0.65%	0.65%	0.62%	Data vendor: Morningstar Sustainalytics This PAI 10 requires investors to disclose the “share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises". As per Morningstar Sustainalytics terminology, ‘Breach’ does not mean that the company is claimed to be in breach, rather the impact value represents the sum of the portfolio's corporate assets with alleged UNGC violations. The portfolio impact value represents the sum of the portfolio's corporate assets involved in violations of the UNGC principles.	General approach: HSBC Group's commitment to the UN Global Compact (UNGC) is an important element in our responsible investment policies. Our third-party asset managers are Signatories to the United Nations Principles for Responsible Investment (UN PRI). HSBC AM uses a third-party data provider to identify alleged violations of UNGC and other international standards by issuers. Enhanced due diligence is undertaken where these are held in active fundamental investment strategies, resulting in some cases in investment exclusions or limitations.

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								Targets for the next reference period: Continue to conduct thorough due diligence and regular audits to ensure full compliance with Responsible Investment policy.
11	Social and employee matters	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises Eligible assets: 82.87% Covered assets: 56.40%	26.85%	22.93%	22.95%	Data vendor: Morningstar Sustainalytics PAI 11 is intended to capture evidence, or lack thereof, of companies' mechanisms and due diligence efforts to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises. The portfolio impact value represents the sum of the portfolio's corporate assets with no evidence of processes and mechanisms to monitor compliance with the UNGC or OECD guidelines for Multinational Enterprises.	General approach: HSBC Group supports the human rights described in the UN Global Compact principles and OECD Guidelines for Multinational Enterprises. We expect that companies that we invest in respect human rights and have appropriate policies in place. HSBC AM uses a third-party data to identify alleged violations of UN Global Compact and other international standards by issuers. The consideration of human rights has been also included in the HSBC AM's stewardship activities.Targets for next reference period: We will continue to work with our third-party asset managers to have human rights considerations added into voting guidelines, with votes against directors where there have been alleged breaches of human rights standards.
12	Social and employee matters	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies Eligible assets: 82.87% Covered assets: 3.82%	0.84%	0.28%	0.18%	Data vendor: Morningstar Sustainalytics The average unadjusted gender pay gap of investee companies is the difference between the average (mean or median) earnings of men and women, including management, across a workforce, irrespective of worker characteristics or job title, expressed as a ratio of average male pay. The portfolio impact value is calculated as the weighted average of the portfolio's corporate assets gender pay gap ratio.	General approach: We encourage our third-party asset managers to vote in support of shareholder resolutions calling for transparency on gender pay gaps. Gender pay is included in ESG data that informs HSBC AM's investment process. These data also informs HSBC AM's engagement with companies. We encourage measurement and transparency in gender pay to improve diversity, equality, and inclusion. Targets for the next reference period: Finalisation of the implementation of the in-house software solution to enhance monitoring and reporting to track progress on gender pay gap.

13	Social and employee matters	Board gender diversity	Average ratio of female to male board members in investee companies Eligible assets: 82.87% Covered assets: 54.28%	19.53%	16.37%	15.58%	Data vendor: Morningstar Sustainalytics Under this PAI, companies need to report the average ratio of female to male board members, where the board is considered the "administrative, management or supervisory body of a company". This data point is collected directly from company reports and is not estimated by Morningstar Sustainalytics and no further adjustments are made to the metric values. The portfolio impact value is calculated as the weighted average of the portfolio's corporate asset's ratio of female to male board members.	General approach: HSBC recognise the importance of diversity in leadership roles and supports gender equality. Our ESG ambition is to achieve 35% senior leadership roles held by women by end of 2025 (the percentage was 34.1% in 2023 and 34,6% in 2024), therefore board gender diversity is also an important issue in our engagement strategy. We encourage third-party asset managers to engage on diversity within the executive team and senior management as well as the board. HSBC AM participates in collaborative initiatives encouraging board diversity in certain key markets. Also, board gender diversity is and will be an important theme in the voting guideline of asset managers we work with. Targets for the next reference period: Finalisation of the implementation of the in-house software solution to enhance monitoring and reporting to track progress on board gender diversity.
14	Social and employee matters	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons Eligible assets: 82.87% Covered assets: 56.50%	0.00%	0.00%	0.00%	Data vendor: Morningstar Sustainalytics We rely on Morningstar Sustainalytics data to identify companies with strong indications of involvement in the production or distribution of anti-personnel mines, cluster munitions, chemical weapons and biological weapons. In addition, for the 'Yes/No' involvement analysis at the company level, Morningstar Sustainalytics does not consider a company to be involved if only its parent company is involved, but the company itself is not. The portfolio impact value represents the sum of the portfolio's corporate assets with exposure to SFDR controversial weapons.	General approach: We exclude from active, systematic and index portfolios that we manage, securities issued by companies involved with weapons banned by certain international conventions. These weapons include anti-personnel mines, biological weapons, blinding laser weapons, chemical weapons, cluster munitions and non-detectable fragments. Sustainable, active and systematic portfolios also exclude issuers involved in the production of controversial weapons or their key components, including but not limited to depleted uranium weapons and white phosphorous when used for military purposes.

								Targets for the next reference period: Continue to conduct thorough due diligence and regular audits to ensure full compliance with Banned Weapons policy.
Indicators applicable to investments in sovereigns and supranationals								
15	Environmental	GHG intensity	GHG intensity of investee countries (Tonnes CO_2 emissions per EUR million of GDP) Eligible assets: 23.64% Covered assets: 14.38%	46.02	22.56	24.55	Data Vendor: Morningstar Sustainalytics This PAI requires investors to disclose the GHG emissions of invested countries. As in the case of corporates, GHG Intensity is not limited to carbon only, but spans the full GHG spectrum. Carbon emissions for internally approved green bonds are reported as zero. Impact value is calculated as the weighted average of the portfolio's sovereign asset's total emissions (scope 1, 2, & 3) per unit of GDP (in millions of euro, €M).	General approach: Sovereign issuers form part of our parent entity's 2050 net zero ambition. Data on the emissions related to sovereign issuers are included in our third party ESG data available for inclusion in our investment process. We expect virtual sector teams over time to assess how far this data should be used in our own bespoke ratings.
16	Social	Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law Eligible assets: 23.64% Covered assets: 14.20%	absolute: 6 relative: 5.82%	5 3.97%	4 6.88%	Data vendor: Morningstar Sustainalytics We rely on Morningstar Sustainalytics' country risk analysis which includes social risks such as civil or transnational conflict, state repression, violent crime, and labour rights/discrimination. The portfolio impact value represents the number of portfolio's sovereign assets subject to social violations.	General approach: Our third party ESG data providers include social factors in their assessment of sovereign issuers which is available for inclusion in our investment process.

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			Indicators applicable to investments in real estate assets					
17	Fossil fuels	Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels Eligible assets: 0.00% Covered assets: 0.00%	n/a	n/a	n/a	Due to data constraints, we were not able to collect PAI indicators for our real estate assets, therefore they could not be reported. If data becomes available in the future, these will be included and the PAI value will be presented.	Our exposure to these assets is limited as we do not typically hold real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels. Impact data are not typically available on a consistent or comparable basis, and we have not made impact disclosures. Any indirect exposure to these assets would increasingly be subject to assessment of transition plans to ensure these are aligned with our parent entity's net zero ambition.
18	Energy efficiency	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets Eligible assets: 0.00% Covered assets: 0.00%	n/a	n/a	n/a	Due to data constraints, we were not able to collect PAI indicators for our real estate assets, therefore they could not be reported. If data becomes available in the future, these will be included and the PAI value will be presented.	Impact data are not typically available on a consistent or comparable basis. For these reasons we have not made impact disclosures. Where investment exposure is through listed assets, emissions impact will be included in data above. New and on-going exposure will increasingly be subject to assessment of transition plans to ensure that these are aligned with our parent entity's net zero ambition.

3. Other indicators for principal adverse impacts on sustainability factors

Additional climate and other environment-related indicators

No	Adverse sustainability impact		Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
				Indicators applicable to investments in investee companies				
				CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
4	Emissions	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement Eligible assets: 82.87% Covered assets: 56.44%	16.71%	12.81%	13.52%	Data vendor: Morningstar Sustainalytics This indicator looks at GHG reduction programmes in general where the outcome criterion "Net Zero and Paris Alignment" checks whether the company has a net zero or science-based temperature aligned GHG emissions reduction target to be achieved no later than 2050. The portfolio impact value represents the sum of a portfolio's corporate assets that do not have carbon emission reduction initiatives aimed at aligning with the Paris Agreement.	General approach: HSBC AM believes that the most significant reduction in GHG emissions will be achieved by companies delivering a transition away from their dependency on fossil fuels. For that reason, HSBC AM favours engagement in support of robust transition plans over divestment. HSBC AM's net zero commitments will also involve divestment over time from companies which do not develop robust carbon emission reduction plans. Under the global Energy Policy, HSBC AM is committed to assess the transition plans of the largest oil & gas and utility issuers held in our portfolios.

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

No	Adverse sustainability impact		Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
				Indicators applicable to investments in investee companies				
				INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS				
9	Human Rights	Lack of a human rights policy	Share of investments in entities without a human rights policy Eligible assets: 82.87% Covered assets: 56.46%	3.26%	3.66%	3.88%	Data vendor: Morningstar Sustainalytics The portfolio impact value represents the sum of a portfolio's corporate assets that have no disclosed company human rights policy.	General approach: Potential human right violations are amongst the issues monitored by our third-party data provider identifying alleged breaches of the UN Global Compact and other international standards by issuers. Enhanced due diligence is undertaken where these are held in active fundamental investment strategies. HSBC AM engages with companies to encourage the development and application of effective human rights policies and risk management.

HSBC AM highlights good practices and encourage priority companies, where human rights are a relevant issue, to work towards adopting them. Additionally, HBSC AM recognises the need for system-level stewardship to address broader human rights challenges, such as improving the transparency and consistency of human rights data and assessments by commercial data providers.

4. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

As part of HSBC Group, we engage in open and transparent communication with third-party asset managers to ensure our views on ESG are aligned and reflected in each Asset Manager's investment strategy. Global Private Banking (with representation from each local Private Banking market) hosts regular oversight forums with each Asset Manager to review their approach to ESG investment strategy, and any relevant policies, frameworks, and calculation methodologies, to ensure that they are aligned with Global Private Banking's objectives and commitments to our clients.

Stand-alone policies and statements (for example on Banned Weapons, Biodiversity, Climate Change and Thermal Coal) alongside the Responsible Investment Policy, further outline HSBC Group's approach on how we integrate associated risks and opportunities in the investment process, as well as our engagement focus and collaborative activities.

These policies have been approved and were kept under review during 2024 by the HSBC Asset Management Ltd Sustainability Forum – which includes our global CEO, CIO, Heads of Risk, Legal and Sustainability - as follows: Banned Weapons (December 2024), Energy (December 2024) and Thermal Coal (December 2024). The investment function is responsible for the implementation of these policies, overseen by HSBC Asset Management Asset Class ESG Committees and the ESG Investment Committee.

Policies implementation draws upon a range of data sources to inform the integration of ESG factors into investment process and assessment of principal adverse impacts. These include MSCI, ISS, S&P Trucost, Bloomberg and Sustainalytics. We recognize that data reliability and availability may vary across impact indicators and regions. Addressing this may take time as requirements for disclosure of underlying data differ across markets and types of issuer, and standardization of disclosure is not inevitable. HSBC AM also leverage their global investment analyst network and engagement activities to inform about evaluation of the risks of adverse impact in our investment. We have selected indicators to identify and assess PAIs principal adverse impacts to reflect data sources we use in our own investment processes and / or the data available to market participants in a consistent and comparable format with sufficiently broad coverage. These have been our main considerations; we have not taken account of the possibility of recurrence or severity of impacts beyond their relevance to these considerations.

SEIL's views on ESG are aligned with HSBC Asset Management and focus on three pillars: sustainability in manager research, sustainable investing solutions and investment stewardship. We continue to work with SEIL on these areas and to develop an appropriate PAI framework for the discretionary product range.

SEIL's Corporate Social Responsibility Committee was established in 2018 and meets quarterly to coordinate and promote sustainability efforts across SEIL globally. Its mandate includes both corporate and investment management initiatives. This committee supports SEIL's activities that further the environmental, social, and governance (ESG) principles laid out in their ESG statement (see below).

HSBC Asset Management's policies are available on the website at:

https://www.assetmanagement.hsbc.lu/en/professional-clients/about-us/responsible-investing/policies

SEIL policies are available on the website at:

https://www.seic.com/our-commitment/sustainable-investing

5. Engagement policies

We strongly believe in the impact and effectiveness of engagement to encourage improvement in corporate practices and therefore actively engage with the companies/issuers in which we and our partners invest. Our engagement policy describes our approach to shareholder engagement where we invest for our clients as part of our discretionary management services directly in equity shares. Discretionary portfolios that invest in funds managed by third-party asset managers, HSBC Asset Management or SEIL Investments Europe Limited, will apply their engagement policies.

If companies present sustainability risks, company management teams are engaged directly to raise areas of concern. Board members, executive management and responsible officers are engaged to build a constructive dialogue between investors and companies. Where applicable, voting rights are leveraged to reward positive corporate development, drive behavioural change, and hold company directors accountable when they fail to meet expectations.

The full range of internal and external data on PAI is drawn upon to inform the engagement approach. A well-established escalation procedure is used, with a range of engagement tools where issuers do not respond sufficiently, or PAI are not reduced. Even though we see disinvestment as a last resort option, we may apply selective exclusions when we deem engagement to be unsuccessful in a timeframe, we consider reasonable for companies to implement desired changes.

Annual stewardship plans are published, which also detail approaches to prioritisation of engagement topics and includes several indicators for PAI considered in engagement. Further details on impacts considered and, on the escalation, where issuers do not respond adequately are provided in HSBC Asset Management's Stewardship Plan. Our escalation response will consider whether there has been no improvement in the issue of concern / negative impact but where we determine that escalation would be unlikely to have impact, we may not take any further action. These include greenhouse gas emissions, labour and social impacts of climate transition, biodiversity loss, potential human rights violations, gender inequality and economic inequality.

Detailed information on monitoring issuers, voting and engagement can be found in the links below:

Private Bank Luxembourg S.A. engagement policy: https://www.privatebanking.hsbc.com/about-us/financial-regulations/shareholder-rights-directive-II/

HSBC Asset Management engagement policy:https://www.assetmanagement.hsbc.lu/en/professional-clients/about-us/responsible-investing/policies

SEIL engagement policy: https://apps.seic.com/funddocuments/FundDocumentsUK/Page/SEI-SRD2-Engagement-Policy.pdf

SEIL proxy voting policy and procedures: https://www.seic.com/proxy-voting/proxy-voting-policy-and-procedures

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6. References to international standards

In providing discretionary portfolio management services, we work with third-party asset managers who are committed to the application and promotion of global standards and believe in collaborative action to address the sustainability challenges globally.

Paris Climate Agreement

HSBC Group is a supporter of the Paris Climate Agreement, an international treaty signed in 2015, committing countries to transition to a lower carbon economy. Under the Net Zero Asset Managers initiative, HSBC Asset Management has set an ambition to reach net zero emissions by 2050 or sooner across all assets under management, in line with global efforts to limit warming to 1.5°C, which is also applicable to our mandates managed by them.

Sustainability indicators used to measure the adherence:

- Table 1 PAI 1 - GHG emissions
- Table 1 PAI 2 - Carbon footprint
- Table1 PAI 3 - GHG intensity of investee companies
- Table 1 PAI 4 - Exposure to companies active in the fossil fuel sector
- Table1 PAI 5 - Share of non-renewable energy consumption and production
- Table 1 PAI 6 - Energy consumption intensity per high impact climate sector
- Table 2 PAI 4 - Investment in companies without carbon emission reduction initiatives

UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights

Our commitment to the UN Global Compact is an important element in our responsible investment policies. As investors, we support the ten principles covering human rights, labour issue, anti-corruption. Together with our third-party asset managers, who are involved with Principles for Responsible Investments (PRI), we conduct enhanced due diligence on issuers alleged to be in breach of these principles where securities are held in our sustainable portfolios.

Sustainability indicators used to measure the adherence:

- Table 1 PAI 10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Table 1 PAI 11 - Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Table 3 PAI 9 - Lack of a human rights policy

Our third-party asset managers use external research provider to monitor issuers for alleged breaches of UN Global Compact principles, International Labour Organisation's labour standards, UN Global Compact principles, and Universal Declaration of Human Rights. The adherence to the UN Principles for Responsible Investment is reported across multiple data points through the signatories' questionnaire.

Biodiversity

Under the Finance for Biodiversity Pledge, HSBC Asset Management is committed to work with other investors, to engage with companies to assess the impacts of our investments on biodiversity and set target on impacts.

Sustainability indicators used to measure the adherence:

- Table 1 PAI 7 - Activities negatively affecting biodiversity-sensitive areas

Methodology and data used

Our third-party asset managers use a range of data sources to inform the integration of ESG factors into their investment process and assessment of PAI. These include MSCI, ISS, S&P Trucost, Bloomberg ESG and Morningstar Sustainalytics and the details are reflected in each sustainable product disclosure. Data coverage and transparency can be restricted; we are looking to develop our own bespoke ratings.

We have not included a forward-looking climate scenario as we are still assessing which methodologies to deploy in our investment processes. However, to quantify the effects of climate change on our products, we are testing MSCI's climate value at risk model, which estimates the net present value of future cost and opportunity projections of each company through to 2050 – using transition costs and opportunities models and to 2100 – using physical risks cost models for the relevant third-party climate scenario. We also plan to enhance the data coverage and reports accuracy (we are considering a best-in-class approach for data sourcing and alignment with HSBC Asset Management to ensure consistency within HSBC Group), as the current report is prepared based on Morningstar Sustainalytics PAI data only.

More detailed information on the methodology and data used to measure the adherence, including the scope of coverage and data sources, is available on our website in the statement on principal adverse impacts of investment decisions on sustainability factors methodology document. Whilst our use of data may help us to anticipate principal adverse impacts, monitoring data such as that used to monitor potential UN Global Compact breaches is largely based upon past events or existing practice and is not well suited to forecasting.

7. Historical comparison

Direct comparison between the 2024, 2023 and 2022 figures can be made as per above columns titled 'Impact year 2024', 'Impact year 2023', 'Impact year 2022'. Further comparison shall be made in the future for at least five reference periods once these are available.

PAI Indicators may change due to increase or decrease in adverse impacts by the investee companies. Indicators however may also change due to availability of data, changes in methodology by the respective data provider, changes in sources etc. The 'Explanation' column provides further details on such changes for each respective PAI indicator and further insight will be provided on any relevant subsequent changes year on year.

Below is a summary of the key points that can be highlighted:

• Improved data coverage – the increase in data coverage led to higher values in various PAIs

• PAI 6 and 8 – the data for these indicators is considered not robust due to low coverage

• PAI 10 – exposure under PAI 10 comes either from Article 6 products (with no explicit exclusions) or because overrides are not yet applied.

8. Disclaimer

While we strive to ensure the accuracy and completeness of the disclosures made herein, it is important to acknowledge the inherent challenges associated with sustainability data, metrics, and the evolving nature of the regulatory landscape. As a result, we make our disclosures on a best-efforts basis, exerting every reasonable effort to provide reliable and meaningful information via the methods mentioned above.

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