

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant HSBC Investment Funds (Luxembourg) S.A., LEI:213800KNC1J1NJ1YR95

Summary

HSBC Investment Funds (Luxembourg) S.A., LEI - 213800KNC1J1NJ1YR95 considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of HSBC Investment Funds (Luxembourg) S.A.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2025 to 31 December 2025.

We (HSBC Investment Funds (Luxembourg) S.A.) recognise that sustainability risks can lead to outcomes that have adverse impacts on the value of the financial products.

At entity level, we integrate environmental, social and governance (ESG) factors, as set out in our responsible investment policies and standards, into our fundamental research and investment decision-making. This integration supports the identification, assessment and management of material principal adverse impacts (PAIs) and sustainability risks. We also address PAIs through our stewardship activities, including voting and engagement, and through additional policies that set out our sustainability objectives and the actions we take to achieve them. This approach helps us manage adverse impacts and sustainability risks across our investments.

Responsible investing policies - Our global responsible investing policies have been developed to guide our investment and engagement activities. Further details of our approach to screening, the investment process and engagement are set out in specific policies and commitments, including our policies on banned weapons, energy and thermal coal. For more information on how these policies are applied, please refer to the policy section of our website.

PAI indicators are considered across both our research and stewardship activities.

Research - We integrate relevant PAI indicators into fundamental analysis and investment decision-making through ESG integration and, where appropriate, engagement and/or exclusion. Our ESG Materiality Framework—developed by investment team sector specialists in collaboration with our responsible investment team—identifies the most relevant sustainability issues by sector and industry and helps determine which PAIs are most material. We use PAI indicators, supported by quantitative criteria, to assess whether investments classified as sustainable cause significant harm to environmental or social objectives. Where data is unavailable or insufficient, we may apply qualitative analysis and/or use an appropriate proxy. Companies and issuers flagged for severe violations or identified as worst-in-class against certain PAI indicators may be subject to enhanced sustainability due diligence. Certain PAIs are also addressed through exclusions, including (for example) controversial weapons and breaches of the UN Global Compact (UNGC).

Stewardship - We use voting and engagement to influence how investee companies manage adverse impacts. Our Voting Guidelines set out our approach to voting at company meetings, and we may apply voting sanctions where companies do not adequately manage relevant PAIs. Our Stewardship Plan sets out our engagement approach, including escalation where companies do not respond adequately to concerns raised regarding adverse impacts, and outlines our expectations for company management of these impacts. Each year, we define engagement themes and the key actions we encourage investee companies to take, with a focus on issues that may affect financial performance, portfolio outcomes and long-term value creation, while also considering emerging risks. Our engagement themes are informed by our ESG Materiality Framework and are aligned with the sustainability issues identified through the materiality assessment conducted under that framework. These themes also broadly align to the PAI indicators we use in assessing eligibility for our sustainable investment product range, recognizing that the indicators represent only a subset of the data points relevant to each theme.

The relevant PAI indicators include the mandatory indicators covering climate and other environment-related impacts, as well as social and employee matters, respect for human rights, anti-corruption and anti-bribery. We also report on selected optional indicators covering additional environmental and social factors. For the PAIs we identify as relevant, we disclose the actions taken and planned to address them, together with the targets set to monitor progress.

Due to lack of data availability, Private Assets (such as Private Debt) are not included in this PAI statement.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies				
Adverse sustainability indicator	Metric	Impact ¹	Impact ¹ Explanation	Actions taken, and actions planned and targets set for the next reference period
		(year 2025)	(year 2024)	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Greenhouse gas 1. GHG Emissions emissions	Scope 1 GHG Emissions - Metric tons CO2 equivalents	3,354,655.03	3,350,725.14 Eligibility = 66.05% Coverage = 53.62% Data Vendor: S&P Trucost and Bloomberg Scope 1 designates the GHG emissions (in tonnes of CO2 equivalent) from direct emitting sources owned or controlled by a company: direct emissions resulting from the combustion of fossil fuels, such as gas, oil, coal, during their process of production. Within the framework of SFDR, GHG Emissions refer to 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 1 divided by enterprise value, multiplied by investment for all investee companies. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric. Data limitation: GHG Emissions - Scope 1 data are primarily based on company disclosures or estimated by S&P Trucost in the absence of company reports. There is no 100% coverage for these metrics. While our data provider, S&P Trucost, endeavours to provide full coverage for the entire universe of possible holdings, there are sometimes gaps due to companies not reporting emissions, and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. There is a further potential gap when our holding is at the subsidiary level, and emissions are only reported at the level of the parent company and not distributable to the subsidiary. These datapoints are measured in tonnes of CO2 equivalents. They cover the full spectrum of GHG emissions and not only carbon. Hence, we consider them as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	<p>Over the course of 2025, we continued to develop and implement our climate strategy, aligned with our ambition to net zero financed emissions by 2050. We have made progress in several key areas, including:</p> <p>Net zero alignment and target: Our lead entity HSBC Global Asset Management Ltd has an interim target of reducing scope 1 and 2 financed emissions intensity by 58% between 2019 and 2030 for the 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 \$193.9bn, equating to 38% of global AUM. As of December 2025, we have achieved a 51% reduction compared with the 2019 baseline.</p> <p>Research and integration of climate considerations: We have developed an assessment of companies using the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework (NZIF), incorporating forward-looking indicators to evaluate issuers and portfolios exposed to significant climate-related risks, where relevant, alongside other factors that may impact investment value.</p> <p>Thermal coal and energy policies: We have a policy to phase out thermal coal by the end of 2030 in EU/OECD markets and by the end of 2040 in all markets, and a phase-down energy policy. We direct away from issuers that take no action or are slow to adopt action in line with our stated policies and product guidelines.</p> <p>Stewardship: Climate has been a long-standing thematic priority for our engagement activities. In 2025, we engaged with approximately 360 issuers on climate-related issues to highlight good practices and encourage progress towards these. Under our thermal coal policy, we engage with companies with more than 10 per cent revenue exposure to thermal and/or metallurgical coal, prioritizing those in which we have the highest exposure. Under our energy policy, we will engage with and assess transition plans of listed issuers responsible for around 70 per cent of relevant emissions. We have commenced engagement with oil and gas, and power and utilities companies in this group, and will continue to have conversations with these companies as they transition.</p> <p>Climate product offering: We have developed an internal climate product framework to further define our climate-related offering as part of the HSBC ESG and Sustainable Investing Framework. We continue to expand and evolve this offering to provide innovative, tailored solutions across a broad range of asset classes and climate themes, including transition and solutions. In 2026, we will continue to develop our climate strategy to ensure we effectively support clients in delivering on their investment objectives and climate preferences, while remaining aligned with our ambition to achieve net zero financed emissions by 2050. HSBC Asset Management's financed emissions intensity target covers scope 1 and 2 GHG emissions of investee companies only. Scope 3 emissions have not been included at this stage, due to limitations in data quality and availability at the time the target was established. We continue to monitor developments and improvements in scope 3 data.</p>

1. Derivatives are not included in the calculation of Principal Adverse Impact metrics due to data limitations, but are considered for eligibility and coverage calculations. Further information on the PAI calculation methodology are available on our website.
2. The target remains subject to consultation with stakeholders including investors and fund boards on whose behalf it manages the assets. The 58% reduction target is based on assumptions for financial markets and other data, including the IEA's 2021 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/M\$ invested), where emissions are scaled by enterprise values including cash.

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Adverse sustainability indicator	Metric	Impact ¹	Impact ¹ Explanation	Actions taken, and actions planned and targets set for the next reference period
		(year 2025)	(year 2024)	
	Scope 2 GHG Emissions - Metric tons CO2 equivalents	843,600.77	<p>827,632.28 Eligibility = 66.05% Coverage = 53.62% Data Vendor = S&P Trucost and Bloomberg</p> <p>Scope 2 comprises company's indirect GHG emissions (in tonnes of CO2 equivalent) from purchased or acquired electricity, steam, heat and cooling necessary to manufacture the product. Within the framework of SFDR, GHG Emissions refer to 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 2 divided by enterprise value, multiplied by investment for all investee companies. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric.</p> <p>Data limitation: GHG Emissions - Scope 2 data are primarily based on company disclosures or estimated by S&P Trucost in the absence of company reports. There is not 100% coverage for these metrics. While our data provider S&P Trucost endeavors to provide full coverage for the entire universe of possible holdings, there are sometimes gaps due to companies not reporting emissions and it is not appropriate to estimate on reported emissions for niche asset classes or sub-industries. There is a further potential gap when our holding is at the subsidiary level and emissions are only reported at the level of the parent company and not distributable to the subsidiary.</p> <p>This PAI is measured in tonnes of CO2 equivalents and cover the full spectrum of GHG emissions and not only CO2. Hence, we consider it as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.</p>	See above
	Scope 3 GHG Emissions - Metric tons CO2 equivalents	37,069,070.26	<p>34,525,550.71 Eligibility =66.05% Coverage = 53.62% Data Vendor: S&P Trucost and Bloomberg</p> <p>GHG emissions - Scope 3, defined as all other indirect emissions (not included in scope 1 and 2) that are generated throughout a company's value chain, can often be the largest source of emissions for companies. 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. This PAI accounts for both upstream and downstream activities included in GHG emissions - scope 3 categories.</p> <p>Within the framework of SFDR, GHG Emissions refer to 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 3 divided by enterprise value including cash (EVIC), multiplied by investment for all investee companies. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric.</p> <p>Data limitation: Scope 1 and 2 carbon are more directly under the control of the individual companies we invest in, whereas scope 3 estimates are more an estimation of a company's interaction and the resulting GHG emissions of upstream stakeholders. Due to a lack of reported information, it is a great challenge to estimate and quantify company scope 3 emissions.</p> <p>It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.</p>	See above

Adverse sustainability indicator	Metric	Impact ¹	Impact ¹ Explanation	Actions taken, and actions planned and targets set for the next reference period
		(year 2025)	(year 2024)	
	Total GHG Emissions - Metric tons CO2 equivalents	41,267,326.06	38,703,908.15 Eligibility = 66.05% Coverage = 53.62% Data Vendor: S&P Trucost and Bloomberg Total GHG Emissions (Scope 1, 2 & 3) are commonly referred to as 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its GHG emissions. It is the sum of the GHG absolute emissions (Scope 1, 2 & 3) divided by enterprise value, multiplied by investment. GHG emissions are primarily based on company disclosures or estimated by S&P Trucost in the absence of company reports. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric. Data limitation: Lack of coverage of GHG emissions - Scope 3 and some niche asset classes (such as Small Caps, High Yield, Frontier or Emerging Markets issuers). These gaps are due to companies not reporting emissions, and it is not appropriate to estimate non-reported emissions for niche asset classes or subindustries. Scope 3 emissions cover both upstream and downstream emissions. This PAI is measured in tonnes of CO2 equivalents and cover the full spectrum of GHG emissions and not only carbon. Hence, we consider it as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	See above
2. Carbon Footprint	Carbon Footprint - Metric tons of CO2 per million of euros (EV)	359.86	364.34 Eligibility = 66.05% Coverage = 53.81% Data Vendor: S&P Trucost and Bloomberg This PAI is the sum of all financed emissions (scope 1, 2 and 3) divided by the total value of investments. Scope 3 emissions cover both upstream and downstream emissions. Data limitation: Carbon emissions (Scope 1, 2 & 3) are primarily based on company carbon disclosures or estimated by S&P Trucost in the absence of company reports. It is worth noting the lack of coverage of scope 3 Carbon emissions and some niche asset classes (such as Small Caps, High Yield, Frontier or Emerging Markets issuers). These gaps are due to companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. As a result, the calculation of this PAI indicator is based solely on the proportion of covered assets invested in companies with available data, rather than on the entirety of assets under management. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	See above
3. GHG Intensity of investee companies	GHG intensity of investee companies - Tons of CO2 equivalents per million of euros of revenue	2,135.61	1,237.42 Eligibility =66.05% Coverage = 51.68% Data Vendor: S&P Trucost 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. Scope 3 emissions cover both upstream and downstream emissions. Data limitation: GHG intensity are primary based on company GHG emissions (Scope 1, 2 & 3) disclosures, or estimated by S&P Trucost in the absence of company reports. The lack of coverage of scope 3 and niche asset classes (Small Caps, High Yield, Frontier or Emerging Markets issuers) are due to companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. As a result, the calculation of this PAI indicator is based solely on the proportion of covered assets invested in companies with available data, rather than on the entirety of assets under management. This PAI is measured in tonnes of CO2 per million euros of revenue equivalents and cover the full spectrum of GHG emissions and not only CO2. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	See above

Adverse sustainability indicator	Metric	Impact ¹	Impact ¹	Explanation	Actions taken, and actions planned and targets set for the next reference period
		(year 2025)	(year 2024)		
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	4.10%	8.30%	<p>Eligibility = 66.05% Coverage = 60.54% Data Vendor: Sustainalytics</p> <p>For this PAI, the selection of data points provided by Sustainalytics cover the full spectrum of fossil fuel involvements of companies determined on their revenues analysis. Hence, we consider this metric to be an exact fit to the PAI definition. It's important to note that we decided to consider 0 Fossil Fuel share for some internally approved green bonds issued by companies operating in the fossil fuel sector based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management.</p>	<p>We have a policy to phase-out from thermal coal-fired power and thermal coal mining (collectively 'thermal coal') by the end of 2030 in EU / OECD markets and by the end of 2040 in all markets within our actively managed portfolios. Under the policy, we engage with companies with more than 10 per cent revenue exposure to thermal and/or metallurgical coal, prioritizing those in which we have the highest exposure. Under our energy policy, we will engage with and assess transition plans of listed issuers responsible for around 70 per cent of relevant emissions. We have commenced engagement with oil and gas, and power and utilities companies in this group, and will continue to have conversations with these companies as they transition.</p> <p>Additionally, as part of our climate change stewardship priorities, our Stewardship Plan includes a spotlight on methane emissions. Methane is a significant contributor to global warming, with the fossil fuel sector producing more than 35% of methane emissions caused by human activities. To align with the IEA's Net Zero by 2050 scenario, emissions must decrease by 75% by 2030, and the IEA estimates that 30% of methane emissions can be avoided at no net cost for the fossil fuel sector. Reducing methane emissions in coal mining and the oil and gas sectors presents the largest and most immediate opportunity, as methane is released during coal extraction and from leaks, venting and flaring in oil and gas operations, leading to inefficiencies and financial losses. We encourage companies in these sectors to actively reduce methane emissions by measuring and transparently reporting them, setting reduction strategies with clear targets, and participating in initiatives like the Oil and Gas Methane Partnership (OGMP) 2.0. Investors can facilitate transformation by engaging with companies, supporting policy development, and refining assessment methodologies. Addressing methane emissions is both a regulatory necessity and an opportunity to enhance operational efficiency and financial performance. By meeting these expectations, companies can demonstrate leadership in methane management, mitigate regulatory and market risks, and contribute to global climate goals, ultimately protecting and enhancing long-term investor returns.</p>
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production	67.27%	72.75%	<p>Eligibility = 66.05% Coverage = 30.30% Data vendor: Bloomberg</p> <p>This PAI represents the percentage of the company's total energy consumption and production that is generated using non-renewable sources in the reporting year. This data is taken as reported by the company.</p> <p>To calculate the reported shares, the percentages as directly reported by companies are considered, or a calculation is made based on company disclosure on total energy consumption and production and related non-renewable share. Bloomberg do not use estimation models to cover this PAI.</p> <p>Data limitation: Despite a larger research universe, only a small number of companies are disclosing the metric, but we can expect this limitation to ease in the future.</p>	<p>Our thermal coal policy commits actively managed portfolios to phase-out thermal coal by the end of 2030 in EU / OECD markets and by the end of 2040 in all markets. Under our energy policy, we will engage with and assess transition plans of listed issuers responsible for around 70 per cent of relevant emissions. We have commenced engagement with oil and gas, and power and utilities companies in this group, and will continue to have conversations with these companies as they transition.</p>
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector - GWh per million of euros of revenue	0.62	0.36	<p>Eligibility = 66.05% Coverage = 22.28% Data vendor: Bloomberg</p> <p>This data is taken as reported by the company. Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sectors based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities. Data limitation: Despite a larger research universe, only a small number of companies are disclosing the metric, but we can expect this limitation to ease in the future</p>	<p>Climate change was a key engagement theme during 2025 and remains a priority, as set out in our 2026 Stewardship Plan. Under this theme, our engagement activities focused on issuers' strategy and governance, risk management and disclosure, just transition considerations, and adaptation/physical risks, particularly where we identified significant risk exposure. In line with our Global Voting Guidelines, we may also hold boards accountable - including through votes against relevant directors where issuers, including those in oil and gas and power and utilities, show shortcomings in climate oversight, transition planning, or the quality of climate-related disclosure.</p> <p>Our stewardship and due diligence activities are informed by our ESG Materiality Framework and are broadly aligned with the climate-related PAIs used in our ESG due diligence (notably PAIs 1-6, covering GHG emissions, fossil fuels exposure, renewables and energy consumption). Where climate-related PAI thresholds are breached, we do not rely solely on the external signal: RI research applies our ESG Due Diligence (EDD) governance when third party data is missing, incomplete or disputed, and complements this with a forward-looking climate assessment for the most exposed issuers. For these issuers, we then conduct a NZIF 2.0 aligned review (targets, transition plan, governance, progress) to confirm whether it reflects a genuinely material climate risk, supporting consistent DNSH conclusions and helping prioritize issuers for further dialogue and monitoring where appropriate.</p>

Adverse sustainability indicator		Metric	Impact ¹ (year 2025)	Impact ¹ Explanation (year 2024)	Actions taken, and actions planned and targets set for the next reference period
Biodiversity	7. 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	-0.01	-2.65 Eligibility = 66.05% Coverage = 13.85% Data vendor: Iceberg Data Lab We use an approximation of the "Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where related-activities negatively affect those areas" due to the challenge of gathering a mapping of investee companies with sites/operations located in or near to biodiversity sensitive areas. An assessment of companies' activities located in or near to biodiversity sensitive areas would require a spatial approach which is not yet disclosed by companies and available to investors. In this context, we use an approximation to assess the most material biodiversity impacts of companies. We rely on the Iceberg Data Lab methodology which estimates all the material biodiversity impacts, calculated and supported by robust scientific frameworks (damage functions, pressure factors), and translated into the Corporate Biodiversity Footprint (CBF) indicator which reflects the annual biodiversity footprint of a company, expressed in the Km ² .MSA unit. The « Mean Species Abundance » (MSA) is a biodiversity metric expressing the average relative abundance of native species in an ecosystem compared to their abundance in an ecosystem undisturbed. For PAI 7, we use the weighted sum of CBF intensity for companies that operate within high-impact sectors as defined by the Finance for Biodiversity Pledge. These high-impact sectors include those with the greatest impact on biodiversity, such as Food, Oil & Gas, Chemicals, Metals & Mining etc. By definition, this is a negative value: the corporate biodiversity footprint intensity corresponds to a certain value per million euros invested per year. This implies that a one million euro invested results to a mean loss of a certain CBF value per Km ² .MSA over annual period. Data limitation: There are methodological bias and limits to the Corporate Biodiversity Footprint (CBF) methodology, the most important being that the CBF covers only terrestrial biodiversity and partially marine biodiversity, which are in the scope of many inventories, reviews, and damage functions. In addition, some pressure factors such as Invasive species are not modelled yet, due to the lack of robust models but will be developed over time. It is worth noting that, as of today, only a low fraction of companies is disclosing the metric or information that is requested by the PAI 7, but we expect this limitation to ease in the future as some companies are increasingly interested in natural capital accounting to mitigate their impacts and measure their risks. Considering the approximation made and data limitation, this PAI is a Partial Fit of the definition.	<p>We recognise that nature and biodiversity issues can present risks and opportunities for companies, which could have a material effect on a company's risk profile and financial performance over various investment time horizons. We seek to:</p> <ul style="list-style-type: none"> • collaborate and share knowledge on biodiversity • engage with investee companies on reducing negative and increasing positive biodiversity impacts • assess investments for significant positive and negative biodiversity impacts • report on progress <p>We participate in industry initiatives on biodiversity and nature-related topics. Our lead entity, HSBC Global Asset Management Ltd is a signatory to the Finance for Biodiversity Pledge. As part of its participation during 2025, the global Responsible Investment team contributed to various working groups and outputs for the initiative, including contributing to the publication "Nature Target Setting Framework for Asset Managers and Asset Owners." HSBC Asset Management is also a member of the United Nations PRI's Nature Reference Group, which aims to strengthen investors' capacity to address the loss of biodiversity and natural heritage by providing a forum for signatories to improve their knowledge of nature-related impacts, dependencies, risks and opportunities.</p> <p>Bioeconomy and natural capital were key engagement themes during 2025, and remains a priority, as outlined in our 2026 Stewardship Plan. We recognise that biodiversity and nature encompass a broad range of topics and that practices continue to evolve in this space. As part of our engagements with companies, we highlight good practices and encourage priority companies, where bioeconomy and natural capital are relevant issues, to work towards these. As part of this we also consider sector and industry specific actions. Our engagements focus on key areas, including (but not limited to) deforestation, agricultural practices (such as regenerative agriculture), responsible husbandry (including animal welfare and mitigating antimicrobial resistance), the overexploitation of natural resources, pollution (air, water, land), and promoting the circular economy.</p> <p>We also participate in collaborative engagements through investor networks that can help facilitate and strengthen engagements with companies. We are a member of the Nature Action 100 collaborative engagement initiative, which engages with companies in sectors deemed systemically important in reversing nature and biodiversity loss by 2030. We are also a member of the Farm Animal Investment Risk & Return (FAIRR), which raises awareness of the major risks and opportunities in the global food sector.</p> <p>HSBC Asset Management's voting policy outlines our approach to voting in this area. At the 2025 Annual General Meetings, HSBC Asset Management voted against 6 directors on bioeconomy and nature-related risks in our sustainable funds and supported around 30 bioeconomy and nature-related shareholder proposals.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average - Thousands of Metric tons per million of euros invested	5.50	7.04 Eligibility = 66.05% Coverage = 2.38% Data vendor: Bloomberg We consider the amount of discharges to water that influence the biophysical or chemical quality of the water, in thousands of metric tonnes per million of euros invested. The following pollutants are considered for the purpose of this metric: direct nitrates, direct phosphate emissions, direct pesticides emissions, direct emissions of priority substances (i.e., heavy metals, loads of organic pollutant parameters such as biochemical oxygen demand (BOD) and chemical oxygen demand (COD), nitrogen and phosphorus compounds, soluble salts, and suspended solids). We consider this metric to be an exact fit to the PAI definition as provided by the regulator given the correspondence of covered substances. Bloomberg do not use estimation models to cover this PAI. Data limitation: At least in the beginning, we can expect a highly heterogeneous disclosure with most companies only including a subset of this metric in their reporting.	<p>As part of our investment process within the SFDR DNSH / PAI framework and broader ESG risk monitoring, we use third-party ESG data for this indicator.</p> <p>For 2025, our engagement themes were mapped to the sustainability issues identified in our ESG Materiality Framework, as set out in our 2025 Stewardship Plan. The ESG Materiality Framework is overseen through our Virtual Sector Teams (VSTs) and is developed by investment team sector specialists in collaboration with the Responsible Investment team who have identified relevant issues for key sectors and industries. Within this approach, this PAI was mapped to our Bioeconomy and Natural Capital theme and monitored as part of our annual assessment. These indicators helped inform our review of potential adverse impacts and, where relevant, support prioritization of further analysis and issuer dialogue.</p>
Waste	9. 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 - Thousands of Metric tons per million of euros invested	4.54	3.28 Eligibility = 66.05% Coverage = 13.93% Data vendor: Bloomberg Hazardous Waste Ratio is measured in tonnes of hazardous waste generated by a company. Following the EU definition, the datapoints include both hazardous and radioactive waste as reported by companies. We consider this metric to be an exact fit to the PAI definition as provided by the regulator given the correspondence of covered substances. Bloomberg do not use estimation models to cover this PAI. 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.	<p>As part of our investment process within the SFDR DNSH / PAI framework and broader ESG risk monitoring, we use third-party ESG data for this indicator.</p> <p>For 2025, our engagement themes were mapped to the sustainability issues identified in our ESG Materiality Framework, as set out in our 2025 Stewardship Plan. The ESG Materiality Framework is overseen through our Virtual Sector Teams (VSTs) and is developed by investment team sector specialists in collaboration with the Responsible Investment team who have identified relevant issues for key sectors and industries. Within this approach, this PAI was mapped to our Bioeconomy and Natural Capital theme and monitored as part of our annual assessment. These indicators helped inform our review of potential adverse impacts and, where relevant, supported prioritization of further analysis and issuer dialogue.</p>

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator	Metric	Impact ¹ (year 2025)	Impact ¹ Explanation (year 2024)	Actions taken, and actions planned and targets set for the next reference period	
Social and employee matters	10. 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	0.59%	1.34% Eligibility = 66.05% Coverage = 60.85% Data Vendor: Sustainalytics We rely on Sustainalytics to assess UN Global Compact Principles and OECD Guidelines, i.e., companies in open violation of UN Global Compact Principles, get counted under this PAI. Conversely, companies flagged as Watchlist are regarded to be closely monitored but not yet in open contravention of the principles which we interpret the regulation to require. Given the scope of the principles and standards covered, we consider this datapoint to be an exact fit to the PAI definition. Data Limitation: In some cases, we cannot always guarantee the data accuracy, timeliness or completeness provided by the vendor. Where necessary, we investigate to verify the accuracy of the violations before a decision is made to action. In situations where we disagree with the vendor's assessments, we add our proprietary research and conclusions for the exclusionary screens committed.	<p>HSBC Asset Management uses available data to monitor controversies that could represent breaches of UN Global Compact (UNGC) principles and other international standards, including those linked to human rights. This third-party monitoring may prompt due diligence on issuers of listed securities held in actively managed fundamental equity and fixed-income sustainable portfolios in HSBC Asset Management's major investment hubs. The findings of the due diligence are reviewed within its investment governance structures.</p> <p>HSBC Asset Management's Stewardship Plan includes its engagement approach on human rights, which acts as a reference to good practices for its engagement with priority companies where human rights is a relevant issue. Its Global Voting Guidelines provide an overview of its approach to exercising its shareholder rights in respect of relevant sustainability issues, including human rights and workforce concerns.</p>
	11. 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	2.74%	0.46% Eligibility = 66.05% Coverage = 48.43% Data Vendor: Bloomberg 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 (MNE's). PAI 11 considers several raw data points disclosed from companies and publicly sourced data: Industry Org Membership - Labour Rights, Employee Freedom of Association Policy, ILO Labour Standards, OECD Guidelines for MNE's, Modern Slavery Act Statement, Forced Labour Policy, Child Labour Policy and Un Global Compact Signatory. If any of the above fields are 'Yes' the company is considered to have a process for monitoring UNGC principles and OECD Guidelines for MNE's. Data limitation: This metric is an interpretation of the principles and guidelines in question based on Bloomberg own methodology and the underlying data as provided by the company itself or sourced from publicly available sources. Actual results may therefore vary. This metric constitutes neither nor replace any legal opinion, legal assessment, legal advice, or other expert statement on the existence of a violation.	<p>HSBC Asset Management uses available data to monitor controversies that could represent breaches of UN Global Compact (UNGC) principles and other international standards, including those linked to human rights. This third-party monitoring may prompt due diligence on issuers of listed securities held in actively managed fundamental equity and fixed-income sustainable portfolios in HSBC Asset Management's major investment hubs. The findings of the due diligence are reviewed within its investment governance structures.</p> <p>HSBC Asset Management's Stewardship Plan includes its engagement approach on human rights, which acts as a reference to good practices for its engagement with priority companies where human rights is a relevant issue. Its Global Voting Guidelines provide an overview of its approach to exercising its shareholder rights in respect of relevant sustainability issues, including human rights and workforce concerns.</p>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	22.22%	24.75% Eligibility = 66.05% Coverage = 36.46% Data Vendor: Bloomberg The average unadjusted gender pay gap of investee companies is the difference expressed between the average (mean or median) earnings of men and women including management across a workforce, irrespective of worker characteristics or job title. The unadjusted analysis offers a holistic view for assessing potential pay disparity as it considers the distribution of employees across all jobs. The analysis is unaffected by differences such as level and job title, which may themselves be a result of discrimination. It can reveal, for example, gaps in the representation of women in senior-level roles. We use the percentage gender pay gap for total employees including management for the company. This Percentage represents female earnings in relation to its male counterparts. We consider this metric to be an exact fit to this PAI definition. Data limitation: Only a small proportion of companies disclose gender pay gap data, and not all disclosures are the same, but we expect these limitations to be eased in the future.	<p>In the 2026 Stewardship Plan, HSBC AM's Social Opportunities theme focuses on how companies manage and create value through their people and products or services. It covers four key engagement topics: working conditions, inclusion and belonging, fair reward, and access and affordability.</p> <p>In the Global Voting Guidelines (Mar 2026) under Shareholder Resolutions – Social resolutions: HSBC AM may also support resolutions relating to talent and opportunity topics, such as those addressing health and safety, sick pay, labour rights, living wage provision, and reporting on gender and ethnicity pay gaps in markets where it is possible.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	35.03%	33.86% Eligibility = 66.05% Coverage = 59.28% Data Vendor: Bloomberg Percentage of women on the Board of Directors, as reported by the company. Europe: Where the company has a Supervisory Board and a Management Board, this is the Percentage of Women on the Supervisory Board. This data is annualized, based on the reporting year. We consider this metric is an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PAI.	HSBC AM's Global Voting Guidelines cover board gender diversity as part of broader board diversity expectations, and the Stewardship Plan aligns with this through its focus on governance and accountability in engagement. We generally vote against the re-election of the nomination committee chair of companies where there is insufficient diversity on board, taking into consideration cultural and historical differences and local market practices, and in compliance with applicable laws and regulations as an escalation options.

Adverse sustainability indicator	Metric	Impact ¹	Impact ¹ Explanation	Actions taken, and actions planned and targets set for the next reference period
		(year 2025)	(year 2024)	
14. 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	0.03%	0.03% Eligibility = 66.05% Coverage = 0.73% Data Vendor: ISS ESG We rely on ISS ESG to screen out companies with strong indications of involvement in the production or distribution of anti-personnel mines, cluster munitions, chemical weapons, and biological weapons. Based on ISS, coverage of the investment universe in this PAI assumes coverage is equivalent to eligibility. Data limitation: Involvement in some weapon categories like biological and chemical weapons, blinding lasers, not detectable fragments remain at best patchy. But there is no alternative as of now. It is worth noting that chemical and biological weapons cases are very unusual and have tended to be made by state owned or private companies. During the reporting period, the coverage calculation was updated, resulting in a decreased coverage due to the methodology change. Nevertheless, we consider this metric to be an exact fit to this PAI definition.	HSBC Asset Management excludes securities and other assets from its own manufactured active, systematic and index portfolios that have been issued by corporations with verified involvement or with strong indication of involvement in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of weapons banned by certain international conventions. We have considered the following weapons to be banned by the following international conventions: Anti-Personnel Mines, Biological weapons, Blinding laser weapons, Chemical weapon, Cluster munitions, non-detectable fragments, This exclusion covers listed and non-listed equity and corporate fixed income issuers currently assessed as involved in these banned weapons or issuers for which there are strong indications of involvement in these weapons or their key components. Past involvement in these weapons is not covered. Involvement may be direct or as a parent company (>10% ownership for listed companies or over 20% ownership for nonlisted companies). Exclusions do not apply to issuers with an ownership stake of less than 10% in the business exposed to the activity. We note that whilst the Convention on Certain Conventional Weapons, Protocol III on Prohibitions or Restrictions on the Use of Incendiary Weapons, regulates the use of incendiary weapons, these are not banned under the Convention.

Indicators applicable to investments in sovereigns and supranationals

Environmental	15. GHG intensity	GHG intensity of investee countries Metric in kilo tons per unit of GDP (in millions of euros)	311.77	319.14 Eligibility = 18.96% Coverage = 14.99% Data Vendor: S&P Trucost This metric is measured as the level of GHG territorial emissions (measured in kilo tonnes, Ktonnes) per unit of GDP (in millions of euros, M€). GHG Emissions are associated with any aspect of an economy's activity and includes territorial emissions (domestic + exported) and emissions embedded in its imports. GDP used is the purchasing power parity (ppp) GDP. Data for the GDP of invested countries is obtained from the IMF (public source) while carbon emissions are sourced from S&P Trucost. Intensities are then computed as a simple ratio between emissions and GDP for the latest year available. Data limitation: We consider this metric to be a partial fit as we exclude "Land use, land-use change and forestry" (LULUCF) from GHG territorial emissions accounting, given the uncertainty of the numbers. LULUCF is an important category accounting for GHG emissions within the United Nations Framework Convention on Climate Change (UNFCCC). The LULUCF sector covers emissions and removals of greenhouse gases resulting from direct human induced land use, land-use change and forestry activities. Carbon is sequestered by forestry and grassland, while carbon losses occur on existing cropland and natural land (e.g., grassland) that is converted to cropland or settlement. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds issued by sovereigns. These sovereign Green bonds are regarded as owing to their explicit commitment to finance projects with environmental benefits based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	Data on the emissions related to sovereign issuers are included in our third party ESG data available for inclusion in our investment process. The Sovereign Virtual Sector Team (VST) assessed this data to be included in our upcoming ESG proprietary scoring for Sovereigns issuers which was designed in 2025. A custom methodology was designed to assess sustainable Sovereign bonds two years ago including green and social bonds. The rationale behind assessing a country's positive contribution to sustainability is based either on the SDG performance of countries or on their positive contribution to climate change mitigation. The pillar of Climate Mitigation holds significant importance for us. Therefore, in our assessment, we give a high degree of importance to a country's positive contribution to climate change mitigation. By focusing on Climate Mitigation, we aim to encourage and support those countries that are making substantial efforts to reduce their carbon footprint and contribute positively to the global climate change mitigation. Do No Significant Harm principles encompass HSBC Sanctions, Corruption, as well as GHG emissions intensity per capita for Environmental harm, and the Human Development Index minimal ranking for the social ones.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0	0 Eligibility = 18.96% Coverage = 14.96% Data Vendor: Sustainalytics We rely on Sustainalytics' country risk analysis which includes social risks such as civil or transnational conflict, state repression, violent crime, and labour rights/discrimination. Sustainalytics captures the most controversial social-related events in which a country is involved in that are interpreted to potentially affect the prosperity and economic development of a country and its ability to manage its wealth in an effective and sustainable manner. At the event level, the overall impact on stakeholders and the environment gets evaluated based on the Incidents' Severity Scores as well as the risk to a country's Human Capital. The impacts of an incident, get summarized in a Severity Score, which measures the Depth (the degree of impact), Breadth (how widespread the impact is) and Duration (what the duration is likely to be) of an Incident. We consider and report only the most severe events (category 5) to constitute Social Violations in the spirit of the regulation. Data points provided by Sustainalytics are considered as an exact fit to this PAI's requirements.	We use third-party ESG data covering sovereign issuers to support our investment process. The Sovereign Virtual Sector Team (VST) has assessed the dataset's social indicators for inclusion into our proprietary ESG scoring framework for sovereign issuers, which was developed in 2025. We have a bespoke methodology to assess sustainable sovereign bonds, including social bonds. Within the Social pillar, we focus on identifying investee countries that may be exposed to potential social violations by applying a "Do No Significant Harm" screening approach. This includes applying relevant HSBC sanctions and anti-corruption considerations, alongside minimum eligibility thresholds based on social development indicators (for example, requiring a minimum Human Development Index ranking).

Adverse sustainability indicator	Metric	Impact ¹	Impact ¹ Explanation	Actions taken, and actions planned and targets set for the next reference period
		(year 2025)	(year 2024)	
	Number of investee countries subject to social violations (relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.00%	0.00% See above	See above

Indicators applicable to investments in real estate assets

Fossil fuels	17. 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	NA	Eligibility 0%. We do not have any eligible assets for this PAI	N/A - Due to the lack of data coverage, PAIs could not be calculated for portfolio/funds in the Alternatives investment sector (i.e., private equity, private debt, real estate & infrastructure).
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NA	Eligibility 0%. We do not have any eligible assets for this PAI	N/A - Due to the lack of data coverage, PAIs could not be calculated for portfolio/funds in the Alternatives investment sector (i.e., private equity, private debt, real estate & infrastructure).

Other indicators for principal adverse impacts on sustainability factors

Table 2

Additional climate and other environment-related indicators

Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact ¹	Impact ¹ Explanation	Actions taken, and actions planned and targets set for the next reference period
			(year 2025)	(year 2024)	

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Emissions	4. 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	7.43%	32.18% Eligibility = 66.05% Coverage = 59.52% Data vendor: Bloomberg Indicates whether the company is lacking carbon emissions reduction initiatives aimed at aligning with the Paris Agreement. The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2 Degrees Celsius and pursuing efforts to limit it to 1.5 Degrees Celsius. Data limitation: By now, only a fraction of companies has committed to carbon emission reduction initiatives, but we can expect this proportion to increase in the future. We consider this metric is an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PA	As part of our engagement with priority companies, where climate change is a relevant issue, we highlight good practices such as setting a climate strategy including decarbonization and emissions reduction plans. As outlined in our 2026 Stewardship Plan, we encourage companies to: <ul style="list-style-type: none"> Set a net zero ambition from the company that covers all material areas of business and operations, aligned with the objectives of the Paris Agreement. Develop clear short and medium-term emission reduction targets, for scope 1, scope 2 and material scope 3 emissions. Set out sector-based decarbonization strategies supporting the achievement of the company's net zero target, including climate solutions and objectives to grow green revenue. Set out capital expenditure plans to support the company's climate targets and objectives. For companies covered under our Coal or Energy policies, set out a credible transition plan. As part of our research and due diligence, we consider Principal Adverse Impact (PAI) indicators as a structured way to identify and monitor potential negative sustainability impacts associated with issuers. PAIs help inform our stewardship priorities, risk assessment, and—where relevant—our sustainable investment due diligence. Due to a methodology change in the reporting period, a reduction in the reported figure is as expected. Further details of this methodology change are available upon request.
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1. Derivatives are not included in the calculation of Principal Adverse Impact metrics due to data limitations, but are considered for eligibility and coverage calculations. Further information on the PAI calculation methodology are available on our website.

Table 3

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

Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact ¹ (year 2025)	Impact ¹ Explanation (year 2024)	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					
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	1.76%	53.24% Eligibility = 66.05% Coverage = 53.03% Data Vendor: Bloomberg This PAI is disclosing the investments in companies which lack a certain Human Rights policy or programme. Data limitation: By now, only a fraction of companies publishes a human right policy, but we can expect this proportion to increase in the future. We consider this metric to be an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PAI	HSBC Asset Management uses available data to monitor controversies that could represent breaches of UN Global Compact (UNGC) principles and other international standards, including those linked to human rights. This third-party monitoring may prompt due diligence on issuers of listed securities held in actively managed fundamental equity and fixed-income sustainable portfolios in HSBC Asset Management's major investment hubs. The findings of the due diligence are reviewed within its investment governance structures. We may also address human-rights related concerns through stewardship engagement under our Human Rights theme with escalation options including dialogue with senior management and/or the board and, for listed equities, potential voting consequences. HSBC AM may vote against the re-election of a relevant director where there's a potential breach of UN Global Compact principles or an inadequate response to a significant controversy, and may also vote against directors if a company hasn't taken appropriate steps to address risks including human rights. Due to a methodology change in the reporting period, a reduction in the reported figure is as expected. Further details of this methodology change are available upon request.

Description of policies to identify and prioritize principal adverse impacts on sustainability factors

We recognise that sustainability issues such as climate change, nature and biodiversity loss, and human rights may have a material effect on the risk profile and financial performance of companies and countries over various investment time horizons. Therefore, as part of our overall investment process, our investment teams seek to assess significant sustainability risks where applicable, amongst other risks, which may impact on the value of our clients' investments. We are increasingly incorporating sustainability issues into our investment analysis and decision-making processes to better assess risks and deliver investment performance for our clients. Where a product considers principal adverse impacts on sustainability factors, their prioritization depends on the sustainable objectives or E and S characteristics of the product.

Our global responsible investing policies have been developed to guide our investment and engagement activities. These policies are reviewed and updated over time to reflect evolving global norms, regulatory developments, and client preferences. Oversight of the application of policies is part of our governance and risk framework. Adoption of policies includes formal governance committees at global and local business levels. Implementation may be led at asset class level, supported by other investment and business functions.

The implementation of our policies draws upon a range of third-party data to incorporate relevant sustainability issues into our investment process and assessment of principal adverse impacts. Third-party data providers include MSCI, ISS, S&P Trucost, Bloomberg, Iceberg Data Lab and Sustainalytics. We recognise that data reliability and availability may vary across impact indicators and regions.

We also leverage our global investment analyst network and engagement activities to inform our evaluation of the risks of adverse impact in our investment. Insights gathered through our stewardship activities and internal research are both complemented and informed by external research and data providers. We use information from these external service providers to support our sustainability due diligence process, including data on climate (PAIs 1-6), biodiversity (PAI 7), banned weapons (PAI 14) and UNGC Principles (PAIs 10,11). Where appropriate, relevant data are integrated into our investment decision-making tools. Our selected indicators for identifying and assessing PAIs are aligned to the data sources used in our investment processes and/or the data available to market participants in a consistent and comparable format, with sufficiently broad coverage.

Below is a summary of our current policies. For further details on the application of specific policies, please refer to the policy section of our website.

Responsible Investment Policy (December 2025)

Our Responsible Investment Policy sets out our approach to responsible investment and details how we implement some of our responsible investment policies to support our clients' investment objectives. The policy details our key sustainability considerations, including UN Global Compact principles, banned weapons, biodiversity and nature, climate change, and human rights.

Thermal Coal Policy (November 2025)

We have a policy to phase-out from thermal coal-fired power and thermal coal mining (collectively 'thermal coal') by the end of 2030 in EU / OECD markets and by the end of 2040 in all markets within our actively managed portfolios. Under the policy, we engage with companies with more than 10 per cent revenue exposure to thermal and/or metallurgical coal, prioritizing those in which we have the highest exposure.

Energy Policy (November 2025)

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

Banned Weapons Policy (December 2025)

Under our banned weapons policy, and subject to compliance with applicable laws and regulations, we exclude securities and other assets from our own manufactured active, systematic and index portfolios that have been issued by corporations with verified involvement or with strong indication of involvement in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of weapons banned by certain international conventions.

Engagement policies

At HSBC AM, we recognise that sustainability matters may have an effect on the value of our clients' investments. As a powerful tool to mitigate risk and enhance the value of companies we invest in, our stewardship activities play an important role in our investment processes. Engagement, whether through direct discussions with companies or engagement with other stakeholders, is integral to providing valuable insights into more informed investment decision-making and promoting value for our clients. Exercising voting rights at company meetings and engaging around shareholder meetings are core parts of our stewardship activities.

Stewardship Plan and Policy

Our Stewardship Plan provides an overview of our stewardship philosophy, governance, and overall approach. In the plan, we set out relevant engagement themes and our general expectations of companies under each theme. We review our engagement themes annually to reflect evolving standards and expectations from clients, regulators, and stakeholders.

In developing our themes, we focus on issues with the potential for financial impact on investee and portfolio performance and value creation, while also considering emerging risks. Our investment team sector specialists in collaboration with our responsible investment team, have identified relevant issues for key sectors and industries. Our engagement themes also link to indicators we use to assess whether companies can be held by funds in our sustainable investment product range, including PAI indicators – covering GHG emissions, fossil fuels exposure, renewables and energy consumption (PAIs 1-6); climate strategy (optional environmental PAI 4); bioeconomy and natural capital (PAI 7-9); human rights and social opportunities (PAIs 10-13),

In addition to the Stewardship Plan, we also publish a Stewardship Policy which outlines our approach to engagement and voting.

Global Voting Guidelines

Our Global Voting Guidelines are a statement of our approach to voting on a range of issues, including the engagement themes outlined in our Stewardship Plan. Our annual review of the Guidelines starts with an analysis of votes during the year. This includes reviewing instances where we have overridden the guidelines for specific meeting proposals to understand whether this was due to company specific factors, or broader factors (e.g. regulations, market expectations) that should be reflected in an amendment to the guidelines. We review whether our expectations are set at the right levels or need adjusting, considering changes to local governance codes and policies in key markets and industry trends. We also analyse areas where our vote has differed from our proxy service provider's recommendations to understand whether they are capturing an issue which our guidelines have not included. This helps us identify potential blind spots in our own voting guidelines.

The Stewardship Plan complements our Stewardship Policy and Global Voting Guidelines, which are published separately on our website.

References to international standards

Our policies and standards draw on recognised international frameworks, including (but not limited to) those listed below:

Global Biodiversity Framework (relevant to PAI 7)

United Nations Global Compact (relevant to PAIs 10,11)

International Labour Organization's Labour Standards (relevant to PAIs 10,11)

United Nations Universal Declaration of Human Rights (relevant to PAIs 10,11,16)

United Nations Guiding Principles for Business and Human Rights (relevant to PAIs 10,11,16)

Paris Agreement (relevant to PAIs 1–6)

Forward looking climate scenarios:

Our parent entity's net zero ambition aligns us to a 1.5 degree objective as sought in the Agreement; indicators related to greenhouse gas emissions above are used to measure this alignment. Scenario analysis is currently applied at the portfolio level to assess investment risks and opportunities. We use two forward-looking climate metrics in relation to climate-related scenarios: Climate Value-at-Risk (VaR) and Implied Temperature Rise (ITR). These metrics provide additional investment insights that are made available to our investment teams. These are being integrated into our risk management process where the worst scoring corporate issuers may be subject to sustainability due diligence due to their heightened climate risk.

Climate VaR is a forward-looking climate risk metric which provides an assessment of both dimensions of climate change, transition risk and physical risk. It explores the impact on market value under different climate scenarios based on the company's current emission and product profile and considers the costs associated with transition to a low-carbon economy and costs associated with physical risks. To quantify the effects of climate change on our products, we use MSCI's Climate VaR model. The model estimates the present value of future transition costs and opportunities of each company through to 2050 and physical cost through to 2100 across each climate scenario. Our Climate VaR metrics only cover corporate bond and equity asset types. We have not included sovereigns as the methodology is still evolving to include the broader climate risks that are covered for equities and corporate bonds. It is important to note that these scenarios represent a range of end of the century projected global pathways, among a very large number of climate scenarios and potential outcomes. Measuring the risks and opportunities under these scenarios is only a guide to understanding the likely sensitivity of investments and should not be interpreted as a prediction of future investment value.

ITR, in contrast, does not factor in the costs associated with the transition to a low-carbon economy or physical risk. It takes a carbon budget perspective and measures the company's projected emissions, including consideration of company decarbonization commitment, compared to the budget allocated. The comparison gives understanding of how aligned the company or portfolio is aligned to the Paris Agreement to limit global warming to 1.5C in the year 2100 compared to pre-industrial levels. The MSCI Implied Temperature Rise (ITR), is a metric which indicates a portfolio's temperature alignment based on comparing the portfolio's attributed carbon budget and projected carbon emissions. Portfolios that exceed 2-C, are misaligned, because of its high financed overshoot of emissions will contribute to global warming.

Methodologies for climate scenario analysis are still developing and evolving. While we use Climate VaR and ITR as our precursors for this analysis, we recognise the frequent updates and methodology enhancement is ongoing. The current analysis focuses on corporate investees and provides a view on the climate risks that potentially impact company's valuations or investor preferences in investing in more net zero aligned assets.

Historical comparison

Direct comparison between the 2025 and 2024 figures can be made as per above columns titled 'Impact year 2025' and 'Impact year 2024'. Further comparisons 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.

Impact year 2022 data		Impact year 2023 data	
Table 1.		Table 1.	
PAI 1, Scope 1:	3,244,041.18	PAI 1, Scope 1:	2,836,716.71
PAI 1, Scope 2:	612,287.26	PAI 1, Scope 2:	671,876,.90
PAI 1, Scope 3:	2,730,677.49	PAI 1, Scope 3:	2,647,533.14
PAI 1, Total GHG Emissions:	6,587,005.93	PAI 1, Total GHG Emissions:	6,155,682.98
PAI 2:	53.97	PAI 2:	43.57
PAI 3:	299.17	PAI 3:	225.10
PAI 4:	3.22%	PAI 4:	2.71%
PAI 5:	N/A	PAI 5:	67.44%
PAI 6:	0.88	PAI 6:	1.03
PAI 7:	3.34%	PAI 7:	3.69%
PAI 8:	0.03	PAI 8:	0.00
PAI 9:	0.00	PAI 9:	7.67
PAI 10:	0.94%	PAI 10:	0.82%
PAI 11:	4.76%	PAI 11:	0.36%
PAI 12:	15.40%	PAI 12:	15.80%
PAI 13:	29.57%	PAI 13:	32.47%
PAI 14:	0.00%	PAI 14:	0.01%
PAI 15:	240.76	PAI 15:	347.61
PAI 16:	0.84%	PAI 16:	0.00%
PAI 17:	N/A	PAI 17:	N/A
PAI 18:	N/A	PAI 18:	N/A
Table 2.		Table 2.	
PAI 4:	39.89%	PAI 4:	29.52%
Table 3.		Table 3.	
PAI 9:	38.57%	PAI 9:	37.65%

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.

Version: 1

Data as at: 31.12.2025

Publishing date: 30.06.2026