Sustainability related disclosures pursuant to Article 10(1) of the Disclosure Regulation | HSBC Alternative Investments S.C.A. SICAV-RAIF – Sub-Fund I (Impact Basket)

The Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "**Disclosure Regulation**") aims at providing more transparency to investors on sustainability risk integration, on the consideration of adverse sustainability impacts in the investment processes and on the promotion of environmental, social and/or governance ("**ESG**") factors. In particular, it requires fund managers and advisers to disclose specific ESG-related information to investors on their websites.

1 Summary

HSBC Alternative Investments S.C.A. SICAV-RAIF – Sub-Fund I (Impact Basket) (the "**Sub-Fund**") is an impact fund that has the objective of making sustainable investments within the meaning of Art. 2 no. 17 of the Disclosure Regulation in the infrastructure and private equity sectors through the selection of target funds which also aim to make sustainable investments (the "**Target Funds**"). The selection of Target Funds is subject to extensive due diligence processes to evaluate the sound impact strategy and processes of Target Fund managers, including their management structures, employee relations, remuneration of staff and tax compliance, as well as their standards for Target Fund companies.

Although it is not possible to precisely define a given sustainable investment objective of the Sub-Fund due to its blind-pool strategy (as explained below under point 3), it can be reasonably expected that the Sub-Fund's portfolio of sustainable investments will have a focus on a number of the United Nations Sustainable Development Goals (SDGs), such as SDG 3 (good health and well-being), SDG 7 (affordable and clean energy), SDG 9 (industry, innovation and infrastructure, SDG 12 (responsible consumption and production) and SDG 13 (climate action). The Sub-Fund ensures that its investments do not significantly harm any of the Sub-Fund's sustainable investment objectives (for further details please refer to point 2 below). Further, although no specific index has been designated as a reference benchmark to meet the Sub-Fund's sustainable investment objective, the Sub-Fund monitors the attainment of its sustainable investment objective through annual meetings with the Target Funds and through the reports they are expected to provide to the Sub-Fund.

At least 90 % of the Sub-Fund's assets aim to be sustainable investments and not more than 10 % should be other investments. The 90 % threshold may, however, be (significantly) lower in case that the Sub-Fund and/or the Target Funds need to hold significant amounts of liquidity.

2 No significant harm to the sustainable investment objective

The Sub-Fund ensures that its investments do not significantly harm any of the Sub-Fund's sustainable investment objectives by primarily selecting Target Funds, that:

(i) contribute to those objectives. For instance, the selected Target Funds should set out an investment strategy that determines investments will be made with a clear view to achieve an impact objective alongside a financial return. While a Target Fund does not need to (but can) define a sustainable investment objective, such as reduction of GHG emissions in advance, it needs to define which sustainable investment objectives are in scope of the strategy;

(ii) according to their fund documentation, do not significantly harm environmental or social objectives through adherence to standards of responsible investments as well as having adequate processes in place to assess, monitor and manage environmental and social risks. For instance, as part of the Sub-Fund's due diligence, it is verified and required that the Target Fund manager embeds the "Do not significantly harm" principle in the investment strategy according to which the manager must evaluate, address and monitor potential negative impacts of its activities against other environmental and social objectives. Indeed, Target Fund managers need to demonstrate that they take into account potential adverse impacts on principal impact indicators within their investment strategy and impact/risk management; and

(iii) follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

The aforementioned requirements must be derived, inter alia, from the Sub-Fund's in-depth due diligence, the fund documentation or an agreement with binding effect for the benefit of the investors (e.g. a side letter agreement with the respective Target Fund). Further details on the due diligence process are provided under no. 10 below.

Only on an exceptional basis, Target Funds that, according to their fund documentation, merely promote environmental or social characteristics may also be included, always provided that this is in line with the Sub-Fund's overall objective of sustainable investment (which in particular requires the Target Funds to not significantly harm environmental or social objectives and their target companies to follow good governance practices).

For further details on whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights, please refer to point 4 below.

3 Sustainable investment objective of the financial product

The Sub-Fund aims to achieve its objective of making sustainable investments within the meaning of Art. 2 no. 17 of the Disclosure Regulation by carefully selecting Target Funds, as the Sub-Fund may only select Target Funds which also aim to make sustainable investments.

Sustainable investment is defined as an investment in an economic activity that contributes to the achievement of an environmental objective, measured for example by key indicators of resource efficiency in the use of energy, renewable energy, raw materials, water and soil, waste generation, and greenhouse gas emissions, or impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to the achievement of a social objective, in particular an investment that helps to combat inequalities or promotes social cohesion, social inclusion and labour relations, or an investment in human capital or for the benefit of economically or socially disadvantaged groups, provided that such investments do not significantly harm any of these objectives and that the companies in which investments are made apply good governance practices, in particular with regard to sound management structures, employee relations, employee remuneration and tax compliance.

Due to its broad investment strategy, it is not possible to more precisely define the sustainable investment objective of the Sub-Fund. The Sub-Fund is a “fund-of-funds”, i.e. an investment fund that invests into other investment funds (the so-called Target Funds), and such Target Funds are yet to be selected (blind-pool strategy). Furthermore, the Target Funds themselves typically pursue a blind-pool strategy, i.e. invest into assets that still need to be selected. This explains the Sub-Fund’s broad sustainable investment objective.

In this context, however, it may be noted that the Sub-Fund’s objective is to invest into three to eight Target Funds pursuing impact strategies and, thereby, to indirectly build a diversified portfolio of sustainable investments in the infrastructure and private equity sectors. Based on past experience with respect to asset allocations in the infrastructure and the private equity sector as well as the preliminary analysis of the accessible fund universe, it can be reasonably expected that the Sub-Fund’s portfolio of sustainable investments will have a focus on the following United Nations Sustainable Development Goals (SDGs):

- Both infrastructure and private equity impact funds typically target (i) SDG 7 “affordable and clean energy”, the main goal of which is defined as to “ensure access to affordable, reliable, sustainable and modern energy for all” and (ii) SDG 13 “climate action”, the main goal of which is defined as to “take urgent action to combat climate change and its impacts”.
- The private equity universe is, however, more balanced with more diversity and a lower dominance of climate-related SDGs. Most commonly, (iii) SDG 3 “good health and well-being”, the main goal of which is defined as to “ensure healthy lives and promote well-being for all at all ages”, followed by (iv) SDG 7 (see above) and SDG 12 “responsible consumption and production” are targeted. ¨
- Managers of both strategies mention (v) SDG 9 “industry, innovation and infrastructure”, the main goal of which is defined as to “build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation” as a relevant target.

It is expected that the majority of the Sub-Fund’s sustainable investments will pursue one of the subgoals of the SDGs with a focus on the aforementioned SDGs.

The Sub-Fund has a broad investment strategy and does itself therefore not have the specific objective of reducing carbon emissions. If and to the extent, however, that Target Funds have such objective, such Target Funds will set the objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Accord and will provide explanations in accordance with Art. 9 para. 3 of the Disclosure Regulation.

The Sub-Fund is under no obligation to (but may) contribute to any environmental objective as defined under Art. 9 of the EU Taxonomy (i.e. climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems).

4 Investment strategy

The Sub-Fund is an impact fund-of-funds. Its objective is to invest into three to eight Target Funds pursuing infrastructure and private equity impact strategies and, thereby, to indirectly build a diversified portfolio of sustainable investments in the infrastructure and private equity segments. The Target Funds are yet to be selected (blind-pool strategy).

Manager selection is focused on sound impact strategy (intentionality, additionality, measurability) and process (KPI definition and measurement, DNSH standards and procedures, good governance).

The Sub-Fund evaluates, as part of the due diligence carried out by the AIFM and the investment advisor, the managers of the Target Funds with respect to their management structures, employee relations, remuneration of staff and tax compliance, as well as their standards for Target Fund companies.

The due diligence comprises aspects such as responsible investing policies and organizational setup and responsible investing resources at the level of the Target Funds as well as the implementation of ESG aspects at the level of their target companies. Target Fund managers need to confirm

- that they are signatories of the UN Principles for Responsible Investments (so called, PRI); and
- that, to the extent reasonably applicable, they comply with (including safeguarding adherence at the level of target companies) the:
    - OECD Guidelines for Multinational Enterprises;
    - UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and its Follow-up;
    - International Bill of Human Rights; and
    - UN Global Compact.

With reference to the Target Funds' compliance with international labour standards on, inter alia, sound remuneration of staff, their adherence to, e.g., the International Labour Organisation's normative instruments (such as recommendations, codes of practice and guidelines) is taken into consideration.

Tax policies must include compliance with applicable filing, reporting, disclosure and payment duties as well as the exclusion of abusive or aggressive tax planning.

In addition to the required minimum standards outlined, the evaluation is guided by the following standards and frameworks:

- IFC Operating Principles for Impact Management (OPIM)
- Task Force on Climate-related Financial Disclosures (TCFD).

As part of the Sub-Fund's due diligence carried out with respect to potential Target Funds, it is also verified that Target Fund managers have adopted such policies to assess the good governance practices of target companies, including whether they have sound management and staff remuneration structures, employee relations and tax compliance practices, as outlined above.

5 Proportion of investments

The Sub-Fund pursues a broad investment strategy comprising infrastructure and private equity Target Funds in order to provide the investor with a diversified multi-country, multisector portfolio across these strategies. Against this background, there is no specific asset allocation planned while it is intended to build a portfolio with a balanced mix of the investment opportunities outlined above. The asset allocation very much depends on the selected Target Funds and their investments into target companies which are yet to be determined (blind-pool strategy).

Due to the Sub-Fund's sustainable investment objective and the investment restrictions regarding Target Fund selection, at least 90 % of the Sub-Fund's assets aim to be sustainable investments and not more than 10 % should be other investments. It should be noted, however, that this planned asset allocation is based on a market overview and past experience with respect to the universe of potential Target Funds and is ultimately not under the control of the Sub-Fund. Furthermore, as mentioned above, such threshold may be (significantly) lower in case the Sub-Fund and/or the Target Funds need to hold significant amounts of liquidity.

In the event of material changes to the Sub-Fund's portfolio or portfolio companies, namely in case it shall become clear that the Sub-Fund's portfolio will no longer reflect the aimed threshold of (or no longer be attributable to) sustainable investments, the Sub-Fund will engage on an ad-hoc basis with the relevant Target Fund to obtain transparency and discuss mitigants.

6 Monitoring of sustainable investment objective

As described above, the achievement of the Sub-Fund's sustainable investment objective is driven by its selection of Target Funds. To enable the Sub-Fund to monitor the implementation by the Target Funds of their own sustainable investment objective, the Target Funds will provide at least annual reports, which also contain reporting on certain sustainability indicators on an annual basis with respect to their target companies. This allows the Sub-Fund to evaluate how and to what extent the Sub-Fund's portfolio contributes to achieving its sustainable investment objective, i.e. to determine the most relevant key performance indicators in the portfolio and report on them.

The Sub-Fund will agree with each Target Fund to have annual meetings where progress on impact performance and measurement, as well as standards and progress in the impact measurement and management practices are discussed. For a session, a focus topic can be defined.

In the event of a material adverse event, the Sub-Fund will engage on an ad-hoc basis with the Target Fund to obtain transparency and discuss mitigants.

7 Methodologies

The Sub-Fund is a "fund-of-funds" with a blind-pool strategy. Not only the Sub-Fund's sustainable investment objective, but also the sustainability indicators used to measure the attainment of such sustainable investment objective depend on the specific Target Funds, which will be selected for the Sub-Fund. Due to the Sub-Fund's broad investment strategy and diversification, it is neither feasible nor suitable to set meaningful standard sustainability indicators applicable to all Target Funds in advance. Rather, the Target Funds will determine the relevant sustainability indicators for their activities in order to be able to collect meaningful data. The collected data that will be aggregated and reported at the level of the Sub-Fund is expected to be diverse.

Given the infrastructure and/or private equity investment strategies of the Target Funds, it may, however, be reasonably expected to receive relevant information on the following sustainability indicators which may, therefore, be used to measure the attainment of the Sub-Fund's sustainable investment objective:

- "Greenhouse gas emissions avoided or reduced", % from baseline (CO2), "% energy saved or offset", "renewable energy capacity installed" (SDGs 7 and 13),
- "No. of patients treated", "% underserved reached", "% satisfied clients" (SDG 3),
- "Tons of waste handled", "% material recovery" (SDG 12), and
- "No. of units sold/serviced", "% of consumers using an innovation" (SDG 9).

8 Data sources and processing

With the Sub-Fund being a "fund-of-funds" investing into Target Funds which invest predominately into private companies, the data will be mainly sourced via the Target Funds. Rather, the Target Funds will determine the relevant sustainability indicators for their activities in order to be able to collect meaningful data. Where applicable, data sourcing may be extended to external data providers and other publicly available information, e.g. reports of listed companies. Enhanced data may also be obtained through screening tools and due diligence procedures specifically covering aspects of good governance and potential adverse impacts of business activities.

To ensure data quality, plausibility checks are performed and reconciled with the manager if required. Data management and validation is carried out by the AIFM, with the support of investment advisor. For these purposes, the AIFM may further engage and cooperate with a specialized third party service provider.

9 Limitations to methodologies and data

With the Sub-Fund being a "fund-of-funds" investing into Target Funds which invest predominately into private companies, the data will be mainly sourced via the Target Funds. Therefore, there are usually no publicly available data through data providers that can be used, and the Sub-Fund needs to rely to a large extent on the data provided by the Target Funds. The limitations to this methodology with regard to the attainment of the sustainable investment objective can be that information received could be incomplete, delayed or inaccurate so that (i) investor reports may consequently be less rigorous (ii) engagement activities based on such information might not be as efficient as if the information had been timely and comprehensive.

The adequacy and robustness of data management processes is assessed by the AIFM and the investment advisor as part of the due diligence carried out on Target Funds managers. In this context the AIFM and the investment advisor take into account whether data or processes and controls are subject to independent reviews in order to obtain further assurance on methodologies and data.

10 Due diligence

Once the Target Funds have been identified by HSBC Global Asset Management (Deutschland) GmbH ("**HSBC AMDE**") and agreed by the AIFM as potential investments for the Sub-Fund, HSBC AMDE carries out a commercial and operational due diligence on such potential Target Funds with the assistance of FIIND Impact BV ("**FIIND Impact**"). FIIND Impact performs the investment and impact due diligence on the fund managers of potential Target Funds using FIIND Impact's proprietary Integrated Scoring Model, and further defines and grants assistance in performing and handling impact measurement, reporting, monitoring and reviewing processes of (potential) Target Funds.

The due diligence – if feasible, on-site – aims to meet key decision makers and relevant stakeholders for having a better understanding of their standpoint on key topics.

Ahead of the meetings with Target Fund managers, FIIND Impact will draft a list of questions to perform in-depth research and due diligence on the investment managers. The goal is also to form a personal impression of the portfolio management group, of their interactions, and of the teams that support the investment team, for example the "responsible investment manager". This aims at safeguarding that the due diligence procedure and resources at Target Fund level are sufficient to achieve the Target Fund's sustainable investment objective.

Particular attention is paid to discussions with the entire investment team on their experience and processes of investments, asset and impact management but also investor support (reporting) and administration. Additionally, fund documentation and data rooms and supplementary information are analyzed in further detail, open questions are clarified, and the systems used by market participants (e.g. software, databases) are inspected.

As part of the Sub-Fund's due diligence carried out with respect to potential Target Funds, it is also verified that Target Fund managers have adopted such policies to assess the good governance practices of target companies, including whether they have sound management and staff remuneration structures, employee relations and tax compliance practices, as outlined above.

The Target Fund will encourage standardization and particularly adoption of IRIS+ and the IMP. For more details respectively on the terms "IMP" and "IRIS +" please refer to the following hyperlinks:

https://impactmanagementproject.com/impact-management/impact-management-norms/

https://iris.thegiin.org/

Based on pre-selection of Target Funds for the Sub-Fund and after in-depth due diligence, HSBC AMDE will provide an investment recommendation to the AIFM who, in parallel to the in-depth due diligence, will engage an internationally renowned law firm to conduct a legal and tax due diligence of the fund documentation and, if necessary, subsequently negotiate any side letter agreements with the fund management of the Target Funds. At the request of the AIFM, HSBC AMDE will coordinate the legal and tax due diligence as well as any necessary side letter negotiations.

The legal and tax due diligence will in particular examine whether an investment in individual Target Funds, (i) meets the investment criteria in so far as they are of a legal nature and (ii) is permissible for the Sub-Fund from a regulatory point of view and efficient from a tax point of view.

11 Engagement policies

The Sub-Fund will comply with the engagement policy of the AIFM as set out in the LIS Engagement & Voting Rights Policy:

https://lis-aifm.com/imprint

According to this policy, engagement with target funds and portfolio companies (also in relation to ESG topics) is key for properly identifying investment opportunities, managing investment risks, monitoring assets in portfolio and ensuring long-term sustainability. Specifically, there will be annual meetings with the investment adviser and the target funds to engage on the compliance with and progress on the sustainable investment objectives.

The relevant policy describes activities that will typically be carried out by the AIFM, the investment adviser or the portfolio manager in both, the pre-investment and post-investment stages.

In a nutshell, in the pre-investment stage, an in-depth due diligence, including ESG topics, will be carried out in order to identify and evaluate investment opportunities and the thereto related risks.

During the post-investment stage, one or all of the following activities may be carried out in the best interest of investors:

- monitoring of the progress of a specific investment and mitigation of risks identified during the due diligence process (including ESG topics);
- ongoing dialogue with management teams;
- application of the AIFM's voting strategy for determining when and how voting rights attached to instruments held in managed portfolios are to be exercised in order to benefit the relevant fund and its investors;
- cooperation with other shareholders in order to, inter alia, enhance good corporate governance practices and emphasising the relevance of implementation of ESG topics;
- engagement with stakeholders involved in the fund's activity to the extent permitted by law and if relevant in a given context;
- cooperation, via formal or informal meetings, with other shareholders aiming, inter alia, at enhancing good corporate governance practices, emphasising the relevance of implementation of ESG topics, promoting disclosure standards etc.

12 Attainment of the sustainable investment objective

No specific index has been designated as a reference benchmark to meet the Sub-Fund's sustainable investment objective.