

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

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 II (Infrastructure Basket VI) (the “**Sub-Fund**”) is an infrastructure fund-of-funds that promotes environmental and social characteristics within the meaning of article 8 of the Disclosure Regulation.

The Sub-Fund does not target sustainable investments within the meaning of article 2 (17) of the Disclosure Regulation. The Sub-Fund’s portfolio may (but for the avoidance of doubt, there is no obligation to) include investments that qualify as sustainable investments within the meaning of article 2 (17) of the Disclosure Regulation.

The Sub-Fund and the target funds (as applicable) must enforce good governance practices in their investee companies, in particular with regard to sound management structures, employee relations, employee remuneration and tax compliance.

The Sub-Fund aims to invest (i) into two to five infrastructure target funds, yet to be selected (primaries) and in addition hereto (ii) up to 25% of its capital commitments in tactical transactions, yet to be selected, by acquiring stakes in existing funds (GP-led and LP-led secondaries), and by participating in co-investments. All infrastructure target funds under (i) will promote environmental and social characteristics within the meaning of article 8 of the Disclosure Regulation and be classified accordingly, whereas the investments under (ii) shall consider sustainability and ESG aspects to a satisfying degree when investing and managing but potentially without being classified under article 8 of the Disclosure Regulation.

The Sub-Fund is a “fund-of-funds” and a blind pool. The promoted environmental and/or social characteristics and the indicators used to measure the attainment of each of these characteristics depend on the specific investments that 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 indicators for environmental and social characteristics applicable to all investments in advance.

The selection of target fund managers is based on a rigorous due diligence covering investment related, operational, as well as legal and tax topics. The Sub-Fund evaluates, as part of the due diligence carried out by the AIFM and the investment advisor, the managers with respect to their management structures, employee relations, remuneration of staff and tax compliance, as well as the respective standards for portfolio companies.

Further, an important aspect of the due diligence is the review of the sustainability approach and capability of a target fund manager, to determine if and how its product intends to promote environmental or social characteristics.

The AIFM will actively monitor sustainability indicators and ESG incidents and will review ESG progress on an annual basis.

2 No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The assets of the Sub-Fund may (but for the avoidance of doubt, there is no obligation to) include investments that qualify as sustainable investments within the meaning of article 2 (17) of the Disclosure Regulation.

3 Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics, while the companies, in which the Sub-Fund (directly or indirectly through the infrastructure target funds) invests, must follow good governance practices.

Environmental and social characteristics can appear in various forms. The former can for example be contribution to resource efficiency in the use of energy, raw materials, water and soil, generation of renewable energy, reduction of waste generation, greenhouse gas emissions or impact on biodiversity and enhancement of the circular economy. Social characteristics may be found and improved in almost every investment, for example by combating inequalities in the workforce, promoting social inclusion or providing safe and adequately paid labour. More specific investments can improve the availability of and access to healthcare services. The Sub-Fund and the target funds (as applicable) shall enforce good governance practices at the level of the investee companies, in particular with regard to sound management structures, employee relations, employee remuneration and tax compliance.

Due to its broad investment strategy – especially with regard to the multi-sector and multi-region approach – it is not possible to pre-define the environmental and social characteristics that shall be promoted by the Sub-Fund. Furthermore, the Sub-Fund is a “fund-of-funds” and a blind-pool, i.e. an investment fund that invests into target funds which are still to be selected. Furthermore, the target funds will generally also going to be blind pools, i.e. invest into investee companies and assets that still need to be selected.

Based on the fund universe that is likely to be considered, however, it has to be assumed that the majority of the Sub-Fund’s investments will probably pursue the following environmental objectives:

- Reduction/avoidance of CO2 emissions;
- Production of renewable energy;
- Extension and maintenance of basic infrastructure and essential services;
- Contribution to decent employment, job creation and economic growth;

In this context, however, it may be noted that the Sub-Fund aims to mainly commit capital to target funds that are themselves in line with the article 8 requirements of the Disclosure Regulation and therefore promote environmental or social characteristics accordingly. Based on past experience with respect to asset allocations in the infrastructure sector as well as the continuous monitoring of the accessible fund universe it can be said that infrastructure equity fund managers often promote environmental and/or social characteristics by defining

specific United Nations Sustainable Development Goals (SDGs) that their fund will strive to support via – management of – its assets. The following SDGs are often mentioned in this context:

- SDG 7 “affordable and clean energy” of which the main goal is defined as to “ensure access to affordable, reliable, sustainable and modern energy for all”;
- SDG 13 “climate action” which main goal is defined as to “take urgent action to combat climate change and its impacts”;
- SDG 9 “industry, innovation and infrastructure” of which the main goal is defined as to “build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”; and/or
- SDG 10 “sustainable cities and communities”.

It is expected that the majority of the investments of the Sub-Fund will pursue to contribute to one or more of the subgoals of the SDGs with a focus on the aforementioned SDGs.

4 Investment strategy

As mentioned above, the Sub-Fund is an infrastructure fund-of-funds. It intends to invest a minimum of 75% of its capital commitments into two to five infrastructure target funds yet to be selected. Such investments will be made by subscribing for interests in the target funds (“**Primary Investments**”). In addition to such Primary Investments, the Sub-Fund intends to invest up to 25% of its capital commitments in tactical transactions, yet to be selected, by acquiring stakes in existing funds (in particular GP-led or LP-led secondaries; “**Secondary Market Transactions**”), and by participating in co-investments (“**Co-Investments**” and together with the Secondary Market Transactions the “**Tactical Transactions**”).

The investment strategy of the Sub-Fund is designed to meet **environmental and social characteristics**. The main reason for this is that all Primary Investments (which constitute the largest part of potential investment) must themselves qualify as financial products qualifying under article 8 of the Disclosure Regulation, i.e. the infrastructure target funds to be selected for the Sub-Fund must each promote environmental and social characteristics. In this context, the Sub-Fund will not purely rely on the self-qualification of such infrastructure target funds. The selection of infrastructure target funds is based on a rigorous due diligence covering investment related, operational, as well as legal and tax topics. Within this due diligence, an important aspect is the review of the sustainability approach and capability of a manager, to determine if and how its product intends to promote and accomplish the respective environmental or social characteristics.

The requirements to qualify under article 8 Disclosure Regulation will only be applied **on a best effort basis when selecting Co-Investment opportunities or Secondary Market Transactions**. This means that when selecting Tactical Transactions in the due diligence process, the Sub-Fund may include investments that qualify under Art. 6 of the Disclosure Regulation according to their documentations, provided that they at least integrate sustainability risks into their investment decisions and the relevant portfolio companies follow good governance practices.

The Sub-Fund also evaluates, as part of the due diligence carried out by the AIFM, the investment advisor and the legal advisors, the managers with respect to their **good governance practices**, including management structures, employee relations, remuneration of staff and tax compliance, as well as their standards for portfolio companies.

The operational due diligence assesses with respect to the investment portfolio inter alia the following aspects:

- with reference to suitable corporate governance practices:
 - Board composition
 - Firm committees
 - Limited Partner Advisory Committees (LPAC)
 - Transparency
 - Segregation of duties
 - Outsourcing
 - Remuneration
- with reference to suitable employee relations,
 - Contractual terms for all employees/ partners
 - Compensation arrangements for the employee
 - HR processes and policies (including details on the recruitment and retention strategy and on the performance management process)
 - Diversity, equity & inclusion initiatives
 - Monitoring processes of (i) employee relationships; (ii) conflicts of interest and (iii) appropriate segregation of duties with regards to mandatorily disclosed family relationships
 - Litigations or ongoing legal proceedings relating to any employees
- with reference to tax compliance,
 - Tax policies (including duties as well as the exclusion of abusive or aggressive tax planning)
 - Compliance with applicable filing, reporting, disclosure and payment obligations
 - Please confirm that appropriate tax advice will be undertaken in respect of all legal and financing structuring to be implemented by the Fund and that relevant tax due diligence and structuring will be undertaken on the acquisition of all investments.
 - Adverse tax impact affecting the portfolio company's structure (including current holding structure and contemplated investments) in relation to the implementations of ATAD I, II and III
 - Existence of overdue tax filings or tax investigations for the portfolio company or the manager
 - Convictions, litigations, or ongoing legal proceedings relating to, for example, embezzlement, extortion, fraud, counterfeiting, or wilful failure to file a tax return, supply tax related information or provision of fraudulent statements, documents, or tax returns to tax authorities

- with reference to the existence of adequate controls for preventing and detecting bribery and corruption,
 - Anti-bribery and corruption policy (including anti-bribery and corruption procedures in the applicable code of ethics, compliance manual, adherence to regulatory bodies, oversight obligations and monitoring processes)
 - Consider corporate due diligence processes on bribery
 - Details of any of owners, employees, shareholders, partners, directors or key senior executives designated as Politically Exposed Person (so called "PEP")
 - Confirmation that no investment manager, employees, owners, directors or key senior executives etc. have ever been sanctioned or blacklisted by any governmental or regulatory authority in any jurisdiction
 - Investigations, convictions, litigations, or ongoing legal proceedings regarding, for example, any criminal act/offence in relation to any allegation of fraud, bribery, misrepresentation etc.

Further, the Sub-Fund Portfolio managers need to confirm

- that they are signatories of the UN Principles for Responsible Investments (so-called, PRI); and
- that, there are no serious violations of the UN Global Compact and democracy/human rights (including at the level of the portfolio companies).

The scoring of each investment opportunity includes four ESG grades across the key due diligence areas performance, people, philosophy and process, as well as a fifth score covering the macro environment in relation to ESG topics. A defined minimum grade in each key area has to be achieved by a potential investment to be considered suitable from an ESG perspective. Several key questions and topics are covered within each area and lead to the specific grade. Additionally, the operational due diligence rating for an investment's ESG process has to be "advanced". On a case-by-case basis, an "intermediate" rating may be sufficient if the rating of a potential investment and its manager differ and the potential investment has the higher rating.

5 Proportion of investments

The Sub-Fund pursues an investment strategy comprising investments in infrastructure primary and secondary funds, as well as Co-Investments in order to provide the investor with a diversified multi-region, multi-sector portfolio of infrastructure equity investments. Against this background, the Sub-Fund Portfolio will consist of at least 75% Primary Investments and up to 25% Secondary Market Transactions and Co-Investments.

The entire Primary Investments allocation will officially promote environmental and social characteristics within the meaning of article 8 of the Disclosure Regulation and be classified accordingly. All investments will undergo the complete investment, operational and legal due diligence processes and have to achieve the minimum ESG grades across due diligence areas.

The remaining maximum of 25% consisting of investments in Tactical Transactions shall still include and promote sustainability and ESG aspects to a satisfying degree when investing and managing but potentially without being classified as article 8 of the Disclosure

Regulation. If the sustainability approach of the manager of such an investment is satisfactory has to be evaluated in the due diligence by reviewing the manager's ESG policy and processes, adherence to global ESG initiatives and the investment strategy. Such investments will be Secondary Market Transactions and Co-Investments that potentially do not have to be classified in regard to the Disclosure Regulation due to their nature or time of inception. Their purpose is to further enhance the risk / return profile of the Sub-Fund Portfolio. The binding elements in the investment process shall still secure sufficient consideration of environmental and social characteristics.

A direct exposure to investee companies is only given in case of Co-Investments. All other investments (Primary Investments, Secondary Market Transactions) only provide an indirect exposure to investee companies through the respective Target Fund.

6 Monitoring of environmental or social characteristics

The AIFM will actively monitor sustainability indicators and ESG incidents and will review ESG progress on an annual basis with respect to the entire portfolio of investments.

With respect to Primary Investments, the monitoring is mainly carried out by the managers of the target funds. They will need to provide at least annual reports which also contain reporting on certain environmental and/or social indicators on an annual basis.

Any Tactical Transaction investment shall provide adequate reporting as well, also in regard to ESG aspects. This allows the Sub-Fund to evaluate how and to what extent the entire portfolio of investments contributes to achieving promoted environmental and social characteristics, as well as further ESG factors.

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

7 Methodologies

The Sub-Fund is a "fund-of-fund" and a blind pool. The promoted environmental and/or social characteristics and the indicators used to measure the attainment of each of these characteristics depend on the specific portfolio of investments that 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 indicators for environmental and social characteristics applicable to all investments in advance. Rather, the managers of the target funds in which the Sub-Fund will be invested will determine the relevant characteristics for their activities in order to be able to collect meaningful data. The collected data, which will be aggregated and reported at the level of the Sub-Fund, is expected to be diverse.

Given the typical infrastructure investment strategies in the market, it may, however, be reasonably expected to receive relevant information on the following sustainability indicators which may, therefore, be used to measure the progress and attainment of promoted characteristics: "greenhouse gas emissions avoided or reduced", "energy saved or offset", "renewable energy generated", "user metrics (GIIA database indicators)", "tons of waste handled" and "invested capital in basic infrastructure and essential services".

8 Data sources and processing

With the Sub-Fund being a "fund-of-funds" the data will be mainly sourced via the Target Funds / Co-Investments. 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 of the target funds or portfolio companies 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” the data will be mainly sourced via the target funds / portfolio companies forming the investment portfolio of the Sub-Fund. 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 / portfolio companies. The limitations to this methodology 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 / portfolio companies. 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 potential investments have been identified by the investment advisor and agreed by the AIFM as potential investments for the Sub-Fund, the investment advisor carries out a commercial and operational due diligence on such potential Target Funds.

The investment due diligence process is identical for each opportunity that is evaluated, thus Primary Investments as well as Secondary Market Transactions and Co-Investments will be reviewed this way.

The evaluation is mainly based on discussions with the managers, on-site visits as well as on the fund documentation and further documents, where applicable. Reference calls are used to verify and challenge the investment advisor’s opinion.

Particular attention will be paid to discussions with the investment team and the direct interaction with members of investor relations (reporting) and administration teams. In this context, the operational framework of an investment (i.e. fund’s corporate governance, reporting, subscription process, side letters, etc.) will also be taken into consideration, especially by the operational due diligence team that covers all private market investments.

During the investment process (and especially the due diligence process) it is evaluated in which regard (and whether) a potential investment is promoting environmental and/or social characteristics when investing and managing its investments. In greater detail, the assessment of the managers’ ESG approach is carried out as part of the Sub-Fund’s investment selection and forms an integral part of the due diligence process, whereby staff, organisation, guidelines, policies, support of relevant initiatives (e.g. UNPRI), consideration

in the investment and asset management process as well as in investor reporting are reviewed.

The scoring of an investment opportunity includes four ESG grades across the key due diligence areas performance, people, philosophy and process, as well as a fifth score covering the macro environment in relation to ESG topics. A defined minimum grade in each key area has to be achieved by a potential investment to be considered suitable for the Sub-Fund from an ESG perspective. Several key questions and topics are covered within each area and lead to the specific grade. Additionally, the operational due diligence rating for an investment's ESG process has to be at least "advanced". However, an "intermediate" rating might be accepted on a case-by-case basis if this is caused by a manager's ESG result and not by the investment's ESG result.

The investments should integrate environmental and/or social characteristics in the investment and asset management process as well as their regular measuring and reporting. Due to the blind pool approach, it cannot be determined in advance which environmental and social objectives will be promoted. Based on the fund universe that is likely to be considered, it has to be assumed that the majority of the portfolio will probably pursue the following environmental objectives:

- Reduction/avoidance of CO2 emissions
- Production of renewable energy
- Extension and maintenance of basic infrastructure and essential services
- Contribution to decent employment, job creation and economic growth

These are often bound to the contribution to certain Sustainable Development Goals, for example SDGs 7 "Affordable and Clean Energy", 9 "Industry, Innovation and Infrastructure", 11 "Sustainable Cities and Communities", 13 "Climate Action". Measurements and key performance indicators of characteristics can be manifold.

Based on pre-selection of investments for the Sub-Fund and after in-depth due diligence, the investment advisor 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, the investment advisor 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 Fund / Co-Investment, (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. The legal due diligence includes the qualification of any Primary Investment under article 8 of the Disclosure Regulation.

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 Designated reference benchmark

The Sub-Fund pursues an active investment management strategy and therefore does not invest by reference to any index and does not intend to do so.