English Version (décembre 2021)

HSBC Group recognises that environmental, social and corporate governance (ESG) issues, which includes climate change, can have a significant impact on individuals, businesses and communities across the world. HSBC Group is committed to accelerating the transition to a low-carbon global economy via financial services. In 2020, the next phase of the Group's climate ambition was published. This includes the commitment to become a net-zero bank; supporting customers to thrive through the transition; and to unlock the next-generation of climate solutions. Central to this ambition is to reduce financed emissions to net zero by 2050 or sooner, in line with the Paris Climate Agreement. In doing so, HSBC Group aims to facilitate between USD750 billion and USD1 trillion of finance and investment by 2030 to support our clients. More information on HSBC Group's approach to ESG issues can be found here: https://www.about.hsbc.fr/fr-fr/our-company/sustainability

HSBC Private Banking - HSBC Continental Europe has a critical role to play. We are proud to support our clients' aspirations to make a positive change in the world through investments, wealth planning or philanthropy.

In compiling and maintaining the suite of Funds, insurance-based investment products (IBIP'), and Alternative Investment Funds ('AIFs') HSBC Private Banking - HSBC Continental Europe advises on, we take into account, among other factors, information ***manufacturers****[1] (i.e. Financial Market Participants) of these products are required to disclose about how they integrate* ***sustainability risks[****2] into their investment decision making processes, including the likely impacts of sustainability risks on the returns of financial products.*

This includes, where applicable, if they consider the ***adverse impacts****[3] of their investment decisions on* ***sustainability factors****[4]. As part of this process, our specialist due diligence teams engage with product manufacturers to understand how they integrate these factors into their investment decision making through research, analysis, due diligence, and portfolio construction.*

HSBC Private Banking - HSBC Continental Europe has designed and maintains policies related to the way sustainability risks and adverse impacts are considered in the investment advisory and insurance brokerage processes.

HSBC Private Banking - HSBC Continental Europe has designed and maintains a remuneration policy aligned with internal sustainability risks policies.

[1] Manufacturers are Financial Market Participants (FMP). FMPs as per Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector (« SFDR »), are:

(a) an insurance undertaking which makes available an insurance-based investment product (IBIP);

(b) an investment firm which provides portfolio management;

(c) an institution for occupational retirement provision (IORP);

(d) a manufacturer of a pension product;

(e) an alternative investment fund manager (AIFM);

(f) a pan-European personal pension product (PEPP) provider;

(g) a manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013;

(h) a manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013;

(i) a management company of an undertaking for collective investment in transferable securities (UCITS management company); or

(j) a credit institution which provides portfolio management.

[2] Sustainability risk : under SFDR, "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause a negative material actual or potential impact on the value of the investment.

[3] adverse impacts: under SFDR, "adverse impacts" should be understood as negative effects on sustainability factors resulting from impacts of investment decisions and advice of financial market participants.

[4] sustainability factors: under SFDR, "sustainability factors" mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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Integration of Sustainability Risks into Investment Decisions and likely impact on returns (EU Sustainable Finance Disclosure Regulation(SFDR))

HSBC Private Banking is committed to incorporating environmental, social and corporate governance (ESG) issues within our investment practices and contributing to a more sustainable financial system. In providing discretionary portfolio management services, we work with portfolio management partners whose investment approach focusses on the ten principles of the United Nations Global Compact ("UNGC") and are signatories to the Principles for Responsible Investment (PRI), a United Nations supported network of investors whose objectives are to further the understanding of sustainability issues and promote their incorporation into investment decision-making and ownership policy.
We recognize that sustainability risks can lead to outcomes that may have a negative impact on the value of investment returns. Therefore, together with our portfolio management partners, we use third party screening providers to identify companies with a poor track record in key areas of sustainability risk (e.g. environmental, social and employee matters, human rights and anti-bribery/anti-corruption). However, ESG data provided by third parties may not always be reliable or consistent and this may impact a portfolio manager's ability to accurately assess sustainability risks and effectively promote environmental and social characteristics, where relevant. In order to mitigate these operational and data quality risks associated with reliance on third party service providers and data sources, we work with our portfolio management partners to carry out due diligence where potential sustainability risks are identified so that appropriate investment decisions can be taken.

Likely impact of sustainability risks on returns

Companies that effectively manage sustainability risks should be better able to anticipate future sustainability related risks and opportunities. This makes them more strategically resilient and therefore able to anticipate, and adapt to, the risks and opportunities on the horizon. Likewise, if managed inadequately, sustainability risks can adversely impact the value of the underlying company or the competitiveness of the country issuing government bonds. Sustainability risks can materialize in various forms including i) reduced revenue due to shift in customer preferences, negative impact on workforce, social unrest and decreased production capacity; ii) increased operating/capital costs; iii) write-off and early retirement of existing assets; iv) loss of reputation due to fines and judgements and loss of license to operate; v) the risk score (and market for) government bonds. All these risks can potentially impact the returns of the investment portfolios.

We have a duty to act in the best long-term interests of our clients. We believe that sustainability risks can affect the performance of investment portfolios across companies, sectors, regions and asset classes through time. While each investment portfolio has its own investment objective, our goal is to provide competitive risk-adjusted returns over the long run. To achieve this, working with our partners we typically construct multi-asset investment portfolios by blending passive exposures that replicate market benchmarks with active strategies where our research suggests that using them will enhance investment outcomes. Where active strategies are used, either by purchasing securities directly or by incorporating exposure to a fund, thorough financial analysis and comprehensive assessment of sustainability risks is conducted as part of broader risk assessment relevant for the securities that are selected as part of our investment process. Where passive strategies that follow a sustainable index are used, relevant index provider's methodology is assessed to consider sustainability risks including an assessment of individual companies/issuers against ESG criteria.

Where passive strategies are used that do not follow a sustainable index, sustainable risks cannot be integrated into the investment process.

We believe that incorporating alternative investments, for example hedge funds, into multi-asset portfolios can help deliver better long-run investment outcomes. Consideration of sustainability risks is harder to factor when analyzing this asset class and currently there is no readily available integration methodology due to the complex nature of alternative investments and the lack of well-established standards in the financial industry to rate these investment solutions. As such, our investment decisions involving this asset class do not take account of sustainability risks considerations However, we are committed to responsible investing and the protection of our investors' interests so are working with our portfolio management partners to develop a sustainability risk framework for this asset class.

The likely impact of sustainability risks on the returns of each investment portfolio will also depend on the portfolio's underlying investments and the materiality of sustainability risks. The likelihood of sustainability risks arising in respect of an investment portfolio should be mitigated by the portfolio manager's approach to integrating sustainability risks in its investment decision-making process as outlined above. However, there is no guarantee that these measures will completely mitigate or prevent sustainability risks materializing in respect of an investment portfolio. The likely impact on the return of an investment portfolio from an actual or potential material decline in the value of an investment due to sustainability risks will therefore vary and depend on several factors, including, but not limited to the type, extent, complexity, duration of the event or condition, prevailing market conditions and the existence of any mitigating factors.

*We support the 10 principles of the **UN Global Compact (UNGC)**, which sets out the key areas of non-financial risk: human rights, labour, environment, and anti-corruption. We also adhere to the **UN Principles of Responsible Investment (PRI)**, which provides the framework for our approach to identifying and responding to sustainability risks. Finally, we are a supporter of the **Paris Climate Agreement**, an international treaty signed in 2015, committing countries to transition to a lower carbon economy.*

HSBC Private Banking - HSBC Continental Europe remuneration policy takes into consideration sustainability risks and the adverse impacts on sustainability factors of investment decisions.