

# Statement on principal adverse impacts of investment decisions on sustainability factors

## Financial market participant:

HSBC Trinkaus & Burkhardt GmbH, JUNT405OW8OY5GN4DX16

## 1. Summary

HSBC Trinkaus & Burkhardt GmbH, JUNT405OW8OY5GN4DX16 considers the 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 Trinkaus & Burkhardt GmbH, JUNT405OW8OY5GN4DX16.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

HSBC Trinkaus & Burkhardt GmbH ("We") delegates the investment management of the discretionary portfolios oversight to third-party asset managers, currently HSBC Asset Management, which is external to HSBC Trinkaus & Burkhardt GmbH. Therefore, sustainable investing activities, including the approach to identify and address principal adverse impacts ("PAI"), are undertaken by such asset managers on our behalf, based on the regulatory requirements.

Being part of the HSBC Group, HSBC Trinkaus & Burkhardt GmbH works closely with HSBC Asset Management, particularly in respect of their policies relating to PAI that apply to our discretionary portfolios. We continue to work with all our partners, to ensure that the third-party asset managers we invest with are truly aligned with our commitments to our clients. We also engage to understand how these organisations are set-up to respond to future sustainable investing challenges.

We recognise that sustainability risks can lead to outcomes that have both positive and negative impacts on the environment or society, as well as the performance of financial products. Considering PAI indicators in the investment process, and monitoring these indicators at entity and product levels, helps to manage these investments' adverse impacts and sustainability risks. The full range of mandatory climate, environmental, social, employee and human rights impacts, for which mandatory indicators have been identified, are considered in our investment process in the context listed below:

- For our discretionary portfolios, PAI indicators may be reflected in portfolio construction through screening, tilting and other techniques.
- We offer discretionary products that avoid exposure to certain companies or sectors that may seem harmful to the environment or society. For example, the CMS Sustainable portfolio promotes active consideration of low carbon intensity investments, responsible business practices in accordance with United Nations Global Compact (UNGC), and exclusions of investments involved with certain activities (e.g. controversial weapons or tobacco). In addition, for certain products, PAI indicators are selected as sustainability indicators and considered in portfolio construction.
- For our sustainable investment definition under Sustainable Finance Disclosure Regulation (SFDR), relevant PAI are considered amongst Do No Significant Harm (DNSH) criteria.
- Our risk management processes monitor and manage relevant PAI to ensure client portfolios reflect their investment objectives.
- We currently do not exercise voting rights on behalf of our clients where companies and issuers are held directly. We intend to enhance our capabilities to enable such collective engagement. However, our approach to voting at company meetings is explained in our third-party asset managers voting guidelines.
- Our engagement policy sets out the approach to engagement, including escalation of engagement where companies do not respond adequately to concerns raised regarding adverse impacts.

Further details of our approach for screening, investment process and engagement are set out in specific policies, and made available on the website:

HSBC Asset Management: [www.assetmanagement.hsbc.lu/en/professional-clients/about-us/responsible-investing/policies](http://www.assetmanagement.hsbc.lu/en/professional-clients/about-us/responsible-investing/policies)

## **2. Description of the principal adverse impacts on sustainability factors**

Impacts are calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September, and 31 December of 2022.

As we delegate the investment management oversight of discretionary portfolios to a third-party asset manager - HSBC Asset Management (HSBC AM) - all sustainable investing activities including PAI consideration, engagement and voting are undertaken by HSBC AM on our behalf - therefore we often refer to actions taken & planned by HSBC AM. Also, our multi-asset portfolios may invest in third-party funds (i.e., Amundi or Blackrock) - in such cases the policies of the third-party fund manager will apply and HSBC AM will carry out enhanced due diligence to ensure they meet HSBC and regulatory standards.

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

No	Adverse sustainability impact	Metric	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>					
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>					
1	GHG emissions	Scope 1 GHG emissions (in Tonnes CO <sub>2</sub> )  Eligible assets: 76.27% Covered assets: 63.85%	127,992.56	Data vendor: Morningstar Sustainalytics  The purpose of PAI1 is to measure and assess the negative effects of a company's activities on greenhouse gas (GHG) emissions. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Carbon emissions for internally approved green bonds are reported as zero.  Impact value represents the sum of a portfolio's corporate asset's GHG scope 1 emissions, weighted by the portfolio ownership (investment value / enterprise value of the company).	<b>General approach:</b> HSBC Group has made a significant commitment to support the transition to a sustainable future and combat climate change. HSBC AM is a signatory to the Net Zero Asset Managers initiative, with a net zero 2050 objective across all assets. There is an internal target set to reduce emissions intensity (Scope 1 & 2) by 58% compared to 2019, which covers 38 % of assets, including portfolios managed for Global Private Banking. To support this commitment, HSBC AM has a climate implementation plan to embed climate transition into their investment value chain. They are establishing transition plan analysis for issuers with fossil fuel exposure. HSBC's thermal coal policy introduced in 2022 commits actively managed portfolios to phase out thermal coal by 2030 for EU/OECD and 2040 for non-OECD. Where applicable, third-party asset managers process corporate actions and exercise proxy votes in relation to the assets that they are managing on our behalf. In 2022 there was a record number of climate-related annual general meeting voting items, which focused on development of emission reduction targets or improvements in climate reporting - with regard to our holdings and when voting was possible, HSBC AM supported the majority of proposals fielded.  <b>Targets set for next reference period:</b> We expect to publish a policy covering investment in issuers involved in oil & gas. We will continue to work with third-party asset managers to further enhance our ability to address and mitigate principal adverse impacts, leading to responsible investment practices, more sustainable products and to deepen existing thematic priorities in their Stewardship Plans.

GHG emissions

Scope 2 GHG emissions  
(in Tonnes CO<sub>2</sub>)

Eligible assets: 76.27%  
Covered assets: 63.85%

27,968.98 Data vendor: Morningstar Sustainalytics

The purpose of PA11 is to measure and assess the negative effects of a company's activities on greenhouse gas (GHG) emissions. Scope 2 emissions are those caused by the generation of electricity purchased by the company. Carbon emissions for internally approved green bonds are reported as zero.<sup>1</sup>

Impact value represents sum of portfolio's corporate asset's GHG scope 2 emissions, weighted by the portfolio ownership (investment value / enterprise value of the company).

**General approach:** HSBC Group has made a significant commitment to support the transition to a sustainable future and combat climate change. HSBC AM is a signatory to the Net Zero Asset Managers initiative, with a net zero 2050 objective across all assets. There is an internal target set to reduce emissions intensity (Scope 1 & 2) by 58% compared to 2019, which covers 38 % of assets, including portfolios managed for Global Private Banking. To support this commitment, HSBC AM has a climate implementation plan to embed climate transition into their investment value chain. They are establishing transition plan analysis for issuers with fossil fuel exposure. HSBC's thermal coal policy introduced in 2022 commits actively managed portfolios to phase out thermal coal by 2030 for EU/OECD and 2040 for non-OECD. Where applicable, third-party asset managers process corporate actions and exercise proxy votes in relation to the assets that they are managing on our behalf. In 2022 there was a record number of climate-related annual general meeting voting items, which focused on development of emission reduction targets or improvements in climate reporting - with regard to our holdings and when voting was possible, HSBC AM supported the majority of proposals fielded.

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

GHG emissions

Scope 3 GHG emissions  
(in Tonnes CO<sub>2</sub>)

Eligible assets: 76.27%  
Covered assets: 63.82%

890,470.18 Data vendor: Morningstar Sustainalytics

The purpose of PAI1 is to measure and assess the negative effects of a company's activities on greenhouse gas (GHG) emissions. Scope 3 emissions are divided into two main categories: upstream (supply chain, i.e., purchased or acquired goods & services) and downstream (products value chain: use of sold goods and services) activities of a company. We have included a Scope 3 emissions figure, despite concerns about data reliability. Carbon emissions for internally approved green bonds are reported as zero.

Impact value represents the sum of a portfolio's corporate asset's GHG scope 3 emissions, weighted by the portfolio ownership (investment value / enterprise value of the company).

**General approach:** HSBC Group has made a significant commitment to support the transition to a sustainable future and combat climate change. HSBC AM is a signatory to the Net Zero Asset Managers initiative, with a net zero 2050 objective across all assets. There is an internal target set to reduce emissions intensity (Scope 1 & 2) by 58% compared to 2019, which covers 38 % of assets, including portfolios managed for Global Private Banking. To support this commitment, HSBC AM has a climate implementation plan to embed climate transition into their investment value chain. They are establishing transition plan analysis for issuers with fossil fuel exposure. HSBC's thermal coal policy introduced in 2022 commits actively managed portfolios to phase out thermal coal by 2030 for EU/OECD and 2040 for non-OECD. Where applicable, third-party asset managers process corporate actions and exercise proxy votes in relation to the assets that they are managing on our behalf. In 2022 there was a record number of climate-related annual general meeting voting items, which focused on development of emission reduction targets or improvements in climate reporting - with regard to our holdings and when voting was possible, HSBC AM supported the majority of proposals fielded.

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

GHG emissions

Total GHG emissions  
(in Tonnes CO<sub>2</sub>)

1,046,431.72

Data vendor: Morningstar Sustainalytics

Eligible assets: 76.27%  
Covered assets: 63.84%

The purpose of PAI1 is to measure and assess the negative effects of a company's activities on greenhouse gas (GHG) emissions. To get to portfolio value, for each investee company we sum up the Scope 1, 2, and 3 emissions, multiply this by the portfolio ownership ratio (investment value / enterprise value of the company), then sum up all these values. Carbon emissions for internally approved green bonds are reported as zero.

**General approach:** HSBC Group has made a significant commitment to support the transition to a sustainable future and combat climate change. HSBC AM is a signatory to the Net Zero Asset Managers initiative, with a net zero 2050 objective across all assets. There is an internal target set to reduce emissions intensity (Scope 1 & 2) by 58% compared to 2019, which covers 38 % of assets, including portfolios managed for Global Private Banking. To support this commitment, HSBC AM has a climate implementation plan to embed climate transition into their investment value chain. They are establishing transition plan analysis for issuers with fossil fuel exposure. HSBC's thermal coal policy introduced in 2022 commits actively managed portfolios to phase out thermal coal by 2030 for EU/OECD and 2040 for non-OECD. Where applicable, third-party asset managers process corporate actions and exercise proxy votes in relation to the assets that they are managing on our behalf. In 2022 there was a record number of climate-related annual general meeting voting items, which focused on development of emission reduction targets or improvements in climate reporting - with regard to our holdings and when voting was possible, HSBC AM supported the majority of proposals fielded.

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

2 Carbon footprint

Carbon footprint  
(Tonnes CO<sub>2</sub> Emissions per invested  
EUR million)

Eligible assets: 76.27%  
Covered assets: 63.97%

358.74 Data vendor: Morningstar Sustainalytics

The purpose of this PAI is to measure and assess a company's carbon footprint. This PAI equates to the sum of the carbon emissions (scope 1, 2 and 3) of an issuer multiplied by the portfolio ownership ratio (investment value / enterprise value of the company), divided by the current value of all investments. It is a measure of carbon emissions ownership (tonnes of Co2), as it takes into account the proportion of emissions per investment, relative to the total size of the issuer value. However, carbon footprint can fluctuate without a change in carbon emissions as a result of changes in issuer value.

**General approach:** HSBC Group has made a significant commitment to support the transition to a sustainable future and combat climate change. HSBC AM is a signatory to the Net Zero Asset Managers initiative, with a net zero 2050 objective across all assets. There is an internal target set to reduce emissions intensity (Scope 1 & 2) by 58% compared to 2019, which covers 38 % of assets, including portfolios managed for Global Private Banking. To support this commitment, HSBC AM has a climate implementation plan to embed climate transition into their investment value chain. They are establishing transition plan analysis for issuers with fossil fuel exposure. HSBC's thermal coal policy introduced in 2022 commits actively managed portfolios to phase out thermal coal by 2030 for EU/OECD and 2040 for non-OECD. Where applicable, third-party asset managers process corporate actions and exercise proxy votes in relation to the assets that they are managing on our behalf. In 2022 there was a record number of climate-related annual general meeting voting items, which focused on development of emission reduction targets or improvements in climate reporting - with regard to our holdings and when voting was possible, HSBC AM supported the majority of proposals fielded.

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

3 GHG intensity of investee companies

GHG intensity of investee companies (Tonnes of CO<sub>2</sub> emissions per EUR million of revenue)

Eligible assets: 76.27%  
Covered assets: 64.06%

651,252,092.01 Data Vendor: Morningstar Sustainalytics

GHG intensity measures the quantity of GHG emissions (scope 1,2 and 3) per million Euro revenue of an issuer of a financial investment. It is a measure of environmental efficiency of an issuer, measuring issuer GHG emissions, relative to issuer economic output. It is useful for comparing the economic environmental position of two funds with similar sector and geographic allocation because the level of issuer GHG intensity is dependent in part on the sector, and country policies in which the issuer operates. For comparison purposes, the GHG intensity of the fund/mandate is shown against the GHG intensity of its reference benchmark.

**General approach:** HSBC Group has made a significant commitment to support the transition to a sustainable future and combat climate change. HSBC AM is a signatory to the Net Zero Asset Managers initiative, with a net zero 2050 objective across all assets. There is an internal target set to reduce emissions intensity (Scope 1 & 2) by 58% compared to 2019, which covers 38 % of assets, including portfolios managed for Global Private Banking. To support this commitment, HSBC AM has a climate implementation plan to embed climate transition into their investment value chain. They are establishing transition plan analysis for issuers with fossil fuel exposure. HSBC's thermal coal policy introduced in 2022 commits actively managed portfolios to phase out thermal coal by 2030 for EU/OECD and 2040 for non-OECD. Where applicable, third-party asset managers process corporate actions and exercise proxy votes in relation to the assets that they are managing on our behalf. In 2022 there was a record number of climate-related annual general meeting voting items, which focused on development of emission reduction targets or improvements in climate reporting - with regard to our holdings and when voting was possible, HSBC AM supported the majority of proposals fielded.

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



4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector  Eligible assets: 76.27% Covered assets: 68.18%	9.14% Data Vendor : Morningstar Sustainalytics  This PAI requires investors to disclose the share of investments in companies active in the fossil fuel sector (companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade of fossil fuels).  All data points provide the levels or exact percentages of revenue involvement, and the binary metric "involved" is applied, when Fossil Fuel - Revenue percentage is greater than zero. The portfolio impact value represents the share of investments from the portfolio's eligible & covered universe that are involved in the fossil fuel sector.	<b>General approach:</b> HSBC Group has made a significant commitment to support the transition to a sustainable future and combat climate change. HSBC AM is a signatory to the Net Zero Asset Managers initiative, with a net zero 2050 objective across all assets. There is an internal target set to reduce emissions intensity (Scope 1 & 2) by 58% compared to 2019, which covers 38 % of assets, including portfolios managed for Global Private Banking. To support this commitment, HSBC AM has a climate implementation plan to embed climate transition into their investment value chain. They are establishing transition plan analysis for issuers with fossil fuel exposure. HSBC's thermal coal policy introduced in 2022 commits actively managed portfolios to phase out thermal coal by 2030 for EU/OECD and 2040 for non-OECD. Where applicable, third-party asset managers process corporate actions and exercise proxy votes in relation to the assets that they are managing on our behalf. In 2022 there was a record number of climate-related annual general meeting voting items, which focused on development of emission reduction targets or improvements in climate reporting - with regard to our holdings and when voting was possible, HSBC AM supported the majority of proposals fielded.  <b>Targets set for next reference period:</b> We expect to publish a policy covering investment in issuers involved in oil & gas. We will continue to work with third-party asset managers to further enhance our ability to address and mitigate principal adverse impacts, leading to responsible investment practices, more sustainable products and to deepen existing thematic priorities in their Stewardship Plans.
5	Share of non-renewable energy consumption	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage  Eligible assets: 76.27% Covered assets: 32.03%	56.11% Data vendor: Morningstar Sustainalytics  This PAI represents the percentage of the company's total energy production and consumption that is generated using non-renewable sources in the reporting year. It evaluates the company's efforts to shift away from fossil fuel-based energy towards renewable energy sources, such as solar, wind, hydro, or geothermal energy.  The portfolio impact value is calculated as weighted average of the portfolio's corporate asset's non-renewable energy consumption & production.	<b>General approach:</b> In addition to engagement on robust transition plans for companies dependent upon non-renewable energy sources, we also seek investment opportunities in renewable energy sources. Both will be necessary to meet our net zero commitments.  Targets set for the next period: We will continue to build out the Stewardship Plan and deepen existing thematic priorities (e.g., climate change, biodiversity, human rights). In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices.

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6	Energy Consumption Intensity Agriculture, Forestry & Fishing	Energy consumption in GWh per million EUR of revenue of investee companies  Eligible assets: 76.27% Covered assets: 0.14%	5.95 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.
	Energy Consumption Intensity Mining and quarrying	Energy consumption in GWh per million EUR of revenue of investee companies  Eligible assets: 76.27% Covered assets: 3.67%	2.25 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.
	Energy Consumption Intensity Manufacturing	Energy consumption in GWh per million EUR of revenue of investee companies  Eligible assets: 76.27% Covered assets: 23.38%	37.68 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.

Energy Consumption Intensity Electricity, gas, steam and air conditioning supply	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 76.27% Covered assets: 2.14%	5.95 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.
Energy Consumption Intensity Water supply; sewerage; waste management and remediation activities	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 76.27% Covered assets: 0.16%	0.68 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.
Energy Consumption Intensity Construction	Energy consumption in GWh per million EUR of revenue of investee companies Eligible assets: 76.27% Covered assets: 0.40%	0.16 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.

Energy Consumption Intensity Wholesale and retail trade; repair of motor vehicles and motorcycles	Energy consumption in GWh per million EUR of revenue of investee companies  Eligible assets: 76.27% Covered assets: 2.21%	0.64 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.
Energy Consumption Intensity Transporting and storage	Energy consumption in GWh per million EUR of revenue of investee companies  Eligible assets: 76.27% Covered assets: 1.08%	1.42 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.
Energy Consumption Intensity Real estate activities	Energy consumption in GWh per million EUR of revenue of investee companies  Eligible assets: 76.27% Covered assets: 1.69%	0.64 Data vendor: Morningstar Sustainalytics  This PAI requires the disclosure of the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities.  The portfolio impact value represents the weighted average of the portfolio's corporate asset's energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Despite a large research universe, only a fraction of companies are disclosing this metric.  Targets set for the next period: In 2023 we plan to publish a new energy policy to help reduce greenhouse gas emissions and promote sustainable practices. As our emission intensity reduction targets require a focus on fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact, we will continue to engage with issuers in these sectors. Reducing fossil fuel-based energy consumption will be one of the key priorities in our engagement.

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  Eligible assets: 76.27% Covered assets: 68.18%	9.05%	Data Vendor: Morningstar Sustainalytics  For this PAI, investors need to disclose the share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.  The portfolio impact value represents the sum of the portfolio's corporate assets that have geographic exposure to biodiversity sensitive areas and engage in activities negatively affecting those areas.	<b>General approach:</b> HSBC AM has committed to work to protect and restore biodiversity through our investments by signing the Finance for Biodiversity Pledge. Current actions include collaboration and knowledge sharing on assessment methodologies, impacts and targets, engaging with companies to reduce negative/ increase positive impacts on biodiversity and assessing the impact of our investments to set targets to increase positive/ reduce negative impacts on biodiversity.  Targets set for the next period: We will continue to work with third-party asset managers to deepen existing thematic priorities in their Stewardship Plans, including biodiversity - in 2023 we will continue to engage with companies on biodiversity impacts as well as including negative biodiversity impacts in our voting criteria.  We also expect HSBC Group to finalise a Deforestation policy.
8	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average  Eligible assets: 76.27% Covered assets: 7.26%	1.93	Data vendor: Morningstar Sustainalytics  This PAI focuses on harmful substances that are released to water. Emissions are measured in tonnes of pollutants and the following pollutants are considered for the purpose of this metric: Direct emissions of nitrates, phosphate and pesticides, and direct emissions of priority substances (e.g., heavy metals, loads of organic pollutant parameters such as biochemical oxygen demand (BOD) and chemical oxygen demand (COD), nitrogen and phosphorus compounds).  The portfolio impact value is calculated as the sum of the portfolio's corporate asset's emissions to water weighted by the portfolio ownership ratio (MV/EVIC) adjusted by the current value of all investments (€M).	<b>General approach:</b> As we expect more companies to disclose details about pollutants or chemicals that are released to water, we will include this data, where appropriate, in our investment process to help understand the extend of the impact and set the mitigation efforts, including engagement plans (urging investees to adopt sustainable water management strategies and reduce water pollution).  <b>General approach:</b> As we expect more companies to disclose details about hazardous waste, we will include this data, where appropriate, in our investment process to help understand the extend of the impact and set the mitigation efforts, including engagement plans (e.g., implement proper hazardous waste management systems).
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  Eligible assets: 76.27% Covered assets: 63.60%	9.80	Data vendor: Morningstar Sustainalytics  PAI 9 assesses hazardous waste, which is measured in tonnes of hazardous waste generated by a company.  The portfolio value is calculated as sum of the portfolio's corporate asset's hazardous waste weighted by the portfolio ownership ratio (MV/EVIC) adjusted by the current value of all investments (€M).	

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INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY 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  Eligible assets: 76.27% Covered assets: 68.18%	2.15%	Data vendor: Morningstar Sustainalytics  This PAI 10 requires investors to disclose the “share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.  As per Morningstar Sustainalytics terminology, ‘Breach’ does not mean that the company is claimed to be in breach, rather the impact value represents the sum of the portfolio’s corporate assets with alleged UNGC violations.	<p><b>General approach:</b> HSBC Group commitment to the UN Global Compact (UNGC) is an important element in our responsible investment policies. Our third-party asset managers are Signatories to the United Nations Principles for Responsible Investment (UN PRI).</p> <p>We use Morningstar Sustainalytics to identify alleged violations of UNGC and other international standards by issuers. Enhanced due diligence is undertaken where these are held in active fundamental investment strategies.</p> <p>Where the enhanced due diligence reveals a potential breach that we do not believe can be addressed through engagement, we apply selective exclusions which are reviewed on an ongoing basis. In our sustainable mandates, we exclude companies with a severe breach of UNGC.</p> <p>For mainstream active products (classified as Article 6 under SFDR) a UNGC risk identified will only be accepted after evaluation by the Portfolio Manager and approval by the HSBC AM Asset Class committee. Where our multi-asset portfolios hold third party products, the manufacturers of these products may use different methodologies and data providers. Subject to identifying any unintended exposure in a third-party fund, HSBC Asset Management will act on this exposure accordingly.</p> <p>Implied exposure to UNGC risks through indirect derivatives held by ETF’S and funds cannot always be eliminated.</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  Eligible assets: 76.27% Covered assets: 67.29%	47.16%	Data vendor: Morningstar Sustainalytics  PAI 11 is intended to capture evidence, or lack thereof, of companies’ mechanisms and due diligence efforts to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.  The portfolio impact value represents the sum of the portfolio’s corporate assets with no evidence of processes and mechanisms to monitor compliance with the UNGC or OECD guidelines for Multinational Enterprises.	<p><b>General approach:</b> HSBC Group supports the human rights described in the UN Global Compact principles and OECD Guidelines for Multinational Enterprises. We expect that companies that we invest in respect human rights and have appropriate policies in place. We use Morningstar Sustainalytics to identify alleged violations of UN Global Compact and other international standards by issuers.</p> <p>Targets for next reference period: We will continue to work with our third-party asset managers to have human rights considerations added into voting guidelines, with votes against directors where there have been alleged breaches of human rights standards.</p>

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12	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies  Eligible assets: 76.27% Covered assets: 2.36%	14.11%	Data vendor: Morningstar Sustainalytics  The average unadjusted gender pay gap of investee companies is the difference between the average (mean or median) earnings of men and women including management across a workforce, irrespective of worker characteristics or job title, expressed as a ratio of average male pay.  The portfolio impact value is calculated as weighted average of the portfolio's corporate assets gender pay gap ratio.	<b>General approach:</b> We encourage our third-party asset managers to vote in support of shareholder resolutions calling for transparency on gender pay gaps. Gender pay is included in ESG data that informs our investment process. These data also inform our engagement with companies. We encourage measurement and transparency in gender pay to improve diversity, equality and inclusion.
13	Board gender diversity	Average ratio of female to male board members in investee companies  Eligible assets: 76.27% Covered assets: 62.50%	31.81%	Data vendor: Morningstar Sustainalytics  Under this PAI, companies need to report the average ratio of female to male board members, where the board is considered the "administrative, management or supervisory body of a company". This data point is collected directly from company reports and is not estimated by Morningstar Sustainalytics and no further adjustments are made to the metric values.  The portfolio impact value is calculated as weighted average of the portfolio's corporate asset's ratio of female to male board members.	<b>General approach:</b> HSBC supports gender equality; therefore board gender diversity is an important issue in our engagement strategy. We encourage third-party asset managers to engage on diversity within the executive team and senior management as well as the board. HSBC AM participates in collaborative initiatives encouraging board diversity in certain key markets. Also, board gender diversity is and will be an important theme in the voting guideline of asset managers we work with.
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  Eligible assets: 76.27% Covered assets: 68.18%	0.00%	Data vendor: Morningstar Sustainalytics  We rely on Morningstar Sustainalytics data to identify companies with strong indications of involvement in the production or distribution of anti-personnel mines, cluster munitions, chemical weapons and biological weapons. In addition, for the 'Yes/No' involvement analysis at the company level, Morningstar Sustainalytics does not consider a company to be involved if only its parent company is involved, but the company itself is not.  The portfolio impact value represents the sum of the portfolio's corporate assets with exposure to SFDR controversial weapons.	<b>General approach:</b> We exclude from active, systematic and index portfolios that we manage securities issued by companies involved with weapons banned by certain international conventions. These weapons include anti-personnel mines, biological weapons, blinding laser weapons, chemical weapons, cluster munitions and non-detectable fragments.  Sustainable, active and systematic portfolios also exclude issuers involved in the production of controversial weapons or their key components, including but not limited to depleted uranium weapons and white phosphorous when used for military purposes.

**Indicators applicable to investments in sovereigns and supnationals**

15	GHG intensity	GHG intensity of investee countries (Kton per EUR million of GDP)  Eligible assets: 14.51% Covered assets: 13.86%	42,527.01	Data Vendor: Morningstar Sustainalytics  This PAI requires investors to disclose the GHG emissions of invested countries. As in the case of corporates, GHG Intensity is not limited to carbon only, but spans the full GHG spectrum.  Carbon emissions for internally approved green bonds are reported as zero.  Impact value is calculated as weighted average of the portfolio's sovereign asset's total emissions (scope 1, 2, & 3) per unit of GDP (in millions of euro, M€).	<b>General approach:</b> Sovereign issuers form part of our parent entity's 2050 net zero ambition. Data on the emissions related to sovereign issuers are included in our third party ESG data available for inclusion in our investment process.
16	Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law  Eligible assets: 14.51% Covered assets: 13.27%	3.50	Data vendor: Morningstar Sustainalytics  We rely on Morningstar Sustainalytics' country risk analysis which includes social risks such as civil or transnational conflict, state repression, violent crime, and labour rights/discrimination.  The portfolio impact value represents the number of portfolio's sovereign assets subject to social violations.	<b>General approach:</b> Our third party ESG data providers include social factors in their assessment of sovereign issuers which is available for inclusion in our investment process. We intend to develop our use of these data in the coming year as we establish a dedicated ESG framework for sovereign issuers.

**Indicators applicable to investments in real estate assets**

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  Eligible assets: 0.29% Covered assets: 0.00%	n/a	Due to data constraints, we were not able to collect PAI indicators for our real estate assets, therefore they could not be reported. If data becomes available in the future, these will be included and the PAI value will be presented.	Our exposure to these assets is limited as we do not typically hold real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels. Impact data are not typically available on a consistent or comparable basis, and we have not made impact disclosures. Any indirect exposure to these assets would increasingly be subject to assessment of transition plans to ensure these are aligned with our parent entity's net zero ambition.
18	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets  Eligible assets: 0.29% Covered assets: 0.00%	n/a	Due to data constraints, we were not able to collect PAI indicators for our real estate assets, therefore they could not be reported. If data becomes available in the future, these will be included and the PAI value will be presented.	Impact data are not typically available on a consistent or comparable basis. For these reasons we have not made impact disclosures. Where investment exposure is through listed assets, emissions impact will be included in data above. New and on-going exposure will increasingly be subject to assessment of transition plans to ensure that these are aligned with our parent entity's net zero ambition.

**3. Other indicators for principal adverse impacts on sustainability factors**

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## Additional climate and other environment-related indicators

No	Adverse sustainability impact	Metric	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>					
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>					
1	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement  Eligible assets: 76.27% Covered assets: 64.38%	39.05%	Data vendor: Morningstar Sustainalytics  This indicator looks at GHG reduction programmes in general where the outcome criterion "Net Zero and Paris Alignment" checks whether the company has a net zero or science-based temperature aligned GHG emissions reduction target to be achieved no later than 2050.  The portfolio impact value represents the sum of a portfolio's corporate assets that do not have carbon emission reduction initiatives aimed at aligning with the Paris Agreement.	<b>General approach:</b> We believe that the most significant reduction in GHG emissions will be achieved by companies delivering a transition away from their dependency on fossil fuels. For that reason, we favour engagement in support of robust transition plans over divestment. Our net zero commitments will also involve divestment over time from companies which do not develop robust carbon emission reduction plans.

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

No	Adverse sustainability impact	Metric	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>					
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>					
1	Lack of a human rights policy	Share of investments in entities without a human rights policy  Eligible assets: 76.27% Covered assets: 60.72%	9.18%	Data vendor: Morningstar Sustainalytics  The portfolio impact value represents the sum of a portfolio's corporate assets that have no disclosed company human rights policy.	<b>General approach:</b> Potential human right violations are amongst the issues monitored by our third-party data provider identifying alleged breaches of the UN Global Compact and other international standards by issuers. Enhanced due diligence is undertaken where these are held in active fundamental investment strategies. We engage with companies to encourage the development and application of effective human rights policies and risk management.

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

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

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

These policies have been approved and are kept under review by the HSBC Asset Management Ltd Sustainability Forum – which includes the global CEO, CIO, Heads of Risk, Legal and Sustainability – as follows: Responsible Investment (January 2022), Banned Weapons (June 2022), Biodiversity (June 2022), Climate Change (June 2022) and Thermal Coal (September 2022). The investment function is responsible for the implementation of these policies, overseen by HSBC Asset Management Asset Class ESG Committees and the ESG Investment Committee.

At portfolio level, the prioritisation of the PAI depends on the sustainability objectives or Environmental (E) and/or Social (S) characteristics of the portfolio. As minimum standard, PAI are identified and mitigated through application of exclusions – all sustainable mandates avoid exposure to certain companies or sectors that may seem harmful to the environment or society – for example investments in companies in breach of the United Nations Global Compact (UNGC) or involved in controversial weapons. In addition, for certain products, PAI indicators are selected as sustainability indicators and considered in portfolio construction. For mandates, that make investments in third-party funds, an enhanced due diligence process is applied to the investment process.

HSBC Asset Management's policies are available on the website at: <http://www.assetmanagement/hsbc/about-us/responsible-investing/policies>

## 5. Engagement policies

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

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

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

Annual stewardship plans are published, which also detail approaches to prioritisation of engagement topics and includes several indicators for PAI considered in engagement. These include greenhouse gas emissions, labour and social impacts of climate transition, biodiversity loss, potential human rights violations, gender inequality and economic inequality.

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

HSBC Asset Management engagement policy: <http://www.assetmanagement/hsbc/about-us/responsible-investing/policies>

## 6. References to international standards

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

### Paris Agreement

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

Sustainability indicators used to measure the adherence:

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

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

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

Sustainability indicators used to measure the adherence:

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

#### **Biodiversity**

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

Sustainability indicators used to measure the adherence:

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

As of 2023-06-29

## Methodology and data used

Our third-party asset managers use a range of data sources to inform the integration of ESG factors into their investment process and assessment of PAI. These include MSCI, ISS, S&P Trucost, Bloomberg ESG and Morningstar Sustainalytics and the details are reflected in each sustainable product disclosure.

We have not included a forward-looking climate scenario as we are still assessing which methodologies to deploy in our investment processes. We also plan to enhance the data coverage and reports accuracy (we are considering a best-in-class approach for data sourcing and alignment with HSBC Asset Management to ensure consistency within HSBC Group), as the current report is prepared based on Morningstar Sustainalytics PAI data only.

More detailed information the methodology and data used to measure the adherence, including the scope of coverage and data sources is available in the HSBC Private Banking PAI Statement Methodology document.

## 7. Historical comparison

Available in the next reporting year.