Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant HSBC Investment Funds (Luxembourg) S.A., **LEI:**213800KNC1J1NJ1IYR95
Summary HSBC Investment Funds (Luxembourg) S.A., LEI - 213800KNC1J1NJ1IYR95 considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of HSBC Investment Funds (Luxembourg) S.A. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2024 to 31 December 2024. We (HSBC Investment Funds (Luxembourg) S.A.) recognise that sustainability risks can lead to outcomes that have adverse impacts on the value of the financial products. Our integration of environmental, social and governance factors as set out in our responsible investment policies and standards addresses material principal adverse impacts in our fundamental research and contributes to investment decisions in our investment process. We consider these impacts in our voting and engagement, and in further policies which express our sustainability objectives and set out the actions we take to reach them. This approach helps us to manage these adverse impacts and sustainability risks in our investments. The relevant principal adverse impacts include the full range of mandatory climate, environmental, social, employee and human rights impacts for which mandatory indicators have been identified, as well as impacts related to carbon emissions and human rights for which additional optional indicators have been identified and for which we explain our actions taken, actions planned, and targets set. As a large asset manager, offering a range of active and passively managed products, relevant principal adverse impact (PAI) indicators will be included in our investment process through integration, engagement and/or exclusion. For our investment products, principal adverse impact indicators will be reflected in portfolio construction through screening, tilting and other techniques. For the sustainable investment definition under SFDR, all mandatory PAIs are considered amongst Do No Significant Harm criteria. We explain our approach to voting at company meetings in our Voting Guidelines; companies which do not adequately manage PAIs may face voting sanctions. Due to lack of data availability, Private Assets (such as Private Debt) are not included in this PAI statement, however if data becomes available in the future those will be included. Our Stewardship Plan sets out our approach to engagement, including escalation of engagement where companies do not respond adequately to concerns raised regarding adverse impacts. We give further details on our expectations for companies in their management of adverse impacts in our this Plan. Further details of our approach for screening, investment process and engagement are set out in specific policies and commitments, including Banned Weapons, Energy and Thermal Coal. On climate change issues in particular, the net zero ambition and interim emissions reduction target of our parent entity HSBC Global Asset Management Ltd are the most important expression of our ambition. The policies mentioned are available on our website: www.assetmanagement.hsbc.lu/en/professional-clients/about-us/responsible-investing/policies The net zero interim emissions reduction target is available at: https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/road-to-net-zero

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Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	**Metric**	**Impact[1] (year 2024)**	**Impact[1] (year 2023)**	**Explanation[2]**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Greenhouse gas emissions — 1. GHG Emissions	Scope 1 GHG Emissions - Metric tons CO2 equivalents	3,350,725.14	2,836,716.71	Eligibility = 65.22% Coverage = 54.54% Data Vendor : S&P Trucost and Bloomberg Scope 1 designates the GHG emissions (in tonnes of CO2 equivalent) from direct emitting sources owned or controlled by a company: direct emissions resulting from the combustion of fossil fuels, such as gas, oil, coal, during their process of production. Within the framework of SFDR, GHG Emissions refer to 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 1 divided by enterprise value, multiplied by investment for all investee companies. Enterprise Value including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric.. Data limitation: GHG Emissions - Scope 1 data are primarily based on company disclosures or estimated by S&P Trucost in the absence of company reports. There is not 100% coverage for these metrics. While our data provider, S&P Trucost, endeavours to provide full coverage for the entire universe of possible holdings, there are sometimes gaps due to companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. There is a further potential gap when our holding is at the subsidiary level, and emissions are only reported at the level of the parent company and not distributable to the subsidiary. These data points are measured in tonnes of CO2 equivalents per million of euros of revenue. They cover the full spectrum of GHG emissions and not only carbon. Hence, we consider them as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	Our parent entity HSBC Global Asset Management Ltd is a signatory to the Net Zero Asset Managers initiative. It has an interim target of reducing Scope 1 and 2 financed emissions intensity by 58 per cent between 2019 and 2030 for its in-scope assets under management (AUM), consisting of listed equities and corporate fixed income managed within its major investment hubs. As of 31 December 2019, in scope assets amounted to USD193.9 billion, equating to 38 per cent of global AUM. Its targets remain subject to consultation with stakeholders including investors and fund boards on whose behalf it manages the assets. The 58 per cent target is based on assumptions for financial markets and other data, including the IEA Net Zero emissions by 2050 scenario and its underlying activity growth assumptions. Carbon emissions intensity is measured as tonnes of carbon dioxide equivalent per million USD invested (tCO2e/USDMillion invested), where emissions are scaled by enterprise values including cash. HSBC Asset Management is closely following the review that the NZAM Initiative has launched on the future of the initiative. Policies: HSBC Asset Management's Energy and Thermal Coal Policies have been developed in support of HSBC Group's net zero ambition. In its capacity as a discretionary investment manager and under its Energy Policy, HSBC Asset Management engages and assesses the transition plans of the largest oil and gas, and power and utilities companies for listed issuers responsible for around 70 per cent of relevant emissions based upon all listed equity and corporate fixed income managed within its major investment hubs. Its Thermal Coal Policy is developed in support of the phase-out from thermal coal-fired power and thermal coal mining (collectively 'thermal coal') within the 2030/40 timelines set out in the HSBC Thermal Coal Phase-Out Policy and is intended to help meet the objective of phasing out thermal coal within science-based timeframes within its portfolios. The Energy Policy and Thermal Coal Policy complement one another and are reviewed at least annually. In 2024, HSBC Global Asset Management Limited, the lead entity for the HSBC Asset Management business developed an internal framework to define and classify the net zero alignment of companies, based on its views and guidance from the IIGCC's Net Zero Investment Framework implementation guidance. HSBC Global Asset Management Limited, the lead entity for the HSBC Asset Management business has also developed a net zero stewardship toolkit to guide engagements and set objectives for alignment with the net zero alignment classification. In 2024, we developed an internal framework to define and classify the net zero alignment of companies, based on our views and guidance from the IIGCC's Net Zero Investment Framework implementation guidance.We have also developed a net zero stewardship toolkit to guide engagements and set objectives for alignment with the net zero alignment classification.
	Scope 2 GHG Emissions - Metric tons CO2 equivalents	827,632.28	671,876.90	Eligibility = 65.22% Coverage = 54.54% Data Vendor : S&P Trucost and Bloomberg Scope 2 comprises company's indirect GHG emissions (in tonnes of CO2 equivalent) from purchased or acquired electricity, steam, heat and cooling necessary to manufacture the product. Within the framework of SFDR, GHG Emissions refer to 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 2 divided by enterprise value, multiplied by investment for all investee companies. EVIC in million Euro are sourced from FactSet.Bloomberg incorporated in the metric. Data limitation: GHG Emissions - Scope 2 data are primarily based on company disclosures or estimated by S&P Trucost in the absence of company reports. There is not 100% coverage for these metrics. While our data provider S&P Trucost endeavours to provide full coverage for the entire universe of possible holdings, there are sometimes gaps due to companies not reporting emissions and it is not appropriate to estimate on reported emissions for niche asset classes or sub-industries. There is a further potential gap when our holding is at the subsidiary level and emissions are only reported at the level of the parent company and not distributable to the subsidiary. This PAI is measured in tonnes of CO2 equivalents and covers the full spectrum of GHG emissions and not only CO2. Hence, we consider it as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	See above

1A. Derivatives are not included in the calculation of Principal Adverse Impact metrics due to data limitations, but are considered for eligibility and coverage calculations. Further information on the PAI calculation methodology are available on our website.
1B. PAI values have been calculated for passive products based on the underlying holdings for the reference period, however, passively managed funds will only hold securities included in the relevant index, and the investment manager did not consider PAIs of its investment decisions on sustainability factors.
2. The reference period of Principle Adverse Impacts started on 1 January 2022 and there would be no historical comparisons available for the prior reporting years.
3. 'Eligible' means holdings that are relevant (companies, sovereigns or real estate) for Principle Adverse Impact indicators in question and 'covered' means those eligible holdings for which relevant underlying data has been obtained or estimated.

Adverse sustainability indicator	Metric	Impact[1] (year 2024)	Impact[1] (year 2023)	Explanation[2]	Actions taken, and actions planned and targets set for the next reference period
	Scope 3 GHG Emissions - Metric tons CO2 equivalents	34,525,550.71	2,647,533.14	Eligibility = 65.22% Coverage = 54.54% Data Vendor : S&P Trucost and Bloomberg GHG emissions - Scope 3, defined as all other indirect emissions (not included in scope 1 and 2) that are generated throughout a company's value chain, can often be the largest source of emissions for companies. Scope 3 emissions are divided into two main categories: upstream (supply chain, i.e., purchased or acquired goods & services) and downstream (products value chain: use of sold goods and services) activities of a company. This PAI accounts for both upstream and downstream activities included in GHG emissions - scope 3 categories. The inclusion of downstream Scope 3 GHG emissions has been included in 2024, which accounts for the large increase in the impact score for 2024 Within the framework of SFDR, GHG Emissions refer to 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 3 divided by enterprise value including cash (EVIC), multiplied by investment for all investee companies. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric. Data limitation: Scope 1 and 2 carbon are more directly under the control of the individual companies we invest in, whereas scope 3 is an estimation of a company's interaction and the resulting GHG emissions of upstream stakeholders. Due to a lack of reported information, it is challenging to estimate and quantify scope 3 emissions. Given the nature of Scope 3 emissions, particularly downstream emissions such as the use of sold goods, there is an inherent risk of double counting when aggregating emissions. This occurs when emissions are attributed to multiple entities within the same value chain. As such, Scope 3 emissions figures may include overlaps and might be inflated. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	See above
	Total GHG Emissions - Metric tons CO2 equivalents	38,703,908.15	6,155,682.98	Eligibility = 65.22% Coverage = 54.54% Data Vendor : S&P Trucost and Bloomberg Total GHG Emissions (Scope 1, 2 & 3) is commonly referred to as 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its GHG emissions. It is the sum of the GHG absolute emissions (Scope 1,2 & 3) divided by enterprise value, multiplied by investment. GHG emissions are primarily based on company disclosures, or estimated by S&P Trucost in the absence of company reports. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric. Data limitation: Lack of coverage of GHG emissions - Scope 3 and some niche asset classes (such as Small Caps, High Yield, Frontier or Emerging Markets issuers). These gaps are due to companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. Scope 3 emissions cover both upstream and downstream emissions. The inclusion of downstream Scope 3 GHG emissions has been included in 2024, which accounts for the large increase in the impact score for 2024 This PAI is measured in tonnes of CO2 equivalents and cover the full spectrum of GHG emissions and not only carbon. Hence, we consider it as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions. This PAI is measured in tonnes of CO2 equivalents and cover the full spectrum of GHG emissions and not only carbon. Hence, we consider it as an Exact Fit of the PAI definition. It's important to note that we decided to consider carbon intensity for some internally approved green bonds. These bonds are unique in their commitment to specifically finance climate and environmental projects; a fact that has been internally validated by a dedicated HSBC Asset Management committee. The proceeds of these green bonds fund projects that generate positive environmental and/or climate impact, such as renewable energy, energy efficiency, clean transport, sustainable water management, sustainable waste management, and biodiversity conservation. 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.	See above

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Adverse sustainability indicator		Metric	Impact[1] (year 2024)	Impact[1] (year 2023)	Explanation[2]	Actions taken, and actions planned and targets set for the next reference period
	2. Carbon Footprint	Carbon Footprint - Metric tons of CO2 per million of euros (EV)	364.34	43.57	Eligibility = 65.22% Coverage = 54.54% Data Vendor : S&P Trucost and Bloomberg This PAI is the sum of all financed emissions (scope 1, 2 and 3) divided by the total value of investments. Scope 3 emissions cover both upstream and downstream emissions. Data limitation: Carbon emissions (Scope 1, 2 & 3) are primarily based on company carbon disclosures or estimated by S&P Trucost in the absence of company reports. It is worth noting the lack of coverage of scope 3 Carbon emissions and some niche asset classes (such as Small Caps, High Yield, Frontier or Emerging Markets issuers). These gaps are due to companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. As a result, the calculation of this PAI indicator is based solely on the proportion of covered assets invested in companies with available data, rather than on the entirety of assets under management. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	See above
	3. GHG Intensity of investee companies	GHG intensity of investee companies - Tons of CO2 equivalents per million of euros of revenue	1,237.42	225.10	Eligibility = 65.22% Coverage = 54.42% Data Vendor : S&P Trucost GHG intensity measures the quantity of GHG emissions (scope 1,2 and 3) per million-euro revenue of an issuer of a financial investment. It is a measure of environmental efficiency of an issuer, measuring issuer GHG emissions, relative to issuer economic output. Scope 3 emissions cover both upstream and downstream emissions. Data limitation: GHG intensity are primary based on company GHG emissions (Scope 1, 2 & 3) disclosures, or estimated by S&P Trucost in the absence of company reports. The lack of coverage of scope 3 and niche asset classes (Small Caps, High Yield, Frontier or Emerging Markets issuers) are due to companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. As a result, the calculation of this PAI indicator is based solely on the proportion of covered assets invested in companies with available data, rather than on the entirety of assets under management. This PAI is measured in tonnes of CO2 per million euros of revenue equivalents and cover the full spectrum of GHG emissions and not only CO2. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	See above
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	8.30%	2.71%	Eligibility = 65.22% Coverage = 60.90% Data Vendor : Sustainalytics For this PAI, the selection of data points provided by Sustainalytics cover the full spectrum of fossil fuel involvements of companies determined on their revenues analysis. Hence, we consider this metric to be an exact fit to the PAI definition. It's important to note that we decided to consider 0 Fossil Fuel share for some internally approved green bonds issued by companies operating in the fossil fuel sector based on the International Capital Market Association (ICMA) guidelines.. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management.	We believe that the most significant reduction in GHG emissions will be secured by companies active in the fossil fuel sector achieving a transition away from their dependency on fossil fuel. For that reason we favour engagement in support of robust transition plans over divestment from the sector. Our thermal coal policy commits actively managed portfolios to phase out thermal coal by 2030 for EU/OECD and 2040 for non-OECD. HSBC Asset Management's Energy policy commits to transition plan assessments for the largest oil & gas and utility emitters held in our portfolios.

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Adverse sustainability indicator		Metric	Impact¹ (year 2024)	Impact¹ (year 2023)	Explanation²	Actions taken, and actions planned and targets set for the next reference period
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production	72.75%	67.44%	Eligibility = 65.22% Coverage = 36.72% Data vendor : Bloomberg This PAI represents the percentage of the company's total energy consumption and production that is generated using non-renewable sources in the reporting year. This data is taken as reported by the company. To calculate the reported shares, the percentages as directly reported by companies are considered, or a calculation is made based on company disclosure on total energy consumption and production and related non-renewable share. Bloomberg do not use estimation models to cover this PAI. Data limitation: Despite a larger research universe, only a small number of companies are disclosing the metric, but we can expect this limitation to ease in the future.	See above
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector - GWh per million of euros of revenue	0.36	1.03	Eligibility = 65.22% Coverage = 15.05% Data vendor : Bloomberg, S&P Trucost This data is taken as reported by the company. Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sectors based on Nomenclature of Economic Activities (NACE) classification of activities. NACE is the European statistical classification of economic activities. Data limitation: Despite a larger research universe, only a small number of companies are disclosing the metric, but we can expect this limitation to ease in the future.	Our parent entity's emission intensity reduction targets require a focus on the fossil fuel usage, including energy consumption, of issuers in sectors with a high climate impact; we will engage with issuers in these sectors, reducing fossil fuel based energy consumption will be one of the issues in our engagement.
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	-2.65	3.69	Eligibility = 64.32% Coverage = 13.54% Data Vendor : Iceberg Data Lab We use an approximation of the "Share of investments in investee companies with sites/ operations located in or near to biodiversity-sensitive areas where related-activities negatively affect those areas" due to the challenge of gathering a mapping of investee companies with sites/operations located in or near to biodiversity sensitive areas. An assessment of companies' activities located in or near to biodiversity sensitive areas would require a spatial approach which is not yet disclosed by companies and available to investors. In this context, we use an approximation to assess the most material biodiversity impacts of companies. We rely on the Iceberg Data Lab methodology which estimates all the material biodiversity impacts, calculated and supported by robust scientific frameworks (damage functions, pressure factors), and translated into the Corporate Biodiversity Footprint (CBF) indicator which reflects the annual biodiversity footprint of a company, expressed in the Km².MSA unit. The « Mean Species Abundance » (MSA) is a biodiversity metric expressing the average relative abundance of native species in an ecosystem compared to their abundance in an ecosystem undisturbed. For PAI 7, we use the weighted sum of CBF intensity for companies that operate within high-impact sectors as defined by the Finance for Biodiversity Pledge. These high-impact sectors include those with the greatest impact on biodiversity, such as intensive agriculture, fishing, the forestry industry, mining, oil and gas exploration, construction, and real estate development. From 2024, by definition, this is a negative value: the corporate biodiversity footprint intensity corresponds to a certain value per million euros invested per year. This implies that a one million euro invested results to a mean loss of a certain CBF value per Km2.MSA over annual period. Data limitation: There are methodological bias and limits to the CBF methodology, the most important being that the CBF covers only terrestrial biodiversity and partially marine biodiversity, which are in the scope of many inventories, reviews, and damage functions. In addition, some pressure factors such as Invasive species are not modelled yet, due to the lack of robust models but will be developed over time. It is worth noting that, as of today, only a low fraction of companies is disclosing the metric or information that is requested by the PAI 7, but we expect this limitation to ease in the future as some companies are increasingly interested in natural capital accounting to mitigate their impacts and measure their risks. Considering the approximation made and data limitation, this PAI is a Partial Fit of the definition.	We recognise that nature and biodiversity issues may present risks and opportunities to companies, which could have a material effect on a company's risk profile and financial performance over various investment time horizons. HSBC Global Asset Management Ltd, the lead entity for the HSBC asset management business, has committed to work for the protection and restoration of biodiversity through our investments by signing the Finance for Biodiversity Pledge. Current & future actions include: collaboration and knowledge sharing on assessment methodologies, impacts and targets; engaging with companies to reduce negative and increase positive impacts on biodiversity; assessing the impact of our investments; setting targets to increase positive and reduce negative impacts on biodiversity; and to report annually on these activities. HSBC Global Asset Management Ltd, the lead entity for the HSBC asset management business is also a member of the PRI Nature Reference Group, which aims to build investor capacity for addressing nature and biodiversity loss by providing a forum for signatories to advance their awareness of nature-related impacts, dependencies, risks and opportunities. HSBC Asset Management aims to continue its active participation with industry initiatives on biodiversity and nature-related topics. The global Nature and Biodiversity Strategy is built on three key pillars: - Continue and enhance engagement with companies on its priority list and active participation with industry initiatives, - Build expertise through training and investment analysis of issuers, as well as research and integration of nature and biodiversity related risks into investment processes, - Monitor the development of robust third-party metrics with the aim to quantify the progress over time, recognising this is an evolving field. During 2024, we continued to engage with companies on biodiversity impacts; included negative biodiversity impacts in our voting criteria; and began to use a third party data provider to further inform our assessment of investment exposure to biodiversity risk. We engaged with companies on biodiversity and nature-related topics and recorded progress internally. Looking ahead, we will continue to conduct meaningful issuer dialogue through proactive engagement with stakeholders on biodiversity.

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Adverse sustainability indicator		Metric	Impact[1] (year 2024)	Impact[1] (year 2023)	Explanation[2]	Actions taken, and actions planned and targets set for the next reference period
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average - Thousands of Metric tons per million of euros invested	7.04	0.00	Eligibility = 65.22% Coverage = 2.12% Data vendor : Bloomberg We consider the amount of discharges to water that influence the biophysical or chemical quality of the water, in thousands of metric tonnes per million of euros invested. The following pollutants are considered for the purpose of this metric: direct nitrates, direct phosphate emissions, direct pesticides emissions, direct emissions of priority substances (i.e. heavy metals, loads of organic pollutant parameters such as biochemical oxygen demand (BOD) and chemical oxygen demand (COD), nitrogen and phosphorus compounds, soluble salts, and suspended solids). We consider this metric to be an exact fit to the PAI definition as provided by the regulator given the correspondence of covered substances. Bloomberg do not use estimation models to cover this PAI. Data limitation: At least in the beginning, we can expect a highly heterogeneous disclosure with most companies only including a subset of this metric in their reporting.	Water usage and emissions are amongst those factors included in third party ESG data which informs our investment process. We have integrated this indicator under the Environmental pillar as we develop bespoke sector-based ESG scores. In 2024, HSBC Global Asset Management Ltd, the lead entity for the HSBC asset management business released our Environmental, Social, and Governance (ESG) materiality framework leveraging Virtual Sector Teams (VSTs) across asset classes and geographies to guide portfolio managers and analysts. This framework emphasizes that certain ESG issues can materially impact a company's financial performance, share price, or credit spread. However, the significance and impact of these ESG externalities vary by sector. HSBC Global Asset Management Ltd, the lead entity for the HSBC asset management business' 12 VSTs play a critical role in shaping sector-specific ESG research and integration efforts. A key output of the VSTs is the development of ESG materiality checklists, which: - Address ESG risks and opportunities across the Environmental, Social, and Governance pillars for 12 sectors. - Highlight the most material ESG issues with the greatest potential financial impact. - Recommend engagement approaches to address these issues effectively.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average - Thousands of Metric tons per million of euros invested	3.28	7.67	Eligibility = 63.47% Coverage = 16.61% Data vendor : Bloomberg Hazardous Waste Ratio is measured in tonnes of hazardous waste generated by a company. Following the EU definition, the datapoints include both hazardous and radioactive waste as reported by companies. We consider this metric to be an exact fit to the PAI definition as provided by the regulator given the correspondence of covered substances. Bloomberg do not use estimation models to cover this PAI. Data limitation: At least in the beginning, we expect a highly heterogeneous disclosure with most companies only including a subset of this metric in their reporting. .	Hazardous waste and radioactive waste ratio are amongst those factors included in third party ESG data which informs our investment process. HSBC Global Asset Management Ltd, the lead entity for the HSBC asset management business has integrated this indicator under the Environmental pillar as it develops bespoke sector-based ESG scores. In 2024, HSBC Global Asset Management Ltd, the lead entity for the HSBC asset management business released our Environmental, Social, and Governance (ESG) materiality framework leveraging Virtual Sector Teams (VSTs) across asset classes and geographies to guide portfolio managers and analysts. This framework emphasizes that certain ESG issues can materially impact a company's financial performance, share price, or credit spread. However, the significance and impact of these ESG externalities vary by sector. HSBC Global Asset Management Ltd, the lead entity for the HSBC asset management business' 12 VSTs play a critical role in shaping sector-specific ESG research and integration efforts. A key output of the VSTs is the development of ESG materiality checklists, which: - Address ESG risks and opportunities across the Environmental, Social, and Governance pillars for 12 sectors. - Highlight the most material ESG issues with the greatest potential financial impact. - Recommend engagement approaches to address these issues effectively.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	1.34%	0.82%	Eligibility = 65.22% Coverage = 60.64% Data Vendor : Sustainalytics We rely on Sustainalytics to assess UNGC Principles and OECD Guidelines, i.e., companies in open violation of UNGC Principles, get counted under this PAI. Conversely, companies flagged as Watchlist are regarded to be closely monitored but not yet in open contravention of the principles which we interpret the regulation to require. Given the scope of the principles and standards covered, we consider this datapoint to be an exact fit to the PAI definition. Data Limitation: In some cases, we cannot always guarantee the data accuracy, timeliness or completeness provided by the vendor. Where necessary, we investigate to verify the accuracy of the violations before a decision is made to action. In situations where we disagree with the vendor's assessments, we add our proprietary research and conclusions for the exclusionary screens committed.	We use a third party data provider to identify alleged violations of UNGC and other international standards by issuers, based on a controversy screening service. Due diligence is undertaken where these are held in active fundamental investment strategies.

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1B. PAI values have been calculated for passive products based on the underlying holdings for the reference period, however, passively managed funds will only hold securities included in the relevant index, and the investment manager did not consider PAIs of its investment decisions on sustainability factors.
2. The reference period of Principle Adverse Impacts started on 1 January 2022 and there would be no historical comparisons available for the prior reporting years.
3. 'Eligible' means holdings that are relevant (companies, sovereigns or real estate) for Principle Adverse Impact indicators in question and 'covered' means those eligible holdings for which relevant underlying data has been obtained or estimated.

Adverse sustainability indicator	Metric	Impact[1] (year 2024)	Impact[1] (year 2023)	Explanation[2]	Actions taken, and actions planned and targets set for the next reference period
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	0.46%	0.36%	Eligibility = 65.22% Coverage = 48.47% Data Vendor : Bloomberg PAI 11 is intended to capture evidence, or lack thereof, of companies' mechanisms and due diligence efforts to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises. PAI 11 considers several raw data points disclosed from companies and publicly sourced data: Industry Org Membership - Labour Rights, Employee Freedom of Association Policy, ILO Labour Standards, OECD Guidelines for Multinational Enterprises, Modern Slavery Act Statement, Forced Labour Policy, Child Labour Policy and UNGC Signatory. If any of the above fields are 'Yes' the company is considered to have a process for monitoring UNGC principles and OECD Guidelines for Multinational Enterprises. Data limitation: This metric is an interpretation of the principles and guidelines in question based on Bloomberg own methodology and the underlying data as provided by the company itself or sourced from publicly available sources. Actual results may therefore vary. This metric does neither constitute nor replace any legal opinion, legal assessment, legal advice, or other expert statement on the existence of a violation.	We use a third party data provider to identify the lack of policies in regard to UNGC and other international standards by issuers, though any due diligence undertaken is based upon alleged violations under 10 above. The consideration of human rights has been included in HSBC Asset Management's stewardship activities..
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	24.75%	15.80%	Eligibility = 65.22% Coverage = 19.40% Data Vendor : Bloomberg The average unadjusted gender pay gap of investee companies gap is the difference expressed between the average (mean or median) earnings of men and women including management across a workforce, irrespective of worker characteristics or job title. The unadjusted analysis offers a holistic view for assessing potential pay disparity as it considers the distribution of employees across all jobs. The analysis is unaffected by differences such as level and job title, which may themselves be a result of discrimination. It can reveal, for example, gaps in the representation of women in senior-level roles. We use the percentage gender pay gap for total employees including management for the company. This Percentage represents female earnings in relation to its male counterparts. We consider this PAI as an Exact Fit to this PAI definition. Data limitation: Only a small proportion of companies disclose gender pay gap data, and not all disclosures are the same but we can expect these limitations to ease in the future.	We 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, equity and inclusion.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.86%	32.47%	Eligibility = 65.22% Coverage = 57.32% Data Vendor : Bloomberg Percentage of women on the Board of Directors, as reported by the company. Europe: Where the company has a Supervisory Board and a Management Board, this is the Percentage ofWomen on the Supervisory Board. This data is annualised, based on the reporting year. We consider this metric as an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PAI. Data limitation: In absence of relevant data, a sector median estimation has been considered in compliance with HSBC Asset Management methodology.	Board gender diversity is an important issue in our engagement with issuers, where we engage on diversity within the executive team and senior management as well as the board. We participate in collaborative initiatives encouraging board diversity in certain key markets. It is an important theme in our voting.
14. Exposure to controversial weapons (anti - personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.03%	0.01%	Eligibility = 65.22% Coverage = 65.23% Data Vendor : ISS ESG We rely on ISS ESG to screen out companies with strong indications of involvement in the production or distribution of anti-personnel mines, cluster munitions, chemical weapons and biological weapons. Based on ISS coverage of the investment universe, this PAI assumes coverage is equivalent to eligibility. Data limitation: Involvement in some weapon categories like biological and chemical weapons, blinding lasers, not detectable fragments remains at best patchy. But there is no alternative as of now. It is worth noting that chemical and biological weapons cases are very unusual and have tended to be made by state owned or private companies. Nevertheless, we consider this metric to be an exact fit to this PAI definition.	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. Certain 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 supranationals					

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2. The reference period of Principle Adverse Impacts started on 1 January 2022 and there would be no historical comparisons available for the prior reporting years.
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Adverse sustainability indicator		Metric	Impact[1] (year 2024)	Impact[1] (year 2023)	Explanation[2]	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries - Metric in kilo tons per unit of GDP (in millions of euros)	319.14	347.61	Eligibility = 16.29% Coverage = 14.43% Data Vendor : S&P Trucost and Bloomberg This metric is measured as the level of GHG territorial emissions (measured in kilo tonnes, Ktonnes) per unit of Gross Domestic Product (GDP) (in millions of Euro, M€). Data for the GDP of invested countries is obtained from the IMF (public source) while carbon emissions are sourced from S&P Trucost. Intensities are then computed as a simple ratio between emissions and GDP for the latest year available. The indicator includes territorial and import GHG emissions minus export GHG emissions. Data limitation: We consider the metric to be a partial fit as we exclude "Land use, land-use change and forestry" (LULUCF) from GHG territorial emissions accounting , given the uncertainty of the numbers. LULUCF is an important category accounting for GHG emissions within the United Nations Framework Convention on Climate Change (UNFCCC). The LULUCF sector covers emissions and removals of greenhouse gases resulting from direct human induced land use, land-use change and forestry activities. Carbon is sequestered by forestry and grassland, while carbon losses occur on existing cropland and natural land (e.g. grassland) that is converted to cropland or settlement. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.	Data on the emissions related to sovereign issuers are included in our third party ESG data available for inclusion in our investment process. We expect virtual sector teams over time to assess how far this data should be used in our own bespoke ratings. In 2024, a custom methodology was designed to assess sustainable Sovereign bonds including green and social bonds. The rationale behind assessing a country's positive contribution to sustainability is based either on the SDG performance of countries or on their positive contribution to climate change mitigation. The pillar of Climate Mitigation holds significant importance for us. Therefore, in our assessment, we give a high degree of importance to a country's positive contribution to climate change mitigation. By focusing on Climate Mitigation, we aim to encourage and support those countries that are making substantial efforts to reduce their carbon footprint and contribute positively to the global climate change mitigation. Do No Significant Harm principles encompass HSBC Sanctions, Corruption, as well as GHG emissions intensity per capita for Environmental harm, and the Human Development Index minimal ranking for the Social ones.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0	0	Eligibility = 16.29% Coverage = 14.42% Data Vendor : Sustainalytics We rely on Sustainalytics' country risk analysis which includes social risks such as civil or transnational conflict, state repression, violent crime, and labour rights/discrimination. Sustainalytics captures the most controversial social-related events in which a country is involved in that are interpreted to potentially affect the prosperity and economic development of a country and its ability to manage its wealth in an effective and sustainable manner. At the event level, the overall impact on stakeholders and the environment gets evaluated based on the Incidents' Severity Scores as well as the risk to a country's Human Capital. The impacts of an incident, get summarized in a Severity Score, which measures the Depth (the degree of impact), Breadth (how widespread the impact is) and Duration (what the duration is likely to be) of an Incident. We consider and report on only the most severe events (category 5) to constitute Social Violations in the spirit of the regulation. Data points provided by Sustainalytics are considered as an exact fit to this PAI's requirements.	Our third party ESG data providers include social factors in their assessment of sovereign issuers which is available for inclusion in our investment process. . In 2024, a custom methodology was designed to assess sustainable Sovereign bonds including green and social bonds. The rationale behind assessing a country's positive contribution to sustainability is based either on the SDG performance of countries or on their positive contribution to climate change mitigation. The pillar of Climate Mitigation holds significant importance for us. Therefore, in our assessment, we give a high degree of importance to a country's positive contribution to climate change mitigation. By focusing on Climate Mitigation, we aim to encourage and support those countries that are making substantial efforts to reduce their carbon footprint and contribute positively to the global climate change mitigation. Do No Significant Harm principles encompass HSBC Sanctions, Corruption, as well as GHG emissions intensity per capita for Environmental harm, and the Human Development Index minimal ranking for the Social ones.
		Number of investee countries subject to social violations (relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.00%	0.00%	See above	See above
Indicators applicable to investments in real estate assets						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels		NA	Eligibility 0%. We do not have any eligible assets for this PAI.	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets		NA	Eligibility 0%. We do not have any eligible assets for this PAI.	

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Other indicators for principal adverse impacts on sustainability factors

Table 2

Additional climate and other environment-related indicators

Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact[1] (year 2024)	Impact[1] (year 2023)	Explanation[2]	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	32.18%	29.52%	Eligibility = 65.19% Coverage = 39.98% Data vendor : Bloomberg Indicates whether the company is lacking carbon emissions reduction initiatives aimed at aligning with the Paris Agreement. The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2 Degrees Celsius and pursuing efforts to limit it to 1.5 Degrees Celsius. Data limitation: By now, only a fraction of companies has committed to carbon emission reduction initiatives, but we can expect this proportion to increase in the future. We consider this metric is an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PAI.	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 parent entity's net zero commitments will also involve divestment over time from companies which do not develop robust carbon emission reduction plans. Under our Energy Policy, we are committed to assess the transition plans of the largest oil & gas and utility issuers held in our portfolios.

Table 3

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

Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact[1] (year 2024)	Impact[1] (year 2023)	Explanation[2]	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies						
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	53.24%	37.65%	Eligibility = 65.19% Coverage = 54.20% Data Vendor : Bloomberg This PAI is disclosing the investments in companies which lack a certain Human Rights policy or programme. Data limitation: By now, only a fraction of companies publishes a human right policy, but we can expect this proportion to increase in the future. We consider this metric to be an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PAI.	Potential human right violations are amongst the issues monitored by our third party data provider identifying alleged breaches of the UNGC and other international standards by issuers. Due diligence is undertaken where these are held in active fundamental investment strategies. We engage with portfolio companies to encourage the development and application of effective human rights policies and risk management.

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

We recognise that sustainability risks can lead to outcomes that have negative impacts on the value of the financial products. We therefore aim to incorporate material sustainability issues in our investment process as well as seeking to mitigate negative impacts. We support the UNGC principles and have developed policies and statements on Banned Weapons, Thermal Coal and Energy as part of our responsible investment framework, that further outline our approach including how we integrate associated risks and opportunities, our engagement focus and collaborative activities. Details are on our website. https://www.assetmanagement.hsbc.lu/en/professional-clients/about-us/responsible-investing/policies

Where a product considers principal adverse impacts on sustainability factors, their prioritisation depends on the sustainable objectives or E and S characteristics of the product.

These policies apply equally when we act as either a financial market participant (investment manager) or financial adviser. They have been approved and are kept under review by our HSBC Global Asset Management Ltd Sustainability Forum - which included our global CEO, CIO, Heads of Risk, Legal and Sustainability - as follows: Banned Weapons (December 2024), Energy (December 2024) and Thermal Coal (December 2024). The investment function was responsible for the implementation of these policies, overseen by our Asset Class ESG Committee and the ESG Investment Committee. Their implementation draws upon a range of data sources to inform the integration of ESG factors into our investment process and assessment of principal adverse impacts. These include MSCI, ISS, S&P Trucost, Bloomberg and Sustainalytics. We recognise that data reliability and availability may vary across impact indicators and regions. Addressing this may take time as requirements for disclosure of underlying data differ across markets and types of issuer, and standardisation of disclosure is not inevitable. We also leverage our global investment analyst network and engagement activities to inform our evaluation of the risks of adverse impact in our investment. We have selected indicators to identify and assess PAIs to reflect data sources we use in our own investment processes and/or the data available to market participants in a consistent and comparable format with sufficiently broad coverage.

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 invest. If companies present sustainability risks, we may decide not to hold their securities. We engage directly with company management teams to raise areas of concern. Our Stewardship Plan sets out our approach and can be found on our website. We engage with board members, executive management and responsible officers to ensure issuers do not present sustainability risks. We leverage voting rights to recognise positive corporate development, drive behavioural change, and hold company directors accountable when they fail to meet our expectations. We draw upon the full range of internal and external data on adverse impacts to inform our engagement approach. We have a well-established escalation procedure with a range of engagement tools where companies/issuers do not respond sufficiently or adverse impacts are not reduced. Our Stewardship Plan also details our approach to prioritisation of engagement topics and includes a number of the indicators for adverse impacts considered in our engagement. These include: greenhouse gas emissions, labour and social impacts of climate transition, biodiversity loss, potential human rights violations, gender inequality and economic inequality.

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References to international standards

We are committed to the application and promotion of global standards and believe in collaborative action to address the sustainability challenges globally. Our policies and statements reference the following international standards:
Finance for Biodiversity pledge
International Labour Organisation's Labour Standards
United Nations Global Compact
United Nations Principles for Responsible Investment
Universal Declaration of Human Rights
Paris Climate Agreement
Our parent entity's net zero ambition aligns us to a 1.5 degree objective as sought in the Agreement; indicators related to greenhouse gas emissions above are used to measure this alignment. We use a range of data sources to inform the integration of ESG factors into our investment process and assessment of PAIs. These include MSCI, ISS, S&P Trucost, Bloomberg and Sustainalytics. Data coverage and transparency can be restricted; we are looking to develop our own bespoke ratings. We have not included a forward-looking climate scenario as we are still assessing which methodologies to deploy in our investment process. However, to quantify the effects of climate change on our products, we have tested MSCI's climate value at risk model which estimates the net present value of future cost and opportunity projections of each company through to 2050 – using transition costs and opportunities models and to 2100 – using physical risks cost models for the relevant third party climate scenario.

Historical comparison

Direct comparison between the 2024 and 2023 figures can be made as per above columns titled 'Impact year 2024' and 'Impact year 2023'. Further comparison shall be made in the future for at least five reference periods once these are available. PAI Indicators may change due to increase or decrease in adverse impacts by the investee companies. Indicators however may also change due to availability of data, changes in methodology by the respective data provider, changes in sources etc. Material increases in coverage across PAIs have been achieved in 2024, thus increasing the impact scores.

Impact year 2022 data as follows:

Table 1.
PAI 1, Scope 1: 3,244,041.18
PAI 1, Scope 2: 612,287,.26
PAI 1, Scope 3: 2,730,677.49
PAI 1, Total GHG Emissions: 6,587,005.93
PAI 2: 53.97
PAI 3: 299.17
PAI 4: 3.22%
PAI 5: N/A
PAI 6: 0.88
PAI 7: 3.34%
PAI 8: 0.03
PAI 9: 0.00
PAI 10: 0.94%
PAI 11: 4.76%
PAI 12: 15.40%
PAI 13: 29.57%
PAI 14: 0.00%
PAI 15: 240.76
PAI 16: 0.84%
PAI 17: N/A
PAI 18: N/A

Table 2.
PAI 4: 39.89%

Table 3.
PAI 9: 38.57%

While we strive to ensure the accuracy and completeness of the disclosures made herein, it is important to acknowledge the inherent challenges associated with sustainability data, metrics, and the evolving nature of the regulatory landscape. As a result, we make our disclosures on a bestefforts basis, exerting every reasonable effort to provide reliable and meaningful information via the methods mentioned above.

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