Sustainability related disclosures pursuant to Article 10(1) of the Disclosure Regulation | Financial Technology Venture Strategy 2022

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

Summary

Financial Technology Venture Strategy 2022 (the "**Fund**") is a venture capital fund that promotes environmental and social characteristics within the meaning of article 8 of the Disclosure Regulation.

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

The Fund will seek to enforce good governance practices across investee companies, in particular with regard to sound management structures, employee relations, employee remuneration and tax compliance.

The Fund aims to make minority equity investments into 15 to 20 early stage financial technology companies. It is intended that all investee companies will promote environmental and social characteristics within the meaning of article 8 of the Disclosure Regulation and be classified accordingly.

The promoted environmental and/or social characteristics are measured by the positive alignment with the UN Sustainability Development Goals, as validated by a third party provider.

The selection of target companies is based on a rigorous due diligence process. The Fund evaluates, as part of the due diligence, the companies with respect to their management structures, employee relations, and remuneration and tax compliance.

Further, an important aspect of the investment due diligence is the ESG Due Diligence. The Portfolio Manager utilises independent third party providers to provide a detailed ESG Due Diligence, which it integrates into its decision making process.

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

2 No sustainable investment objective

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

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

Where the Fund makes EU taxonomy aligned investments, the “do no significant harm” principle is upheld by the Investment Manager taking into consideration the Principal Adverse Impact (“PAI”) indicators in its analysis of each relevant prospective investment.

The assessment of applicable Principal Adverse Impact (“PAI”) Indicators is a key component of the Portfolio Manager’s ESG risk assessment and will be undertaken in each of the initial transaction screening phase, subsequent due diligence and subsequent ongoing stewardship.

3 Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics, while the companies, in which the Fund invests, must follow good governance practices.

Environmental and social characteristics can appear in various forms. The former can for example be contribution to resource efficiency in the use of energy, raw materials, water and soil, generation of renewable energy, reduction of waste generation, greenhouse gas emissions or impact on biodiversity and enhancement of the circular economy.

Social characteristics may be found and improved in almost every investment, for example by promoting financial inclusion and access, combating inequalities in the workforce, promoting social inclusion or providing safe and adequately paid labour. More specific investments can improve the availability of and access to financial and healthcare services. The Fund shall enforce good governance practices at the level of the investee companies, in particular with regard to sound management structures, employee relations, employee remuneration and tax compliance, including by using its position as a Board member or observer.

The environmental and social characteristics that shall be promoted by the Fund are:

- Environmental Sustainability: The financial services sector will contribute towards supporting economies as they embark in energy transition. This includes directing capital towards environmentally sustainable activities, as well as those that promote sustainable environmental practices, including through data provision, measurement and analytics.
- Social Sustainability: Make financial services easier to access and more transparent through offering better protection for individuals for example by the provision of improved insurance coverage solutions, more affordable saving and credit products, greater and more transparent choices;
- Sustainable Governance: Improve resilience and overall efficiency of the financial system, for example through the deployment of technologies like Distributed Ledger Technology that may be used to upgrade legacy payment and securities processing networks.

4 Investment strategy

The Fund's intends to make minority equity investments in fast growing, early stage, unquoted financial technology companies, particularly those that promote environmental sustainability, social sustainability or promote good governance.

In making such investments the Fund will seek to ensure that it only makes investments in companies that, in the view of the Portfolio Manager, materially contribute to one or more United Nations Sustainable Development Goals ("UN SDGs").

In particular, we expect investments to be aligned with at least one of these goals:

The Portfolio Manager uses third party providers to prepare independent ESG DD reports that will inform the investment process through an overall ESG scoring framework. A number of factors influence the overall ESG score, these include:

- The extent to which investee companies can demonstrate a positive contribution towards a UN Sustainability Development Goal
- The PAIs that are relevant to a potential investee company,
- Investee company governance including Corporate Governance, Business Ethics, Employee Stability and Diversity, Labor Management and Community Impact,

ESG risks are monitored by the Investment Manager on a post-closing basis with reference to regular reporting from investee companies, industry and regulatory developments, and ad hoc calls with management.

5 Proportion of investments

The Fund will seek to promote environmental and social characteristics within the meaning of article 8 of the Disclosure Regulation and be classified accordingly.

It is not possible at this time to provide estimates of the portfolio allocation that will be EU Taxonomy aligned or promote environmental and social characteristics

However, all investments will undergo the complete investment, operational and legal due diligence as set out in this document.

6 Monitoring of environmental or social characteristics

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

The monitoring is carried out by the investment team, usually the senior member of the investment team who led the deal and may have membership or observer status on the board of the investee company. In addition, ESG risks are monitored by the Investment Manager on a post-closing basis with reference to regular reporting from investee companies, industry and regulatory developments, and ad hoc calls with management.

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

For our full Stewardship Policy, please go to www.assetmanagement.hsbc.com/about-us/responsible-investing/policies.

7 Methodologies

The Fund will measure attainment of the promoted environmental and/or social characteristics through alignment with the UN Sustainability Development Goals, with this alignment validated by a third-party consultant. Prior to investment, UN SDG alignment will be assessed, and then this will be monitored on an ongoing basis.

8 Data sources and processing

The primary data sources will be the portfolio companies, who will provide this data to the Portfolio Manager and the third party consultants used for ESG Due Diligence and monitoring. Where possible, both the quality of data as well as the reporting frequency, will be set out as a condition of an investment, In cases where it is possible to secure representation on the Board of an investee company, the Fund will use that influence to direct ESG transparency. Where applicable, data sourcing may be extended to external data providers and other publicly available information, e.g. reports of listed companies. Enhanced data may also be obtained through screening tools and due diligence procedures specifically covering aspects of good governance and potential adverse impacts of business activities. At the time of publication, it is not possible to quantify the extent of data estimation and as a result the degree to which such estimation may impact on the environmental or social characteristics promoted by the Fund.

9 Limitations to methodologies and data

At the time of publication, it is not possible to quantify the extent of data estimation and as a result the degree to which this estimation may impact on the environmental or social characteristics promoted by the Fund.

10 Due diligence

The Investment Team will carry out fundamental analysis based on a number of qualitative and quantitative criteria in order to identify the most attractive investment opportunities in line with the investment objectives of the Fund.

The Investment Committee adopts a two stage approval process when determining whether the Fund enters into a new investment, enter into a follow-on round of funding, or dispose of an investment.

Stage 1 Review (approval to sign term sheet and proceed to legal, financial and Financial Crime Compliance (“FCC”) due diligence)

- The Investment Team will prepare and present a short summary paper and supporting material as appropriate, outlining the investment case/follow-on case/disposal case (as relevant) and draft term sheet for the Investment Committee's review.

- Voting Members will make a determination of whether to proceed with the transaction towards final investment.
- The Investment Committee will sign off on the term sheet and where relevant, legal and financial due diligence costs to be incurred by external advisors to progress to Stage 2 approval.
- The investment team will flag to Risk and discuss any specific concerns as and when they arise. For instance, such concerns can be related but not limited to unusual deal structures, financial crime or reputational concerns.
- The Investment Committee will assess if any additional work is required from the Investment Team in order to progress a transaction to Stage 2 approval and ensure areas of focus are agreed for follow up by the Investment Team.

Stage 2 Review (approval to fund the transaction)

- At the end of stage 1, information obtained from relevant due diligence and reviews will be included in the Stage 2 Investment Committee paper and supporting documents for Investment Committee approval for the investment, follow on funding or disposal, as set out below.
- All formal Investment Committee submissions will use standard investment paper information (as updated from time to time), which have been designed to document the key investment considerations for every transaction in a consistent manner.
- The final investment paper will include comprehensive analysis of all key findings from the due diligence process, as well as addressing any topics raised following the screening committee.
- Voting members of the Investment Committee will make a decision as to whether to proceed with funding the transaction or making a disposal and what additional work is required (where relevant) to proceed to the funding or disposal stage.

Following final approval, the Investment Team will confirm approval to relevant sponsor(s) and proceed to the execution stage.

The Investment Team commits to complying with the HSBC Asset Management Responsible Investment Policy ("RI Policy"). As per the RI Policy, the Investment Team will consider material sustainability issues for this investment strategy across specific environmental, social, and governance factors. Accountability and oversight lie with the Investment Team, who are responsible for integrating ESG issues into their respective investment decisions, supported by ESG specialists.

For each potential investment, the Investment Team will complete ESG due diligence ("ESG DD") through engaging a third party service provider. The final ESG DD report will be appended to and summarised in the final investment paper, which contains a dedicated ESG section. This will be presented at Stage 2 Investment Committee and will therefore be taken into account in the Investment Committee's decision. In most cases, the ESG DD review will be refreshed annually to check the Company's progress.

The Fund will only invest in companies that can demonstrate positive alignment with one or more UN Sustainability Development goals, as determined by the Portfolio Manager and supported by the work of the Consultant.

The third party due diligence is typically carried out through an analysis of questionnaires completed by the portfolio companies, relevant supporting documents and the research of the records in pubic and proprietary ESG databases.

The third party providers will provide ESG risk scores and measurement of the contribution towards the UN SDGs based on an established scoring framework. The evaluation framework comprises three dimensions, environmental, social and governance

The standards adopted when evaluating the company include national and local laws, regulations and policies, Global Reporting Initiative (GRI), Task Force on Climate-Related Financial Disclosures (TCFD), Sustainable Development Goals (SDGs), IFC Sustainability Framework, as well as international best practices and industrial best practices. The results are a combination of evaluations of both the company's risk exposure to and its management of different ESG topics and reflects the company's sustainable development potential and capability to cope with ESG risks. In the evaluation, the information of the negative news and events are retrieved from a series of the government offices' platforms for disclosures of enforcement, and mainstream news agencies.

The ESG DD evaluation takes into consideration aspects of the underlying company, including the type of business, geographic location, and regulatory environment.

Furthermore, the Fund will not make any investments with high ESG risks as verified by the Consultant's approach to assessing ESG scores for prospective investee companies. This includes working with third-party ESG risk assessment services to evaluate the ESG risks associated with each of the Funds investee companies.

Ongoing monitoring of negative ESG issues associated with a Portfolio Company will be monitored by the Investment Team on an ongoing basis. Any issues identified by the Investment Team through these searches relating to reputational risk or financial crime risk will be escalated to FCC, and/or Responsible Investment teams (as appropriate) as soon as practical to decide upon further action, if any.

11 Engagement policies

The Fund will actively engage with portfolio companies, often through being a member or an observer on the company's board.

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

- monitoring of the progress of a specific investment and mitigation of risks identified during the due diligence process (including ESG topics);
- ongoing dialogue with management teams;
- cooperation with other shareholders in order to, inter alia, enhance good corporate governance practices and emphasising the relevance of implementation of ESG topics;

- engagement with stakeholders involved in the company's activity to the extent permitted by law and if relevant in a given context;
- cooperation, via formal or informal meetings, with other shareholders aiming, inter alia, at enhancing good corporate governance practices, emphasising the relevance of implementation of ESG topics, promoting disclosure standards etc.

The Fund uses third party providers to undertake ESG due diligence and screening on existing and potential portfolio companies. Noting the size and scale of investee companies, each due diligence report will contain a set of recommendations for potential ESG improvements. These improvements could range from encouraging better energy consumption or the adoption of strong employee engagement policies. HSBC meets with investee companies regularly to discuss these potential improvements as well as to continuously improve our understanding of their business and strategy, to signal support and/or to highlight concerns we have with management actions and promote best practice. HSBC believes that good corporate governance ensures that companies are managed in line with the long-term interests of their investors.

We meet the management of investee companies (or potential investee companies) and other issuers regularly as part of our active investment process. This engagement is a key element in our stewardship oversight of client assets. It may form part of our monitoring of investee companies (or potential investee companies) or it may represent a means of escalation of any concerns we identify. We challenge companies and issuers on their delivery of corporate strategy, financial and non-financial performance and risk, allocation of capital and management of environmental, social and governance issues. We engage to understand the approach management is taking and to test how far they are being good stewards. We also encourage investee companies to establish and maintain high levels of transparency, particularly in their management of ESG issues and risks. We will look to agree data sharing and transparency rights at the point where we invest into a portfolio company. Where possible we use our management access and any Board presentation to re-inforce our views. We raise ESG or other concerns with investee companies where we believe that to be in the interest of investors, identifying company specific or systemic risks.

For our full Engagement Policy, please go to www.assetmanagement.hsbc.com/about-us/responsible-investing/policies.

12 Designated reference benchmark

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