Sustainability related disclosures pursuant to Article 10(1) of the Disclosure Regulation | Climate 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 "**Sustainable Finance Disclosure Regulation**" or "**SFDR**") aims to provide greater transparency to investors on sustainability risk integration, on the consideration of adverse sustainability impacts in the investment process and on the promotion of environmental, social and/or governance ("**ESG**") factors. In particular, it requires asset managers and financial advisers to disclose specific ESG-related information to investors on their websites.

Summary

Climate Technology Venture Strategy 2022 (the "**Fund**") is a venture capital fund that will invest in early stage unquoted companies with a focus on energy, transportation, agricultural, and industrial decarbonisation and companies focused on the mitigation of climate change risks. The Fund promotes environmental and social characteristics by investing in companies whose activities are aligned to one or more United Nations Sustainable Development Goals ("**UN SDGs**"). The Fund therefore uses the UN SDGs as sustainability indicators to measure the attainment of each of the environmental or social characteristics promoted by the Fund.

In addition, the Fund seeks to make investments that contribute substantially to the environmental objectives relating to climate change mitigation, climate change adaptation and the transition to a circular economy, as defined by the Taxonomy Regulation.

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

The selection and ongoing monitoring of Portfolio Companies is based on a rigorous due diligence process which the Fund integrates into its decision making process.

2 No Sustainable investment objective

The Fund will make investments that qualify as sustainable investments within the meaning of Article 2(17) of the SFDR. Sustainable investments with an environmental objective will aim to comprise a minimum of 75% of investments at the end of the investment period.

Where the Fund makes EU taxonomy-aligned investments, the "do no significant harm" principle is upheld by the Portfolio 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 phases, subsequent due diligence and subsequent ongoing stewardship.

The Fund's due diligence approach is designed to evaluate the extent to which Portfolio Companies have arrangements that meet the high standards of governance and good operating practices that the Investment Team requires of Portfolio Companies. As a result, the due diligence process tests governance and control arrangements within Portfolio Companies as well as establishing any risk of non-conformance with international governance standards such as the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights or the principles and rights set out by the International Labour Organisation.

3 Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics by investing in companies that materially contribute to one or more of the UN SDGs. In particular, the Fund's investment strategy focuses on the following UN SDGs:

- SDG 7: Affordable and Clean Energy;
- SDG 11: Sustainable Cities & Communities;
- SDG 12: Responsible Consumption and Production;
- SDG 13: Climate Action.

The Fund uses the relevant UN SDGs as sustainability indicators to measure the attainment of each of the environmental or social characteristics promoted by the Fund. Measurements of the Fund's achievements against these characteristics is monitored by ensuring that investments are positively aligned with at least one UN SDG, as evaluated by the third party providers.

It is also intended that the Fund's investments contribute substantially to the environmental objectives of climate change mitigation, climate change adaptation, and the transition to a circular economy, as defined by the Taxonomy Regulation. The Fund aims to achieve its environmental objectives by investing in companies that develop technologies to help reduce greenhouse gas emissions (e.g. renewable power generation and manufacturing of electric vehicles), increase the climate resilience of the built environment and/or improve the resource efficiency of economic activities.

4 Investment strategy

The primary objective of the Fund is to provide long-term (5 –12 year) capital appreciation by actively investing in early stage, fast growing unquoted companies with a focus on energy, transportation, agricultural and industrial de-carbonisation, and companies focused on the mitigation of climate change risks.

The investment strategies and techniques used to direct the environmental or social characteristics of the Fund are:

- An exclusion list outlining activities in which the Fund will not invest;
- ESG due diligence ("**ESG DD**") carried out by the Investment Team for all investment opportunities supported by the internal ESG resources at HSBC Asset Management;
- Implementation of mitigation and/or management plans covering sustainability objectives at the asset level;
- Incorporating contractual clauses into investment term sheets, where Portfolio Companies must agree to work with the Fund in annual data collection processes and performance discussions (data collection for both the relevant environmental characteristic and the Fund's ESG assessment criteria);
- Prioritising sustainability topics at management meetings with Portfolio Companies where the Fund has a board of director's seat;
- Implementing corrective actions based on monitoring results to rectify issues or to identify opportunities to optimise ESG performance further.

The Portfolio Manager uses third party consultants 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, which include:

- The extent to which Portfolio Companies can demonstrate a positive contribution towards a UN SDG;
- The PAIs that are relevant to a potential Portfolio Company;
- The Portfolio Company's governance, including Corporate Governance, Business Ethics, Employee Stability and Diversity, Labor Management and Community Impact.

5 Proportion of investments

The Fund promotes environmental or social characteristics, and while it does not have as its objective sustainable investment, it aims to have a minimum proportion of 75% of sustainable investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy Regulation, by the end of the Fund's investment period. At least 50% of the fully invested portfolio is expected to be invested in enabling activities and 10% of its investments in transitional activities, as defined by the EU Taxonomy Regulation.

6 Monitoring of environmental or social characteristics.

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

As referred to above, the Fund uses one or more of the UN SDGs as sustainability indicators as a measure of the attainment of each of the environmental or social characteristics promoted by the Fund.

Measurements of the Fund's achievements against these characteristics is monitored by ensuring that investments are positively aligned with at least one UN SDG, as evaluated by the third party providers.

The Fund uses the Impact Manager Project ("**IMP**"), an industry methodology, as a means to measure both the positive and negative contributions of each Portfolio Company towards relevant SDGs. IMP standard evaluations are completed using the "5 dimensions of Impact" (What, Who, How Much, Enterprise Contribution and Impact Risk). Once the evaluation is complete, a score is given out of 1,000 to demonstrate the positive or negative contributions to the SDGs overall.

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 steps to mitigate the risks arising from the event.

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 SDGs, 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 from the Portfolio Companies, who will provide this data to the Portfolio Manager and the third party consultants used for ESG DD 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 a Portfolio Company, the Fund will use that influence to promote greater transparency around ESG issues through better quality disclosure. Where applicable, data sourcing may extend 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, some of which may be based on estimation, specifically covering aspects of good governance and potential adverse impacts of business activities.

9 Limitations to methodologies and data

At the time of publication, it is not possible to quantify the extent of 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 carries 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 and environmental or social characteristics of the Fund.

The Investment Committee adopts a two-stage approval process when determining whether the Fund enters into a new investment, enters into a follow-on round of funding, or disposes 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 whether any additional work is required from the Investment Team in order to progress a transaction to Stage 2 approval and to 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, which is responsible for integrating ESG issues into its respective investment decisions, supported by ESG specialists.

For each potential investment, the Investment Team will complete 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 Portfolio Company's progress.

As referred to above, the Fund will only invest in Portfolio Companies that can demonstrate positive alignment with one or more UN SDG, as determined by the Portfolio Manager and supported by the work of a third party consultant.

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

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

The standards adopted when evaluating the Portfolio Company include national and local laws, regulations and policies, Global Reporting Initiative (GRI), Task Force on Climate-Related Financial Disclosures (TCFD), UN SDGs, IFC Sustainability Framework, as well as international best practices and industry best practices. The results are a combination of evaluations of both the Portfolio Company's risk exposure to and its management of different ESG topics and reflects the Portfolio Company's sustainable development potential and capability to cope with ESG risks. In the evaluation, the information on negative news and events is retrieved from the platforms of government bodies that are used to disclose enforcement actions, in addition to mainstream news agencies.

The ESG DD evaluation takes into consideration aspects of the underlying Portfolio 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 third party consultant's approach to assessing ESG scores for prospective Portfolio Companies. This includes working with third-party ESG risk assessment services to evaluate the ESG risks associated with each of the Fund's Portfolio 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 Portfolio 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 (which includes ESG topics);
- ongoing dialogue with management teams of Portfolio Companies;
- cooperation with other shareholders in order to, inter alia, enhance good corporate governance practices among Portfolio Companies and emphasising the relevance of implementation of ESG topics;
- engagement with stakeholders involved in the Portfolio 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, to enhance good corporate governance practices, emphasising the relevance of implementation of ESG topics and promoting high disclosure standards among Portfolio Companies.

The Fund uses third party providers to undertake ESG DD and screening on existing and potential Portfolio Companies. Noting the size and scale of Portfolio Companies, each due diligence report will contain a set of recommendations for potential ESG improvements.

HSBC meets with Portfolio Companies seeks to meet regularly to discuss potential improvements as well as to 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 on a continual basis. HSBC believes that good corporate governance ensures that companies are managed in line with the long-term interests of their investors.

HSBC meets the management of Portfolio Companies (or potential Portfolio Companies) regularly as part of our active investment process. This engagement is a component of our stewardship oversight of client assets. It may form part of our monitoring of Portfolio Companies (or potential Portfolio Companies) or it may represent a means of escalation of any concerns we identify. We challenge Portfolio Companies on their delivery of corporate strategy, financial and non-financial performance and risk, allocation of capital and management of ESG issues. We engage to understand the approach management is taking and to test how far they are being good stewards. We also encourage Portfolio 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 representation to reinforce our views. We raise ESG or other concerns with

Portfolio 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.