Sustainability related disclosures pursuant to Article 10(1) of the Disclosure Regulation | Floating Rate Infrastructure Strategy

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.

1 Summary

Investment Strategy	The Floating Rate Infrastructure Strategy (the "Fund") will seek to provide long-term yield based returns by investing in a portfolio of private senior floating rate loans to a range of infrastructure projects domiciled in Investment Grade Countries. In seeking to achieve its investment objective, the Fund intends to invest in projects that provide stable, long-term or contractually guaranteed revenues for the term of each investment, to construct a portfolio of Investment Grade assets, diversified across a range of economic and social infrastructure sectors. The Fund's investment strategy is broad and in particular not only limited to economic activities that contribute to environmental objectives. Indeed, the Fund may make investments that contribute to either social or governance objectives. The Fund is under no obligation to (but may) contribute to any environmental objective as defined under Art. 9 of the EU Taxonomy. The Fund will promote ESG characteristics within the meaning of Article 8 of SFDR by seeking to invest in businesses that meet the requirements of the relevant ESG framework of the Investment Manager. In particular, the Company will promote ESG characteristics by not making any investments with high ESG risks as evidenced by the Investment Manager's approach to assessing ESG ratings for prospective investees. The Investment Manager intends to engage with investees to positively influence their sustainability strategy.
Exclusions	• Exclusions are in line with HSBC AM and HSBC Group Policy with additional exclusions applied in accordance with the ESG framework of the Investment Manager. • Exclusions are reviewed by the Private Investment Oversight Committee ("PIOC").

Due Diligence and Scoring	• Proprietary Infrastructure Debt ESG scorecards (“Scorecards”) developed & reviewed in collaboration with the Responsible Investment (“RI”) team. • Sector specific ESG assessment scorecards are used to assess an issuer’s exposure to both ESG risks and opportunities for positive ESG impact. • No investments will be made into companies with high ESG risks as evidenced by a Weak ESG rating. • Other ESG characteristics not fully captured in the scorecard are presented in the Investment Memo to the Infrastructure Investment Committee (“IIC”). • Access to proprietary research conducted by the team's sovereign analysts, RI specialists and credit research analysts.
Engagement policies	Engagement with investees will occur at least annually by raising sustainability topics through meetings, conference calls and correspondence. Engagement questions will be prepared in conjunction with the RI team for each sector.
Monitoring and data sources	ESG risks will be monitored at least annually and ratings (“**ESG Ratings**”) will be updated as new information comes to light that would impact such scoring. ESG risk incidents will be identified using third-party risk platform providers and other specialised news sources. Where ESG issues arise with a borrower, the investment team will implement enhanced engagement and monitoring.
Reporting	The ESG Rating and SDG alignment for each asset will be included in the Fund’s quarterly reporting to investors. Such assessment will be reviewed and updated as necessary at least annually and as often as new information might impact such assessment. Carbon emissions scope 1 & 2 will also be provided, subject to data availability.
Governance and Oversight	Every investment paper presented to the IIC will contain a dedicated ESG section within the paper. This will include a written assessment of the ESG risks, an ESG Rating, and a written justification for the designated ESG Rating and IIC members will be required to approve the designated ESG rating as part of the investment approval.

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.

In cases where the Fund does invest in 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.

Assessment of the applicable Principal Adverse Impact (“PAI”) Indicators is a key component of the ESG risk assessment in each of the initial transaction screening phase, subsequent due diligence and ongoing stewardship

A combination of external data providers and news services are used perform negative screenings for any negative news or suggested breaches of the OECD Guidelines and UN principles on business and human rights.

3 Environmental or social characteristics of the financial product

The Fund will promote ESG characteristics within the meaning of Article 8 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“**SFDR**”) by investing in the debt of investees that meet the requirements of the Infrastructure Debt ESG framework of the Investment Manager. In particular, the Fund will promote ESG characteristics by not making any investments with high ESG risks as evidenced by the Investment Manager’s approach to assessing ESG Ratings for prospective investees. Furthermore, the Fund will seek to make a portion of the investments in companies and projects that are 1) certified by an independent party for the FAST-Infra Sustainable Infrastructure Label, Green Bond/Loan or Social Bond/Loan, or 2) contribute to one or more United Nations Sustainable Development Goals (“UN SDGs”) such as SDG 3 (Good Health and Well-Being), SDG 4 (Quality Education), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

Measurement of the Fund’s achievements against these environmental and social characteristics is tracked via the ESG Ratings (Strong, Good, Satisfactory or Weak; no investment should be in the category of Weak at inception), which the Investment Manager will review at least annually.

The Fund may invest in EU taxonomy aligned investments, in which case 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.

Assessment of the applicable PAI indicators is a key component of the ESG risk assessment in each of the initial transaction screening phase, subsequent due diligence and ongoing stewardship. ESG risks will be considered in line with sector-specific factors and analysis will be supported by external environmental and legal due diligence reports to understand any historical liabilities as well as future risks.

4 Investment strategy

The Fund will seek to provide long-term yield-based returns by investing in a diversified portfolio of private senior debt of infrastructure projects principally domiciled in OECD member countries. The Fund will target defensive and non-cyclical sectors that are engaged in the provision of essential products and services such as renewables, energy, transport, power, telecommunications, social infrastructure and other adjacent relevant sectors.

Typically, these assets exhibit some or all of the following infrastructure characteristics: high barriers to entry, contracted revenue streams and inelastic demand profile.

The Fund aims to maintain a portfolio of 10 to 25 investments on average and will have the ability to invest in a wide variety of investment formats (including bonds, loans, and notes) and products (i.e. fixed and floating), across a range of sectors so as to maximize the investible opportunity set for the Fund. The Fund may acquire investments through the secondary or primary markets and may also originate investments.

The Fund's due diligence approach is designed to evaluate the extent to which issuers have adopted good governance practices, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

5 Proportion of investments

The Fund pursues an investment strategy comprising of a portfolio of senior secured debt of infrastructure projects.

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 processes that includes an ESG component. Please refer to "Section 1. Summary: *Investment Objective, Due Diligence and Scoring*" for further detail.

6 Monitoring of environmental or social characteristics

Each investment paper presented to the IIC contains a dedicated ESG section. This includes both a written assessment of the relevant ESG risks associated with the investee and its shareholders and the ESG rating. Ratings are allocated to one of four categories: Strong, Good, Satisfactory, and Weak. The ESG rating and category is presented as part of the overall credit analysis process and will therefore directly inform the IIC's decisions.

ESG risks are monitored by the Investment Manager on a post-closing basis with reference to regular reporting from investees, industry and regulatory developments, ad hoc calls with management and annual review of the ESG Rating. The ESG Rating can be updated whenever relevant new information is received, including the recording of PAI indicators where such data is available.

Negative news screening is performed on a periodic basis, alerting the team for risk incidents.

7 Methodologies

The Investment Manager's Scorecards are used to assess an investee's exposure to both ESG risks and opportunities for positive ESG impacts, based on a number of factors (e.g. greenhouse gas emissions, water management, workforce health & safety, local community, management experience/strategy and ownership structure/corporate governance). Each factor is scored based on the parameters set out in the Scorecards and assigned a specific weight based on their relevance within that sector. The Scorecards were designed and are reviewed annually in collaboration with the RI team.

Inputs to the Scorecard are determined by the Investment Team with reference to materials provided by the company, sponsor, responses to questions raised, due diligence reports as well as third party ESG risk platform providers. The ESG Rating is a weighted average of the relevant ESG factors.

The level of information available to complete the Scorecards may vary between different investees and therefore the Investment Manager will use whatever information is available in the public domain, disclosed by the investee during due diligence (including via engagement with management), sourced from independent reports, or available from HSBC or third-party ESG data providers.

The Investment Manager has also developed methodologies to estimate carbon emissions in energy-intensive sectors such as power generation and oil & gas. Such methodology will allow estimation of scope 1 and 2 as well as scope 3 and/or lifecycle emissions for some of the sectors. For now, such calculations are used as part of the ESG assessment without being an absolute criterion in the investment process and are not currently being disclosed to external parties. We encourage investees to provide carbon emission data and aim to incorporate this into our investor reporting.

The Fund will promote ESG characteristics by not making any investments with high ESG risks as evidenced by a Weak ESG rating under the Investment Manager's approach to assessing ESG characteristics for prospective investees.

PAIs are considered in the Investment Manager's ESG process, in particular through the Scorecards, directly or as part of one or more factors depending on their relevance to the sector in consideration.

8 Data sources and processing

Data inputs within the proprietary Scorecards are determined by the Investment Manager with reference to materials provided sourced from the company, sponsor, responses to questions raised, due diligence reports as well as third party ESG risk platform providers.

The level of information available to complete the scorecards, together with the extent of estimation, may vary between different issuers and therefore the Investment Team will use whatever information is available in the public domain, disclosed by the borrower/issuer during due diligence, sourced from independent reports, or available from HSBC or third-party ESG data providers to complete their analysis.

9 Limitations to methodologies and data

There are usually no publicly available data through data providers that can be used, and the Investment Manager needs to rely to a large extent on the data provided by the investee and its shareholders. The limitations to this methodology can be that information received could be incomplete, delayed or inaccurate so that (i) investor reports may consequently be less rigorous (ii) engagement activities based on such information might not be as efficient as if the information had been timely and comprehensive.

The lack of common or harmonised definitions and labels applying ESG criteria may result in the Investment Manager taking different approaches to those of similar funds when setting ESG objectives and determining that these objectives have been met by the Fund. This also means that it may be difficult to compare strategies applying ESG criteria to the extent that the selection and weightings applied to Investments may to a certain extent be subjective or based on metrics that may share the same name but have different underlying meanings.

10 Due diligence

Assessment of ESG risks is a key component of the initial transaction screening phase, subsequent due diligence and ongoing stewardship. ESG risks will be considered in line with sector-specific factors and analysis will be supported by external environmental and legal due diligence reports to understand any historic liabilities as well as future risks.

The team will endeavour to engage with investees by prioritising sustainability topics at management meetings. For each sector, specific engagement questions have been prepared with the RI team.

Infrastructure projects are typically assets with a long economic life and as such, this locks in the associated carbon footprint for the long-term. All potential investments will be reviewed with consideration of the impacts from a transition to a low carbon economy, such as future changes to energy mix, carbon price, fossil fuel price, transportation preferences as well as associated regulatory changes linked to climate change. The Investment Manager will encourage project owners to measure and disclose associated greenhouse gas emissions.

As part of the due diligence pack, the Investment Manager will have access to third-party reports such as legal due diligence (including governance liabilities) and expert reports pointing out any ESG risks.

The Investment Manager also has access to proprietary research conducted by the team's sovereign analysts in addition to the RI team and the wider credit research analysts. The Investment Manager is able to draw upon in-depth ESG-related research carried out by HSBC AM, which includes a large number of companies who are major shareholders of infrastructure projects.

Reviewing the ESG approach of the shareholders is a key step given that in many cases the day-to-day activities of infrastructure projects are heavily influenced or controlled by their shareholders with potential reputational risks.

Separately, the Investment Manager works with an in-house team to carry out financial crime screening of investees and their shareholders.

11 Engagement policies

In addition to the company-wide RI policies and HSBC Alternatives policies around voting and engagement, the Investment Manager has developed a framework to engage with infrastructure debt investees.

The Investment Manager challenges investees on their delivery of corporate strategy, financial and non-financial performance and risk, allocation of capital and management of environmental, social and governance issues. The Investment Manager's engagement model aims to investigate and assess the quality and fairness of the investee's management approach to corporate stewardship.

The Investment Manager also encourages companies and issuers held in clients' portfolios to establish and maintain high levels of transparency, particularly in their management of ESG issues and risks. Engagement is undertaken at least on an annual basis to understand and assess commitments/progress towards ESG commitments and overall Net Zero pathway. Engagements also involve updating inputs to the Scorecards, which could result in positive/negative impacts to the assigned rating, and tracking the investee PAIs. From a credit standpoint, engagements address outstanding due diligence points, required updates on performance/construction, rating scorecard inputs for internally-rated projects and any other points as defined by the Investment Manager. The frequency of engagement with a particular project should be commensurate with the complexity of the business profile, reasons for engagement, post-engagement outcomes and credit/ESG issues faced (if any).

12 Designated reference benchmark

No ESG index has been designated as a reference benchmark for the Fund investments or portfolio. Each environmental characteristic is considered to be attained through the Fund's investment strategy and ESG assessment.