

Sustainability related disclosures pursuant to Article 10(1) of the Disclosure Regulation | Energy Transition Infrastructure

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

No sustainable investment objective	The Red Hexagon Energy Transition Asia Fund (the " Fund ") (LEI Code: 635400U17YLX8CBTTI96) promotes environmental or social characteristics but does not have as its objective sustainable investment. The Fund will target a minimum 75% of investments at the end of the investment period to be assessed as "sustainable investments" under the HSBC Asset Management Sustainable Investment Framework for Alternatives (" SIFIA ").
Environmental or social characteristics of the financial product	The Fund promotes environmental or social characteristics pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (" SFDR "). Specifically, while the Fund does not have sustainable investment as its objective, the Fund seeks to invest in businesses that contribute to the following environmental characteristics: (i) climate change mitigation; (ii) climate change adaptation; and (iii) industry, innovation and infrastructure.
Investment Strategy	The Fund aims to deliver medium-term capital appreciation by investing in businesses that develop, own and/or operate Energy Transition Infrastructure (" ETI ") assets within the target markets (each a " Portfolio Company ").
Proportion of investments	HSBC Global Asset Management (Hong Kong) Limited (the " Portfolio Manager ") intends to have a minimum of 90% of the Investments of the Fund promoting environmental or social characteristics.
Monitoring of environmental or social characteristics	Every investment presented to the Fund's Investment Committee will contain a dedicated ESG section within the investment paper. ESG assessment will be covered as an agenda point during the meeting and members of the Investment Committee will be required to validate the designated ESG rating.

		As part of the post-investment management, the Portfolio Manager will review the sustainability of each Investment on an annual basis.
Methodologies		Exclusion screenings, ESG scorecards and the HSBC Asset Management Sustainable Investment Framework for Alternatives and PAI indicators are used to assess investment opportunities.
Data sources and processing		<p>Data and information used for the ESG Scorecard and SIFfA assessments is obtained from materials provided by the Portfolio Company, responses to questions raised, independent due diligence reports, rating agency commentary and/or third-party data providers.</p> <p>The ESG Scorecard output rating ("ESG Rating") is a weighted average of the relevant ESG risk factors and the SIFfA analysis results in a 'sustainable' or 'not sustainable' assessment.</p>
Limitations to methodologies and data	to	The level of information available to complete the ESG Scorecard and SIFfA may vary between different portfolio companies and therefore the Investment Team will use whatever information is available in the public domain, disclosed by the Portfolio Company during due diligence and available from HSBC or third-party ESG data providers to complete their analysis.
Due diligence		As part of the due diligence the Investment Team will have access to information disclosed in investor presentations and information memorandums and have access to the management team of the target portfolio company. The Investment Team will typically engage third-party consultants to prepare due diligence reports, which may include legal, technical, market, insurance, tax & financial, and ESG reports.
Engagement policies		<p>The Portfolio Manager will engage with portfolio companies at least annually to understand and assess their sustainability commitments and progress on ESG targets, or reactively when there is exposure to specific events that cause concern.</p> <p>The Portfolio Manager will drive engagement by raising sustainability topics as well as financial and non-financial performance and risk with Portfolio Companies and will encourage them to report on their ESG-related activities, establish and maintain high levels of transparency, particularly in their management of ESG issues and risks.</p>
Designated benchmark	reference	No reference benchmark has been designated for the purpose of attaining the above environmental or social characteristics promoted by the Fund.

2 No sustainable investment objective

The Fund promotes environmental or social characteristics but does not have as its investment objective sustainable investment.

While the Fund does not have a sustainable investment objective, it will have a minimum proportion of 75% of investments assessed to be sustainable under SIFfA. 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.

3 Environmental or Social characteristics of the financial product

The Fund promotes environmental or social characteristics pursuant to Article 8 of the SDFR.

Specifically, while the Fund does not have sustainable investment as its objective, the Fund seeks to invest in businesses that contribute to the following environmental characteristics: (i) climate change mitigation; (ii) climate change adaptation; and (iii) industry, innovation and infrastructure.

Attainment of the environmental or social characteristics that the Fund intends to promote will be measured using indicators relevant to the sector in which the Portfolio Company operates. The indicators used to measure the attainment of the environmental characteristics of the sustainable investments in the Fund are set out within SIFfA and the ESG Scorecard.

The sustainability indicators selected are tailored to the economic sector in consideration and informed by international standards such as GIIN IRIS+, the UN SDGs Compact Tool, and the EU Taxonomy's TSC.

Examples of the environmental sustainability indicators used include:

- SDG 13: Climate Action – GHG emissions
- SDG 9: Industry, Innovation and Infrastructure – New electricity storage infrastructure capacity (MWh)
- SDG 7: Affordable & Clean Energy – New/Additional renewable capacity (MW); Amount of renewable energy produced (MWh)

The Investment Team will try to source the inputs to these indicators from the portfolio companies directly or from third-party advisers on a best-endeavours basis.

At the portfolio level, the aggregate amount and percentage of sustainable investments made as per the SIFfA is used to measure the attainment of the environmental characteristics promoted by the Fund.

No index has been designated as a reference benchmark for the Fund investments or portfolio. Alignment to the environmental or social characteristics promoted by the Fund is achieved through the Fund's investment strategy and the ESG Scorecard and SIFfA assessment.

4 Investment strategy

The investment strategy aims to deliver medium-term capital appreciation by making equity investments (each an “**Investment**” or “**Fund Investment**”) in businesses that develop, own and/or operate ETI assets within the target markets). The Fund will either take controlling equity stakes in target Portfolio Companies, or a substantial minority with strong governance position to enable effective negative control over key business decisions and capital deployment.

The substantial majority of capital invested in each Investment will be used to fund the acquisition, development and/or construction of underlying ETI real assets, with a small portion used to fund the acquisition and ongoing operating costs of the Portfolio Company. Target Portfolio Companies will typically have existing assets in operation and a pipeline of new assets under development, so that the investment strategy would include upfront investment in existing assets and overtime deployment in pipeline assets, with the objective of accumulating a large portfolio of underlying assets over an approximate 5-year time horizon. The overall business plan may be supplemented by opportunistic on-market purchases of assets from third parties to achieve the right blend of capital deployment and risk exposure.

Capital will be invested over time to achieve a calibrated risk exposure, blended across operational, construction and development assets.

The investment strategy is used to meet the environmental or social characteristics promoted by the Fund in the following ways:

- By solely focusing on investing in businesses that develop, own and operate ETI assets, each investment directly contributes to the following environmental characteristics: (i) climate change mitigation; (ii) climate change adaptation; and (iii) industry, innovation and infrastructure;
- By targeting a calibrated risk exposure including development and construction of new assets, each investment will aim to incorporate “additionality”, that is, a contribution to the implementation of new generating capacity and associated infrastructure to support climate change mitigation, rather than just investing in existing assets;
- By incorporating sector-specific ESG assessment into the investment process, the investment strategy ensures comprehensive analysis of exposures to both ESG risks and opportunities for positive ESG contributions;
- By targeting controlling or substantial minority equity positions, the investment strategy enables the Portfolio Manager to actively engage with the management team of each Portfolio Company to aim to improve performance on ESG related factors on an ongoing basis.

In addition, the investment strategy includes assessment of governance practices of the portfolio companies (including with respect to sound management structures, employee relations, remuneration of staff and tax compliance) via the investment due diligence and ESG Scorecard process.

5 Proportion of investments

HSBC Global Asset Management (Hong Kong) Limited (the “**Portfolio Manager**”) intends to have a minimum of 90% of the Investments of the Fund promoting environmental or social characteristics.

The Fund targets a minimum 75% of the investments at the end of the investment period to be assessed as “sustainable investments” under the SIFfA with 15% estimated as having ‘other environmental or social characteristics.

6 Monitoring of environmental or social characteristics

Every investment presented to the Fund’s Investment Committee will contain a dedicated ESG section within the investment paper. ESG assessment will be covered as an agenda point during the meeting and members of the Investment Committee will be required to validate the designated ESG ratings.

As part of the post-investment management, the Portfolio Manager will review the sustainability of each Investment on an annual basis and update the proportion of sustainable Investments within the portfolio at least annually. If certain sustainability-related concerns are flagged during the monitoring process, the Investment may be downgraded and the Portfolio Manager will actively engage with stakeholders, to strive to remove, reduce or remedy any adverse impact if called.

The Fund’s investments will usually provide for control or a strong level of governance rights. This will enable the Portfolio Manager to actively engage with the management team of each Portfolio Company to ensure that they deliver high levels of corporate responsibility, and to implement strategy, risk management and policies aligned to the Portfolio Manager’s sustainability objectives and the findings of the ETI ESG Scorecard.

7 Methodologies

Exclusions Screening

Each investment opportunity is screened to ensure it is compatible with HSBC Alternatives’ responsible investment and sustainability principles and other exclusions related to the industry. For more information, please refer to the Responsible Investment Policy which can be found on HSBC Asset Management’s website. The Fund looks to ensure that Portfolio Companies uphold the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

ESG Scorecards

The Investment Team has implemented a sector-specific ESG Scorecard used to assess a company’s exposure to both ESG risks and opportunities for positive ESG contributions, based on a number of ESG factors. Each factor is scored based on the parameters set out in the ESG Scorecard and assigned a specific weight based on its relevance within that sector. The ESG Scorecard was designed in collaboration with the HSBC AM Responsible Investment (“**RI**”) team. Inputs to the ESG Scorecard are determined by the Investment Team with reference to materials provided by the Portfolio Company, 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.

ESG Ratings will be reviewed and updated at least annually.

Principal Adverse Impacts

Assessment of the applicable PAIs is a key component of the ESG risk assessment and SIFfA assessment in each of the initial transaction screening phase, subsequent due diligence phase and ongoing monitoring phase. All mandatory PAI indicators relevant to investments in portfolio companies or real estate, as applicable, in Table 1 of Annex I and relevant PAIs in Tables 2 and 3 of Annex I of the SFDR Regulatory Technical Standards (“RTS”) are considered by the Portfolio Manager via the Responsible Investment Policies, the SIFfA and the ESG Scorecard, either specifically or holistically, depending on their relevance to the sector or activity in consideration and data availability.

PAIs will be monitored by regular review of the ESG Scorecard and SIFfA. If PAIs are flagged, the Portfolio Manager will actively engage to understand the causes. The Applicable PAIs are considered in the ESG Scorecard and SIFfA directly or as part of one or more factors.

Sustainability Assessment

The Investment Team will utilize the SIFfA. The SIFfA leverages the GIIN IRIS+ and the UN SDGs Compact Tool to determine the applicability of SDGs to sub-sectors the Fund intends to invest in. The SIFfA furthermore incorporates the EU Taxonomy’s TSC guidance on the concepts of ‘Do No Significant Harm’ and ‘Substantial Contribution’ to identify the most relevant sustainability indicators (quantitative and qualitative) for each applicable SDG. These metrics are enriched by relevant academic research and industry body research. For each applicable SDG, based on the business activity (what is produced/delivered and how this is produced/delivered) and the contribution (positive or negative), an investment is classified into one of four zones – ‘Safe Zone’, ‘Progression Zone’, ‘At Risk Zone’ and ‘Harmful Zone’. To be considered a sustainable investment under SIFfA, the Investment needs to demonstrate that it has made or will make substantial contribution to one or more SDGs while doing no significant harm to any other SDGs, i.e. in the ‘Safe’ or ‘Progression’ Zone for every applicable SDG. The SFDR requirements for PAI indicators are also factored in and help determine a threshold for each SDG.

8 Data sources and processing

Inputs to the ESG Scorecard and SIFfA are determined by the Investment Team with reference to materials provided by the Portfolio Company, responses to questions raised, due diligence reports, and third party data providers such as RepRisk. The ESG Scorecard resulting ESG Ratings is a weighted average of the relevant ESG risk factors and the SIFfA analysis results in a ‘sustainable’ or ‘not sustainable’ assessment.

The Investment Team will encourage Portfolio Companies to complete an ESG questionnaire aligned with PAI reporting to fill gaps in information which would contribute towards the ESG Scorecard as well as SIFfA. Where no data is available, or it is substantially incomplete, fundamental analysis will be undertaken using reasonable efforts to identify the presence of principal adverse impacts. For clarification, the Portfolio Manager at this stage is not able to consistently report PAI indicators as defined within SFDR on the basis that it is not possible to guarantee consistent data. However, the Portfolio Manager will continue to seek to improve data availability and consistency and may apply these in the future.

If PAI data obtained post-investment suggest the investment is harming other sustainable objectives as determined by the SIFfA, the Portfolio Manager will remove the Investment from the “sustainable” category and engage with the Portfolio Company to understand the causes and work towards action plans to prevent further harms being made.

The level of information available to complete the ESG Scorecard and SIFfA may vary between different portfolio companies and therefore the Investment Team will use whatever information is available in the public domain, disclosed by Portfolio Company during due diligence (including via our questionnaire), sourced from independent reports, or available from HSBC or third-party ESG data providers to complete their analysis. While it is not possible to accurately determine the proportion of data estimated, the expectation is that the Investment Team will source the majority from sources as set out above,

9 Limitations to methodologies and data

Limitations to methodologies and data 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.

There are usually no publicly available data through data providers/vendors that can be used, and the Investment Team needs to rely to a large extent on data provided by the Portfolio Company. The level of information available to complete the ESG Scorecards SIFfA may vary between different portfolio companies and therefore the Investment Team will use whatever information is available in the public domain, disclosed by the Portfolio Company during due diligence, sourced from independent reports, or available from HSBC or third-party ESG data providers to complete their analysis and in order to address any data limitations so that it does not materially affect how the environmental or social characteristics promoted by the Fund are met.

10 Due diligence

As part of the due diligence the Investment Team will have access to information disclosed in investor presentations and information memorandums, and have access to the management team of the target portfolio company. The Investment Team will typically engage third-party consultants to prepare due diligence reports, which may include legal, technical, market, insurance, tax & financial, and ESG reports. A separate adviser on ESG related factors would typically be engaged as part of enhanced due diligence, for example where higher risks are identified as part of the internal ESG assessment. Through this process, the Investment Team will seek to make a qualitative assessment of the impact of ESG related factors. These ESG factors will be used to assess a target investment's exposure to both ESG risks and opportunities for positive ESG contributions through the ESG Scorecard.

Separately, the Investment Team works with an in-house team to carry out financial crime screening of target portfolio companies their existing shareholders.

11 Engagement policies

In addition to the company-wide Responsible Investing ("RI") policies (<https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/policies>) and HSBC Alternatives policies around voting and engagement, the Investment Team has developed a robust and repeatable approach to portfolio monitoring.

All investments are subject to the Investment Team's investment monitoring process. Ongoing Monitoring and Engagement typically involves the following key aspects:

- Regular review of the actual versus expected operational, financial and ESG/Sustainability performance.
- Annual approval of business plan and operating budgets
- Approval of capital deployment into new underlying ETI assets, including ESG-related due diligence where appropriate
- Procedures to identify early signs of stress to enable action to be taken

As part of the post-investment management, the Portfolio Manager will review the sustainability of each Investment on an annual basis. If certain sustainability-related concerns are flagged during the monitoring process, the Investment may be downgraded and the Portfolio Manager will actively engage with stakeholders, to strive to remove, reduce or remedy any adverse impact if called.

The Portfolio Manager will drive engagement by raising sustainability topics as well as financial and non-financial performance and risk with Portfolio Companies at board meetings. The Portfolio Manager will encourage companies to report on their ESG-related activities, to share outputs, and to establish and maintain high levels of transparency, particularly in their management of ESG issues and risks. Engagement will take place during board meetings and the Portfolio Manager will look to schedule further meetings if additional information is required. Engagement will be carried out in person or via video-conferencing tools with management teams.

The outcome of engagement with companies will contribute towards any updates to the ESG Rating and SIFfA assessment.

12 Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the above environmental or social characteristics promoted by this Fund.