

## Sustainability related disclosures pursuant to Article 10(1) of the Disclosure Regulation | HSBC Senior UK Direct Lending Strategy 2022 Parallel (the “Fund”)

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. Terms not otherwise defined herein shall have the meaning given to them in the offering memorandum of the Fund dated November 2025, as amended from time to time (the “**OM**”).

### 1 Summary

No sustainable investment objective	The Fund promotes environmental or social characteristics but does not have sustainable investment as its investment objective.
Environmental or social characteristics of the financial product	The Fund will promote environmental and social characteristics by implementing the HSBC Direct Lending ESG Framework and not making any new investments (other than Follow-on Investments) into companies with a Weak ESG Rating. In addition, the Fund will not make investments (other than Follow-on Investments) with a Satisfactory ESG Rating unless the Investment Team believes that an improvement in the ESG Rating to a Good ESG Rating or a Strong Rating is achievable. Enhanced engagement will be conducted with companies with a Satisfactory rating to support this. The Fund may promote other environmental or social characteristics that are in line with the Fund’s investment objectives and are relevant to investment opportunities.
Investment Strategy	The Fund’s strategy is to provide attractive risk adjusted returns by investing in a diversified portfolio of senior secured loans made to middle market sized UK businesses predominantly owned on a majority or minority basis by private equity sponsors. ESG Ratings (described below) will be used to assess the environmental, social, and governance practices of borrowers.
Proportion of investments	It is expected that at least 80% of the portfolio will promote environmental and social characteristics within the meaning of Article 8 of the Disclosure Regulation and be classified accordingly.
Monitoring of environmental or	Every investment presented to the Direct Lending Investment Committee (the “ <b>DLIC</b> ”) will contain a dedicated ESG section within the investment paper. ESG will be an agenda point during the meeting and members of

social characteristics	<p>the DLIC will be required to validate that the ESG Rating of the designated company meets the requirements of the financial product.</p> <p>ESG factors will be monitored on an ongoing basis by the investment team of the Fund (the "<b>Investment Team</b>"). ESG Scorecards will be reviewed and updated if there are any changes at least annually. The Investment Team will be supported by the Senior Responsible Investment ("RI") Specialist for Private Credit on matters related ESG integration. The Senior RI Specialist will review the ESG Scorecards and the ESG sections of the various investment papers.</p>
Methodologies	<p>The Investment Team has implemented a set of sector-specific ESG Scorecards used to assess a borrower's exposure to both ESG risks and opportunities for positive contributions to sustainability outcomes, based on a number of Environmental, Social and Governance issues (e.g. GHG emissions and climate risk, health &amp; safety, business ethics etc.). Each issue is scored based on the parameters set out in the ESG Scorecards and assigned a specific weight based on its materiality within that sector.</p>
Data sources and processing	<p>Inputs to the ESG Scorecard are determined with reference to materials provided by the company, sponsor, responses to questions raised, due diligence reports as well as third party data providers such as RepRisk.</p>
Limitations to methodologies and data	<p>The level of information available to complete the ESG Scorecards may vary between different borrowers and therefore the Investment Team will use whatever information is available in the public domain, disclosed by the borrower during due diligence (including via the Fund's questionnaire), disclosed by the private equity sponsor, sourced from independent reports, or available from HSBC or third-party ESG data providers to complete their analysis.</p>
Due diligence	<p>During the due diligence phase of the transaction, the Portfolio Manager will review more detailed information on the company which may include the business plan and financial model, site visit attendance and management presentations, and review of externally prepared due diligence reports.</p>
Engagement policies	<p>The Investment Team will engage with borrowers at least annually through the ESG Questionnaire. The Investment Team may also engage with borrowers on ESG topics during management meetings to understand and assess their sustainability commitments and progress on ESG targets where relevant. These meetings may be used to encourage companies to report on their ESG-related activities and to share outputs with the Investment Team. The Investment Team will look to schedule further dedicated meetings if additional ESG information is required. Where relevant, the team will also engage with private equity sponsors to understand their overarching approach to ESG and specific strategy relating to our borrowers.</p>

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Designated reference benchmark	No reference benchmark has been designated for the purpose of attaining the above environmental and social characteristics promoted by the Fund.
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## 2 No sustainable investment objective

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

## 3 Environmental or social characteristics of the financial product

The environmental and social characteristics that each company is assessed against via the ESG Scorecard are:

- GHG Emissions & Climate Risk
- Environmental Risk Management
- Biodiversity & Ecological Impacts
- Resource Use & Waste Management
- Materials Sourcing and Supply Chain Management
- Environmental Opportunities
- Product/Service Safety & Liability
- Privacy & Data Security
- Labour Management
- Workplace Health and Safety
- Community Relations & Human Rights
- Social Opportunities

The Fund will promote environmental and social characteristics by implementing the HSBC Direct Lending ESG Framework and not making any new investments (other than Follow-on Investments) into companies with a Weak ESG Rating. In addition, the Fund will not make investments (other than Follow-on Investments) with a Satisfactory ESG Rating unless the Investment Team believes that an improvement in the ESG Rating to a Good ESG Rating or a Strong Rating is achievable. Enhanced engagement will be conducted with companies with a Satisfactory rating to support this. ESG Scorecards will be reviewed and updated if there are any changes at least annually.

Refer to section **Error! Reference source not found.** for further details on the ESG Scorecards and how the ESG characteristics are factored into the ESG Scorecard methodology.

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

#### 4 Investment strategy

The Fund will seek to invest in a diversified portfolio of senior secured loans made to middle market sized UK businesses predominantly, owned on a majority or minority basis by private equity sponsors.

The Fund will invest in Eligible Loans (as defined in the offering memorandum of the Fund) which will generally be originated by HSBC SDLF UK II HoldCo S.à r.l. ("**HoldCo**") and/or any other holding company in which the Fund holds (directly or indirectly) equity interests and/or other equity-like instruments. The Fund may, to a limited extent, also acquire and hold loans via HoldCo and/or other holding companies, provided that it needs to carry out a due diligence with regard to each such investments and to actively monitor the performance of such loans. For the avoidance of doubt, the Fund will not hold any loans directly. In any case the activity of the investing holding company will not be limited to mere loan administration, but rather each potential loan investment will be examined pursuant to the established due diligence processes and subsequently monitored accordingly. The Fund will seek to invest in transactions that offer a lower risk profile than that offered by most participants in this market. In addition to the principally first lien senior secured nature of the Eligible Loans, this will be achieved by targeting transactions that have relatively low leverage at origination with strong lender protections. The total loan sizes extended to the borrowers are expected to be between GBP 20 million and GBP 200 million, of which the Fund is expected to extend between GBP 15 million and GBP 75 million respectively. The loans are typically expected to be up to seven (7) year loans which are pre-payable by the borrower and have a floating rate. The Fund may also invest in cash management investments and it is possible that the Fund may invest in equity, quasi equity or other debt instruments (which may be convertible into equity) as part of any future restructuring of investments. Whilst unlikely, the Investment Team may also accept equity options, such as and including equity warrants, to enhance overall return on new investments.

The Fund will promote environmental and social characteristics by implementing the HSBC Direct Lending ESG Framework and not making any new investments (other than Follow-on Investments) into companies with a Weak ESG Rating. In addition, the Fund will not make investments (other than Follow-on Investments) with a Satisfactory ESG Rating unless the Investment Team believes that an improvement in the ESG Rating to a Good ESG Rating or a Strong Rating is achievable. Enhanced engagement will be conducted with companies with a Satisfactory rating to support this. ESG Scorecards will be reviewed and updated if there are any changes at least annually.

The environmental and social characteristics that each company is assessed against via the ESG Scorecard are:

- GHG Emissions & Climate Risk
- Environmental Risk Management
- Biodiversity & Ecological Impacts
- Resource Use & Waste Management
- Materials Sourcing and Supply Chain Management
- Environmental Opportunities
- Product/Service Safety & Liability

- Privacy & Data Security
- Labour Management
- Workplace Health and Safety
- Community Relations & Human Rights
- Social Opportunities

The Fund takes a rigorous approach to governance and ensures that it operates in accordance with local and national laws and regulations applicable to the jurisdictions in which it operates. The governance practices of investee companies are considered through the screening and due diligence process. The governance characteristics that each company is assessed against via the ESG Scorecard are:

- Competitive Behaviour and Risk Management
- Business Ethics
- Financial Transparency, Reporting and Controls
- Ownership Structure and Shareholder Influence
- Management Experience and Strategy
- Sustainability Governance and ESG Initiatives

Further information on the ESG Scorecard and other methodologies that the Fund adopts to meet the environmental and social characteristics promoted by the Fund can be found in section 7 (*Methodologies*).

The Fund looks to ensure that investee 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.

## 5 Proportion of investments

The Fund pursues an investment strategy comprising of a portfolio of senior secured loans made to middle market sized UK businesses.

The Fund's investment strategy is broad and in particular not only limited to investments that promote environmental characteristics. Indeed, the Fund may make investments that promote either social or governance characteristics.

It is anticipated that 80% of the Fund's investments will be aligned with E/S characteristics. The percentage of the Fund aligned with E/S characteristics may temporarily deviate from the planned asset allocation in certain circumstances, such as at the beginning of the investment period or towards end of the Fund Term as loans are repaid.

Therefore, it is expected that 20% or less of the portfolio (by reference to Aggregate Fund Commitments) will not be aligned with environmental and social characteristics within the meaning of Article 8 of the Disclosure Regulation (henceforth referred to as '#2 Other'). Investments included under "#2 Other" includes Cash Management Investments, certain hedging arrangements and certain other investments as described below.

The investments (other than Cash Management Investments) that are included under “#2 Other” all meet the minimum ESG Rating set out in the investment objective at the time of investment, which takes into account a variety of environmental and social factors. However, it may be the case that post-investment, an investment may fall below the minimum ESG Rating set out in the investment objective due to a decision by the Investment Team to downgrade the designated ESG Rating.

In this scenario, the Investment Team will implement enhanced engagement with the company management team to discuss the issue, understand what happened and influence for positive change.

The Investment Team will implement enhanced engagement for companies with a Satisfactory ESG Ratings, or in the event that a company's ESG Rating is downgraded to Satisfactory or below (Weak) by the Investment Team, or where the Investment Team becomes aware of an ESG risk incident. The responsible Investment Team member will put together an action plan of potential areas of improvement and/or sustainability targets for the company to work towards, based on the environmental or social characteristics where the company falls below our expectations.

Enhanced engagement will be carried out with the company on a periodic (at least annual) basis and will continue until sufficient evidence of improvement is gathered to support an increase of the ESG Rating of the company to Good or above, as well as approval from the Direct Lending Investment Committee. If the company demonstrates insufficient progress over the course of the year to warrant an improvement in ESG Rating, this will be taken into account when reviewing any future opportunities with the borrower.

## **6 Monitoring of environmental or social characteristics**

Every investment presented to the DLIC will contain a dedicated ESG section within the investment paper. ESG will be an agenda point during the meeting and this will include a written assessment of the ESG opportunities and risks of the company, the ESG Scorecard, and a written justification for the designated ESG Rating. The Investment Team member presenting to the DLIC will be required to cover the ESG assessment as an agenda point during the meeting and members of the DLIC will be required to validate that the ESG Rating of the designated company meets the requirements of the financial product.

ESG factors will be monitored on an ongoing basis by the investment team. ESG Scorecards will be reviewed and updated if there are any changes at least annually. The Investment Team will be supported by the Senior RI Specialist for Private Credit on matters related ESG integration. The Senior RI Specialist will review the ESG Scorecards and the ESG sections of the various investment papers.

## **7 Methodologies**

### ESG Scorecards

The Investment Team has implemented a set of sector-specific ESG Scorecards used to assess a borrower's exposure to both ESG risks and opportunities for positive contributions to sustainability outcomes, based on a number of Environmental, Social and Governance issues (e.g. GHG emissions and climate risk, health & safety, business ethics etc.). Each issue is scored based on the parameters set out in the ESG Scorecards and assigned a specific weight based on its materiality within that sector. The ESG Scorecards were designed in collaboration with the HSBC Alternatives Responsible Investment team and are

informed by external resources such as the Sustainability Accounting Standards Board (SASB) and the MSCI ESG Ratings Methodologies.

Across the environmental and social pillars, only a subset of key environmental and social issues is assessed for a given company which are based on sector specific considerations. All companies are evaluated on all six issues within the Governance pillar. The criteria considered for each ESG issue are related to policies and targets, processes and procedures, management systems, governance structures and controversies or incidents. The weighting allocated to each of the material ESG issues has been determined with reference to the MSCI ESG Industry Materiality Map and feedback from the Investment Team.

Each company will be allocated a score between 1 and 5 per material ESG issue, with 1 being the highest ESG risk, 2 being medium risk, 3 being low risk, 4 being neutral and 5 being a positive impact. The highest score for some issues, such as Health and Safety or Environmental Risk Management, is limited to 4 given the best outcome is avoidance of negative impacts. However, for some issues, the highest score is 5 where the best outcome could theoretically be a positive impact. In the case of GHG Emissions and Climate Risk, a score of 5 could result from activities that more than offset emissions and/or increase climate resilience. In the case of Community Relations and Human Rights a 5 could result from the company going beyond mitigating risks to local communities to delivering positive impacts through employment generation or comprehensive corporate social responsibility programmes.

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 data providers such as RepRisk. The level of information available to complete the scorecards may vary between different borrowers and therefore the Investment Team will use whatever information is available in the public domain, disclosed by the borrower during due diligence (including via our ESG Questionnaire), sourced from independent reports, or available from HSBC or third-party ESG data providers to complete their analysis.

The weighted ESG issue scores are summed and then rebased to produce an ESG Score from 1 to 5 which is then used to assign each company an ESG Rating. An ESG score from 1 to below 2 would result in a “**Weak**” ESG Rating, an ESG score from 2 to below 3 would result in a “**Satisfactory**” ESG Rating, an ESG score from 3 to below 4 would result in a “**Good**” ESG Rating and an ESG score from 4 to below 5 would result in a “**Strong**” ESG Rating.

The Fund will promote environmental and social characteristics by implementing the HSBC Direct Lending ESG Framework and not making any new investments (other than Follow-on Investments) into companies with a Weak ESG Rating. In addition, the Fund will not make investments (other than Follow-on Investments) with a Satisfactory ESG Rating unless the Investment Team believes that an improvement in the ESG Rating to a Good ESG Rating or a Strong Rating is achievable. Enhanced engagement will be conducted with companies with a Satisfactory rating to support this. ESG Scorecards will be reviewed and updated if there are any changes at least annually.

The environmental and social characteristics that each company is assessed against via the ESG Scorecard are:

- GHG Emissions & Climate Risk

- Environmental Risk Management
- Biodiversity & Ecological Impacts
- Resource Use & Waste Management
- Materials Sourcing and Supply Chain Management
- Environmental Opportunities
- Product/Service Safety & Liability
- Privacy & Data Security
- Labour Management
- Workplace Health and Safety
- Community Relations & Human Rights
- Social Opportunities

## 8 Data sources and processing

Inputs As described in section **Error! Reference source not found.**, ESG environmental and social characteristics are considered as issues within the ESG Scorecard and scored by the Investment Team with reference to materials provided by the company, sponsor, responses to questions raised, due diligence reports, and third-party data providers such as RepRisk. The resulting ESG Score is a weighted average of the relevant ESG issue scores.

Whilst it is not yet industry standard or requirement, the investment team will encourage borrowers to complete an ESG questionnaire aligned with Principal Adverse Impact ("**PAI**") reporting to fill gaps in information, which would contribute towards the ESG Scorecard. The Investment Team continues to seek to develop proprietary approaches to improve data availability and consistency and may apply these in the future. However, it remains the case that neither the AIFM, the Portfolio Manager nor the Fund Entities, consider PAIs as referred to in the Disclosure Regulation given the lack of available data.

## 9 Limitations to methodologies and data

The level of information available to complete the ESG Scorecards may vary between different borrowers. Whilst all reasonable efforts are made to retrieve such data, the Fund may not be able to obtain all the data it requires from the borrower. Accordingly, in order to address such limitations so that it does not material affect how the environmental or social characteristics promoted by the Fund are met, the Investment Team will use whatever robust and reliable information is available in the public domain, disclosed by the borrower or private equity sponsor during due diligence (including via the Fund's questionnaire), sourced from independent reports, or available from HSBC or third-party ESG data providers to complete their analysis. If the use of such information results in the use of estimations, robust estimation methodologies are used to replace such missing data.

## 10 Due diligence

The Investment Team will carry out fundamental credit analysis based on a number of consistent qualitative and quantitative criteria in order to identify the most attractive

investment opportunities in line with the investment objectives of each Fund or Mandate. The Investment Team's processes have been designed to ensure the same robust approach to evaluation is applied to every potential transaction. ESG considerations are integrated into the various states of the investment due diligence process in the following ways:

1. **Initial review:** an initial assessment of a potential transaction is undertaken by the Investment Team, this will usually involve reviewing initial information, discussing the background to the transaction and indicative thoughts on structure with HSBC. The Investment Team will then evaluate the opportunity against investment criteria, portfolio construction objectives and yield requirements. Early feedback will be given to HSBC UK to ensure a consistent market response. The initial screening will also confirm compliance of the investment with any relevant Responsible Investment principles and restrictions outlined in the [Alternatives Responsible Investment Policy](#) and Fund documents. Some transactions may be declined at this stage.
2. **Screening paper:** Depending on the timeline and complexity of the transaction, the Investment Team may prepare an initial screening paper. The screening paper will provide a high-level overview of the proposed transaction and be presented to the Direct Lending Investment Committee ("DLIC") for discussion. This paper will cover fundamental analysis and consider relative value analysis, portfolio construction, and ESG considerations amongst other factors. The DLIC will decide whether the transaction should proceed to the next stage and whether they have specific questions to be addressed in the due diligence phase. The Investment Team will record when prospective investments are declined during the initial screening on ESG grounds.
3. **Due diligence phase:** Subject to approval of the screening paper by the DLIC, due diligence will then be conducted by the Investment Team. This phase will include review of information memorandum, third party due diligence reports (commercial, financial and legal), financial models, draft term sheets, and any other information available in the public domain. It may also include consultations with inter alia the management team, private equity investors, internal sector experts, Expert Networks and other members of the wider Asset Management business with sector knowledge. The information gained from this will be used to conduct an ESG assessment using the Investment Team's proprietary ESG Scorecards (the "ESG Scorecards").
4. **Final investment paper:** The final investment paper will incorporate findings from the due diligence process, including in-depth financial modelling and documentary terms. Additional work streams such as risk rating, ESG and returns assessment will be addressed in the final paper. At this stage, any sponsor-specific information will also be incorporated. The final investment paper will be presented to the DLIC for approval. The Investment Team will record when prospective investments are declined during the final DLIC on ESG grounds.
5. **Post Final Committee:** For Article 8 Fund investments, the borrower will be sent an 'ESG Questionnaire', which is based on a template developed by the ESG Integrated Data Disclosure Project. Responses from the borrower will be used to supplement the ESG assessment. Any relevant post-committee updates will be provided on an ad hoc basis as necessary.

## 11 Engagement policies

In addition to the HSBC Asset Management Responsible Investment ("RI") and HSBC Alternatives RI policies and policies around Voting and Engagement, the Direct Lending Investment Team has adopted a strategy to engage with borrowers.

The Investment Team will engage with borrowers at least annually through the ESG Questionnaire. The Investment Team may also engage with borrowers on ESG topics during management meetings to understand and assess their sustainability commitments and progress on ESG targets where relevant. These meetings may be used to encourage companies to report on their ESG-related activities and to share outputs with the Investment Team. The Investment Team will look to schedule further dedicated meetings if additional ESG information is required. Where relevant, the team will also engage with private equity sponsors to understand their overarching approach to ESG and specific strategy relating to our borrowers.

Prior to an ESG engagement meeting, the responsible member of the Investment Team may work with the Senior Responsible Investment Specialist to prepare a set of ESG focused questions relevant to the sector to guide discussion with management. This may include any ESG Scorecard-related questions that may not have been fully covered pre-investment and are important to assess the ESG profile of the asset (e.g. progress on climate commitments etc). Details of ESG-related engagements will be tracked in the Investment Team's front office system. The information gained through engagement with companies will contribute towards any updates to the ESG Scorecard, which could result in positive/negative movements of the score.

ESG Engagement will be covered on the agenda at the Quarterly Portfolio Review meeting, which is chaired by the Head of Portfolio for Direct Lending. For each company where there has been engagement with management in the last quarter, the relevant member of the Investment Team will cover any changes in ESG Score, key topics discussed, and any updates to relevant targets.

The Investment Team will implement enhanced engagement for companies with a Satisfactory ESG Rating, or in the event that a company's ESG Rating is downgraded to Satisfactory or below by the Investment Team, or where the Investment Team becomes aware of an ESG risk incident. The responsible Investment Team member will put together an action plan of potential areas of improvement and/or sustainability targets for the company to work towards, based on the environmental or social characteristics where the company falls below our expectations.

Enhanced engagement will be carried out with the company on a periodic (at least annual) basis and will continue until sufficient evidence of improvement is gathered to support an improvement of the ESG Rating of the company to Good or above, as well as approval from the DLIC. If the company demonstrates insufficient progress over the course of the year to warrant an improvement in ESG Rating, this will be taken into account when reviewing any future opportunities with the borrower.

### Sustainability-Linked Loans

The Investment Team intends to offer Sustainability Linked Loans ("SLLs") to portfolio companies under a conversion concept where the appropriate sustainable performance targets are set post transaction by the borrower and the sponsor. SLLs will:

- include a margin ratchet (the margin on the loan is adjusted up or down depending on performance against the Sustainability Performance Targets ("SPTs"));
- include certain sustainability covenants to protect against greenwashing risk;
- include meaningful key performance indicators ("KPIs") set by the borrower and to be reviewed by a third-party sustainability reviewer; and
- require periodic disclosures by the borrower of performance against the SPTs and KPIs.

Whilst the conversion concept is required for situations where there is a change of control, the Fund will also offer SLLs on refinancings where the documentation and targets are put in place ahead of transaction completion.

## **12 Designated reference benchmark**

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