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: 635400UI7YLX8CBTTI96) promotes environmental or social characteristics but does not have as its objective sustainable investment. The Fund will target a minimum 80% of investments at the end of the investment period to be assessed as "sustainable investments" under HSBC Asset Management's Sustainable Investment Framework for Alternatives (the "**Framework**").
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 aim to support Asia-Pacific's transition to net zero through the development, ownership, operation and/or provision of services to, Energy Transition Infrastructure ("**ETI**") assets. Where viable, the Fund also aims to incorporate the concept of "additionality" for certain investments. In the context of the Fund, additionality means an intended contribution to the implementation of new generating capacity and new infrastructure, rather than just investing in existing assets.
Investment Strategy	The Fund aims to deliver medium-term capital appreciation by investing in businesses that develop, own and/or operate ETI assets within the target markets (each an "**Investment**" or "**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	The Fund will monitor and report on the following Sustainability Indicators: • The ESG Rating assigned to each investment (at the point of investment and as monitored annually), as determined by the Fund's ESG Scorecard (the "**Scorecard**"). Additional indicators will be used to monitor the Fund's targeted contribution to investments that aim to create "additionality": • Energy generation: new/additional renewable energy generation capacity, potential or actual (MW or MWh); amount of renewable energy produced (MW or MWh); and/or • Storage or distribution infrastructure: new/additional energy storage or distribution capacity, potential or actual (MW or MWh).

	Data availability may vary by Portfolio Company and by asset and efforts to source the inputs to these indicators will be on a best-efforts basis. Pre-investment, a potential Investment's' ESG Rating and sustainability classification (per the Framework) are reviewed and validated by the Fund's Investment Committee. As part of post-investment management, the Portfolio Manager will review the ESG Rating and sustainability classification of each Investment on an annual basis. If certain ESG-related concerns are flagged or identified during the holding period, the Portfolio Manager will seek more immediate engagement with a Portfolio Company with the aim of removing, reducing or remediating any issues.
Methodologies	Exclusion screening, the Fund's ESG Due Diligence Questionnaire (the "**ESG DDQ**"), the Scorecard, the Framework, and PAI indicators are used to assess investment opportunities.
Data sources and processing	Data and information used for the Scorecard and Framework assessments is obtained from materials provided by the Portfolio Company, responses to the ESG DDQ and other questions raised, independent due diligence reports, rating agency commentary and/or third-party data providers. The Scorecard output ESG Rating is a weighted average of material ESG risk factors. The Framework analysis results in a 'sustainable' or 'not sustainable' assessment.
Limitations to methodologies and data	The level of information available to complete the Scorecard and Framework may vary between different Portfolio Companies and therefore the Investment Team will use whatever information is available in the public domain, disclosed by the potential investee during due diligence, and available from third-party ESG data providers to complete their analysis.
Due diligence	As part of 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 conduct due diligence, which may include legal, technical, market, insurance, tax & financial, and ESG reports. Potential Portfolio Companies also are encouraged to complete the Fund's ESG DDQ.
Engagement policies	The Portfolio Manager will engage with Portfolio Companies at least annually to understand and assess their sustainability commitments and progress on ESG matters, or reactively when there is exposure to a sustainability-related concern or event. The Portfolio Manager aims to engage by raising sustainability topics as well as financial and non-financial performance and risk with Portfolio Companies. The Portfolio Manager also aims to encourage Portfolio Companies to report on ESG-related activities and metrics.
Designated reference benchmark	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 80% of investments assessed to be sustainable under the Framework.

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 aim to support Asia-Pacific's transition to net zero through the development, ownership, operation and/or provision of services to, ETI assets. Where viable, the Fund aims to incorporate the concept of "additionality" into appropriate Investments. In the context of the Fund's strategy, additionality means an intended contribution to the implementation of new generating capacity and new infrastructure, rather than just investing in existing assets.

The Fund's environmental characteristics are incorporated within the Fund's investment strategy and reflected in proprietary tools used by the Portfolio Manager.

4 Investment strategy

The investment strategy aims to deliver medium-term capital appreciation by making equity investments 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, operate and/or provide services to ETI assets in Asia-Pacific, each Investment seeks to contribute to efforts to decarbonize regional economies and support the transition to net zero;
- By targeting a calibrated risk exposure including development and construction of new assets, certain Investments aim to incorporate "additionality", that is, a

contribution to the implementation of new generating capacity and new infrastructure, rather than just investing in existing assets;

- By incorporating sector-specific ESG assessment into the investment process and assigning an ESG Rating to each Investment, 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 management structures, employee relations, remuneration of staff and tax compliance) via the investment due diligence and Scorecard process.

5 Proportion of investments

The Portfolio Manager intends to have a minimum of 90% of the Investments of the Fund (excluding investments for hedging and / or cash management purposes) promoting environmental or social characteristics.

The Portfolio Manager also seeks to maintain a minimum of 80% of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy. It is estimated that 10% of these investments may have “other environmental or social characteristics”.

6 Monitoring of environmental or social characteristics

The Fund will monitor and report on the following set of sustainability indicators for the portfolio (the “**Sustainability Indicators**”):

- The ESG Rating assigned to each investment (at the point of investment and as monitored annually), as determined by the Fund’s Scorecard.

  Additional indicators will be used to monitor the Fund’s targeted contribution to investments that aim to create “additionality”. For these investments, the Fund aims to monitor:

- Energy generation: new/additional renewable energy generation capacity, potential or actual (MW or MWh); amount of renewable energy produced (MW or MWh); and/or
- Storage or distribution infrastructure: new/additional energy storage or distribution capacity, potential or actual (MW or MWh).

Where quantitative data is available, progress against the additionality-focused Sustainability Indicators will be considered specifically and measured in the metrics outlined above. The Portfolio Manager notes that data availability may vary by Portfolio Company and by asset and efforts to source the inputs to these indicators will be on a best-efforts basis.

Where quantitative data is unavailable, e.g. if investing in early-stage development assets with no current operational capacity, progress against the Sustainability Indicators will be considered holistically through qualitative feedback gathered by the Portfolio Manager.

Pre-investment, every investment presented to the Fund's Investment Committee will contain a dedicated ESG section within the investment paper. ESG topics 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 of a potential Portfolio Company.

As part of post-investment management, the Portfolio Manager will review the ESG Rating and sustainability assessment 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 where appropriate.

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 aim to ensure that they deliver high levels of corporate responsibility, and to implement strategy, risk management and policies aligned to the Portfolio Manager's objectives and findings from the Scorecard and sustainability assessment.

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. Details of the exclusion policies can be found on the website of the Portfolio Manager. 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 Scorecard

All Investments are assessed for exposure to ESG risks and potential for positive ESG contributions using the Scorecard. The Scorecard is a customised tool that considers ESG factors material to ETI assets and prioritizes factors that align with the Fund's strategy and environmental objectives. Within the Scorecard, ESG factors are grouped into categories that are assigned a weighting tailored to ETI assets. A potential investee is then scored across each category and assigned an overall ESG Rating. The Portfolio Manager will review Portfolio Companies' Scorecards at least annually to assess ongoing compliance with these criteria.

Inputs to the Scorecard are determined by the Investment Team with reference to materials provided by the Portfolio Company, the ESG DDQ and responses to questions raised, due diligence reports, as well as third party ESG risk platform providers.

Principal Adverse Impacts ("PAIs")

All mandatory PAI indicators relevant to investments in investee companies, 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 during due diligence and reflected in the Scorecard and the sustainability assessment, either specifically or holistically, depending on their relevance to the sector or activity in consideration and data availability. Post investment, the Portfolio Manager aims to monitor and report on PAI indicators at least annually, subject to data availability and considering the limitations set out in the 'Limitations to methodologies and data' section.

<u>Sustainability Assessment</u>

The Investment Team will utilize the Framework, which assesses the potential impacts of an investment in alignment with the UN Sustainable Development Goals (the "**SDGs**"). To be considered a 'sustainable investment' under the Framework, an Investment needs to demonstrate that it has made or will make a substantial contribution to one SDG while doing no significant harm to any other SDGs. The Framework leverages the Global Impact Investing Networks' (GIIN) IRIS+ tool and the UN Global Compact's SDG Tool to determine the applicability of particular SDGs to the sub-sectors the Fund intends to invest in. The Framework also incorporates the PAIs to identify the most relevant sustainability indicators (quantitative and qualitative) for each applicable SDG and takes into account the Taxonomy's TSC to determine a threshold for causing 'significant harm' to each SDG.

An Investment falls under the 'harmful' or 'at risk' zone as defined by the Framework if any indicator crosses the threshold for causing 'significant harm'. Sustainable Investments made by the Fund must not fall under the 'harmful' or 'at risk' zone.

As part of post-investment management, the Portfolio Manager will review the sustainability assessment of each sustainable 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 where appropriate.

8 Data sources and processing

Inputs to the Scorecard and Framework are determined by the Investment Team with reference to materials provided by the Portfolio Company, the ESG DDQ and responses to questions raised, due diligence reports, and third-party data providers. The Scorecard resulting ESG Rating is a weighted average of the relevant ESG risk factors and the Framework analysis results in a 'sustainable' or 'not sustainable' assessment.

Pre-investment, the Investment Team will encourage Portfolio Companies to complete the ESG DDQ, which requests information on relevant PAIs among other material ESG and sustainability topics. ESG DDQ responses contribute towards the Scorecard and Framework assessments. 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.

If data obtained post-investment suggests the investment is harming other sustainable objectives as determined by the Framework, or may result in a downgrade in an Investment's ESG Rating, the Portfolio Manager will engage with the Portfolio Company to understand the causes and, where appropriate, work towards action plans to prevent further harms being made. Depending on the concern or outcome, The Portfolio Manager may remove the Investment from the "sustainable" category.

The level of information available to complete the Scorecard and Framework assessment may vary between different Portfolio Companies and therefore the Investment Team will use whatever information is available in the public domain, disclosed by a potential Portfolio Company during due diligence (including via the ESG DDQ) or as part of annual monitoring, sourced from independent reports, or available from 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

For the asset class that the Fund is investing in, publicly available data through data providers/vendors is usually limited. The Investment Team therefore needs to rely to a large extent on data provided by a Portfolio Company. The level of information available to complete the Scorecard and Framework assessment 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 or annual monitoring, sourced from independent reports, or available from 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.

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 Portfolio Manager acknowledges that availability and accuracy of PAI data can be limited in some instances due to factors such as the lack of public disclosure, inconsistency in regulatory requirements across jurisdictions and the resources constraints of investee companies. The Portfolio Manager will use reasonable efforts to obtain the information either directly from investee companies, externally through data providers or by carrying out proprietary research. For clarity, the Portfolio Manager does not expect to be able to consistently report on all 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.

10 Due diligence

During due diligence, the Investment Team will have access to information disclosed in investor presentations and information memorandums. The Investment Team will also have access to the management team of the target Portfolio Company and will encourage the company to complete the ESG DDQ. The Investment Team will typically engage third-party consultants to assist with due diligence, which may include legal, technical, market, insurance, tax & financial, and ESG due diligence 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 during preliminary Investment opportunity discussions. Through this process, the Investment Team will seek to make a qualitative assessment of the potential risks and impacts linked to ESG-related factors.

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

11 Engagement policies

HSBC Asset Management's Responsible Investment Policy for Alternatives sets out HSBC Alternatives' approach to engagement: https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/policies. The Investment Team aims for active ownership and engagement with each Portfolio Company to promote alignment to ETI's objectives and to support growth and value creation. For example:

- 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 certain new underlying ETI assets, including ESG-related due diligence where appropriate
- Raising ESG and sustainability topics and risk management with Portfolio Companies at board meetings
- Encourage Portfolio Companies to collect data and to report on their ESG-related activities

If a sustainability-related concern or event is identified during investment monitoring or is reported by a Portfolio Company, the Portfolio Manager will also actively engage with the Portfolio Company to strive to remove, reduce or remedy an issue where appropriate.

The outcome of engagement with companies contributes to updates to the Scorecard and Framework assessments.

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.