

HSBC Global Asset Management (France)

Remuneration policy

February 2023

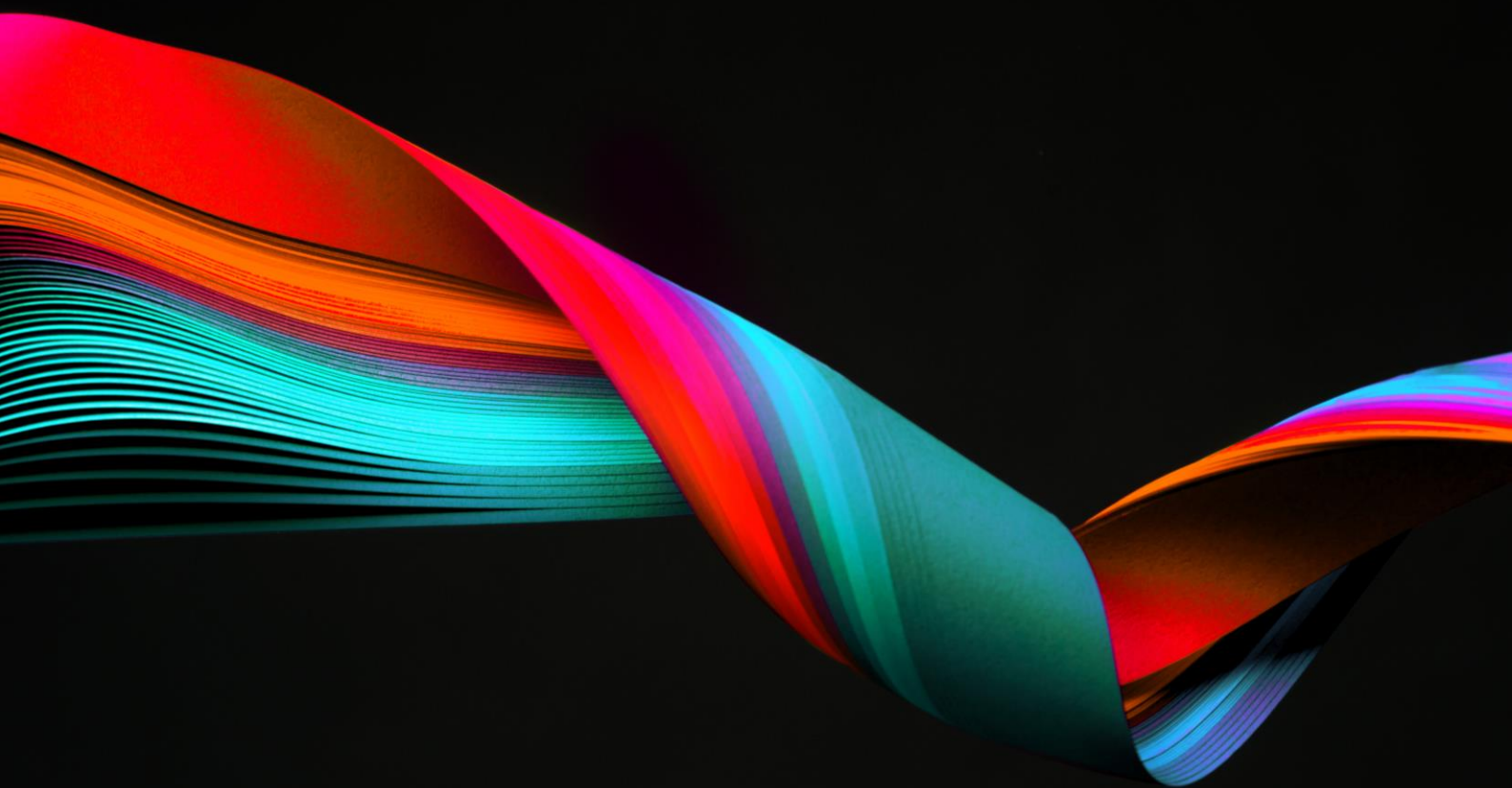


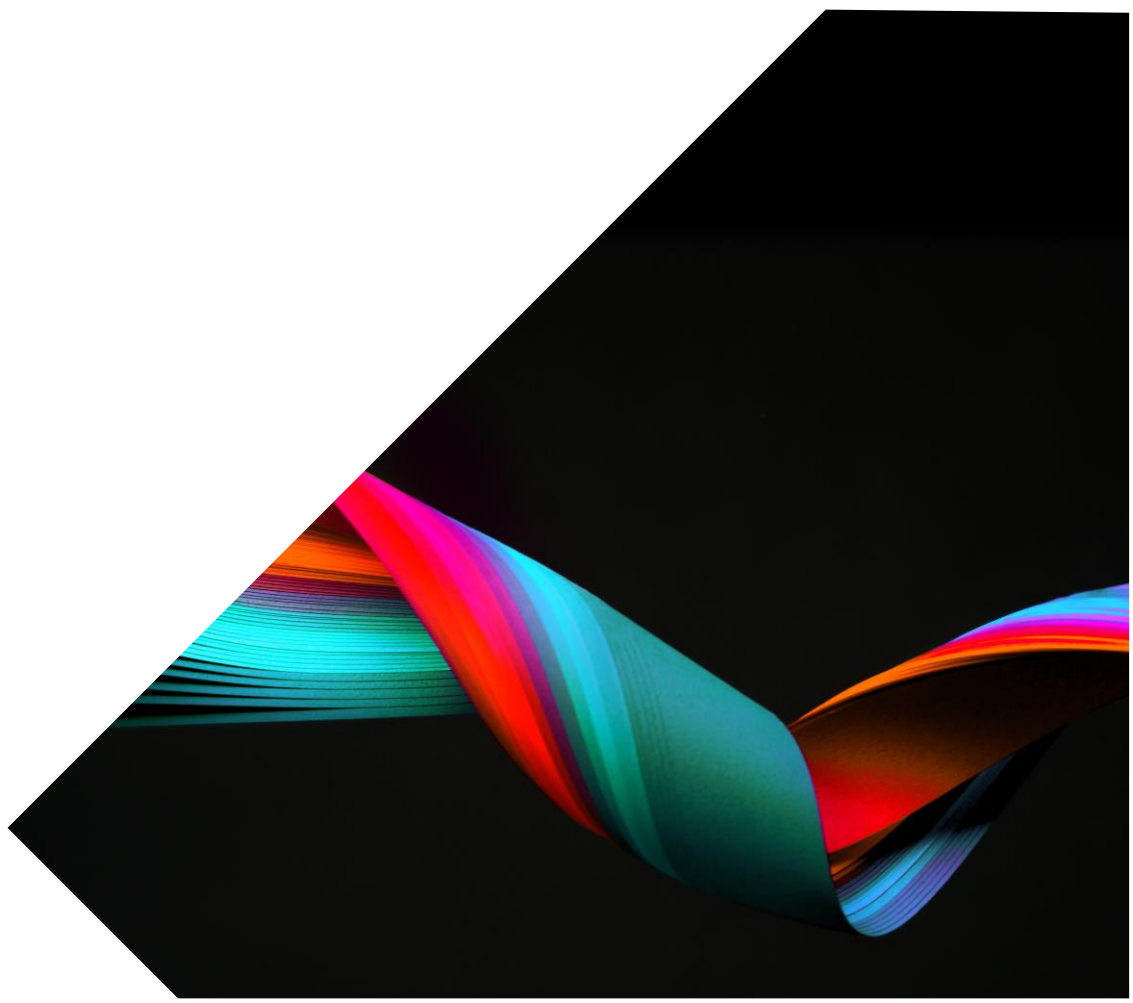
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Preamble

The remuneration policy of HSBC Global Asset Management (France), a subsidiary of HSBC Continental Europe, (hereinafter the “Remuneration Policy”), is part of the remuneration policy of HSBC Continental Europe and its governance bodies. More generally, it falls within the framework of the remuneration policy of HSBC Group (hereinafter the “Group”), the general principles of which are subject to the rules laid down by the UK regulator (FCA/PRA), which apply in the same way to all Group entities.



Definitions

“Identified Staff”: refers to employees of HSBC Global Asset Management (France) whose professional activity has an impact on the risk profiles of the UCIs or mandates under management, in particular:

- ◆ The executive and non-executive members of the management body of HSBC Global Asset Management (France);
- ◆ Senior Management;
- ◆ Control functions;
- ◆ Members of staff responsible for investment management, administration, marketing and human resources;
- ◆ Other risk takers such as: employees whose professional activities - whether individually or collectively, as members of a group (e.g. a unit or part of a department) - may have a significant impact on the risk profile of HSBC Global Asset Management (France) or on an AIF or UCITS that it manages, including persons able to enter into agreements, take positions and make decisions that have a significant impact on the risk positions of HSBC Global Asset Management (France) or an AIF or a UCITS it manages;
- ◆ Persons who, in view of their overall remuneration, are in the same remuneration bracket as those exercising a senior management function and risk takers, if they influence the risk levels of the assets under management or of HSBC Global Asset Management (France);
- ◆ The persons (or entities) to whom investment management activities have been delegated by HSBC Global Asset Management (France), whose professional activities have a significant impact on the risk profiles of the UCIs that HSBC Global Asset Management (France) manages;
- ◆ Persons whose professional activities may have a significant impact on the investment services provided by HSBC Global Asset Management (France) must also be identified.

The list of persons included in the scope of Identified Staff is reviewed twice a year by the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Risk Officer, the Chief Compliance Officer (RCCI), the Head of Internal Control (RCCI) and the Legal teams of HSBC Global Asset Management (France), assisted by the Human Resources Department of HSBC Continental Europe based on the mapping of management processes.

It is presented and approved annually by the Remuneration Committee of HSBC Global Asset Management (France) (hereinafter the “Remuneration Committee”) and the Board of Directors of HSBC Global Asset Management (France) in its supervisory function (hereinafter the “Board of Directors”).

A methodology for identifying Identified Staff for the asset management subsidiaries has been implemented and applies to HSBC Global Asset Management (France).

The list of Identified Staff is provided in Appendix I to this Remuneration Policy.

The employees concerned are informed of their classification as Identified Staff.

“Relevant Person(s)”: in accordance with the applicable regulations and in particular the MiFID and IDD, HSBC Global Asset Management (France) has drawn up a list of Relevant Persons¹, who:

¹ Employees who are not included in the list of Identified Staff. Certain Identified Staff exercising this type of activity (MiFID/IDD) are subject to the provisions/principles applicable to Relevant Persons.

- i. may have a significant influence on the service provided or the behaviour of staff directly or indirectly involved in the provision of investment products and/or ancillary services whose remuneration is likely to create an inappropriate incentive to act against the interests of their clients (MiFID); and
- ii. access/exercise an insurance distribution activity (IDD).

HSBC Global Asset Management (France) has adopted and applies specific measures to determine whether Relevant Persons are likely not to act in the best interests of their clients and takes measures to address this risk.

The quantitative objectives of Relevant Persons are established so as not to encourage employees to sell a specific product when they could offer another product that is more in line with the client's needs.

Also in order to protect client interests, HSBC Global Asset Management (France) does not pay any sales commission to its employees, nor does it have any remuneration mechanism that could encourage its employees to sell a specific product rather than another.

General principles

The Remuneration Policy is based on the assessment of quantitative and qualitative annual and multi-year performance criteria. It applies to all employees and its fundamental principles align the interests of investors, employees and HSBC Global Asset Management (France). Certain specific rules also apply to Identified Staff and are described below.

This Remuneration Policy applies to:

- ◆ All forms of payments or benefits paid by HSBC Global Asset Management (France);
- ◆ Any sum that may be paid directly by the UCI itself;
- ◆ Any amount paid by HSBC Global Asset Management (France) in connection with the investment services provided (investment mandates and advice) if HSBC Global Asset Management (France) provides such investment services, and any amount related to insurance distribution activities;

in exchange for professional services provided by the Identified Staff of HSBC Global Asset Management (France).

Payments or benefits that are part of a general and non-discretionary remuneration policy and do not have any incentive effect in terms of risk-taking (including mandatory and discretionary profit-sharing schemes) are excluded from the definition of remuneration.

The Remuneration Policy complies with the following general principles:

- ◆ Setting fixed and variable remuneration by ensuring a prudent balance between sound and effective management of the company's financial results, its risks and maintaining an appropriate level of capital;
- ◆ Complying with the company's economic strategy and objectives, the management of its risks with regard to its risk profile and risk management practices, while taking into account its interests and long-term results as a whole. This principle aims not to encourage risk-taking that is not in line with the "risk appetite" approved by the Group or that could negatively impact the level of capital of HSBC Global Asset Management (France) or the Group;
- ◆ Setting appropriate remuneration rules for members of the management body and Identified Staff within the Asset Management business line, in accordance with their powers, duties, expertise and levels of responsibility and in compliance with regulations;
- ◆ Ensuring that there are no conflicts of interest during the implementation and execution of the Remuneration Policy.

To this end, HSBC Global Asset Management (France) and its supervisory bodies ensure in particular that:

- ◆ The Remuneration Policy is compatible with rigorous and effective risk management and the remuneration system adequately takes into account all risk categories;
- ◆ All governance principles and structures as well as their interactions with the remuneration system are taken into account in the preparation and implementation of its remuneration policies and practices;
- ◆ The remuneration of members of the management body and regulated persons is in accordance with their powers, duties, expertise and responsibilities;
- ◆ The Remuneration Policy avoids all conflicts of interest.

The HSBC Group's Remuneration Policy is applied within HSBC Global Asset Management (France) and is based on the principles set out below to ensure that the **remuneration system complies with regulatory requirements and that employees' interests are aligned with those of HSBC Global Asset Management (France)**:

- ◆ The budgets for discretionary variable remuneration are set globally for the Group and are determined by the global business lines and functions according to their financial and sustainable performance, their competitiveness and/or their achievements during the financial year and the controlled management of the risks incurred by the Group and its various business lines. These budgets are allocated by business line for the year according to the Group's performance and may be reviewed and adjusted when the financial statements are closed in order to protect and maintain the Group's financial strength;
- ◆ Fixed remuneration may be reviewed in accordance with the annual budgets defined locally, in line with the company's economic performance and market positioning;
- ◆ The Remuneration Policy adopts a total remuneration approach (basic salary + variable bonus) with variable amounts adjusted according to individual performance;
- ◆ The Remuneration Policy takes a discretionary approach to assessing individual performance rather than an automatic approach based on formulas that could encourage inappropriate risk-taking and/or inappropriate sales to our clients;
- ◆ The Remuneration Policy adopts a total remuneration approach that clearly distinguishes between the components of fixed remuneration (basic salary and any fixed bonuses), the components of variable remuneration (individual discretionary and/or collective variable remuneration) and the compensation paid in the event of departure from the company;
- ◆ An appropriate balance is established between the fixed and variable components of total remuneration. In any event, the fixed component represents a sufficiently high proportion of the total remuneration to allow the possibility of reducing or not paying a variable component;
- ◆ The principle of deferred payment of variable remuneration is applied in order to align the interests of employees with those of HSBC Global Asset Management (France), to help retain employees and meet regulatory obligations;
- ◆ A commitment is made not to implement methods or instruments to circumvent regulatory principles in terms of variable remuneration applicable to asset management companies;
- ◆ Payments related to the early termination of a contract correspond to performance over time and are designed in such a way as not to reward failure.

These remuneration principles are reviewed annually in accordance with the Group's policy.

The Remuneration Policy is established in accordance with applicable regulations, including in particular the following texts that may be amended:

- ◆ Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Managers (the AIFMD);
- ◆ Directive 2014/91/EU of 23 July 2014 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (the UCITS V Directive);
- ◆ ESMA Guidelines 2013/232 of 3 July 2013 entitled "Guidelines on sound remuneration policies under the AIFMD", as amended by ESMA Guidelines 2016/579 of 14 October 2016 entitled "Guidelines on sound remuneration policies under the AIFMD";
- ◆ ESMA Guidelines 2016/575 of 14 October 2016 entitled "Guidelines on sound remuneration policies under the UCITS Directive";

- ◆ ESMA Guidelines 2016/411 of 31 March 2016 entitled “Guidelines on sound remuneration policies under the UCITS Directive and AIFMD”;
- ◆ Directive 2014/65/EU of 15 May 2014 on markets in financial instruments, transposed into the French Monetary and Financial Code by Order 2016-827 of 23 June 2016 (MiFID);
- ◆ ESMA Guidelines 2013/606 of 3 June 2013 entitled “Guidelines on remuneration policies and practices (MiFID)”;
- ◆ Directive (EU) 2016/97 of 20 January 2016 on insurance distribution (the IDD);
- ◆ The texts of the French Monetary and Financial Code;
- ◆ Texts including the positions and instructions of the French Financial Markets Authority (the “AMF”) implementing directives under French law (in particular the AMF General Regulation (the “AMF General Regulation”));
- ◆ Regulation no. 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “SFDR”).

1. Governance rules applicable to all employees

The Remuneration Policy follows the annual guidelines drawn up by the Group and the business lines to which employees are assigned (Asset Management, Finance, Risk, Legal, Compliance and Human Resources of HSBC Continental Europe), as well as the Group’s principles, whenever applicable, in France.

Due to its membership of the Group, HSBC Global Asset Management (France) is required to communicate or seek the opinion of the Remuneration Committee of HSBC Continental Europe (France) (defined below) on the general principles and the compliance of its Remuneration Policy with the Group’s requirements.

1.1. The Board of Directors

Once a year, the Remuneration Policy is presented to the Remuneration Committee for approval after its validation by Compliance, the Risk function, the Legal function and Executive Management.

It is adopted by the Board of Directors, which is responsible for its implementation.

The Board of Directors, acting in its supervisory function, with the support of the Remuneration Committee:

- ◆ Approves any exceptions or significant changes subsequently made to the Remuneration Policy;
- ◆ Takes into account the contributions of all the relevant functions in the preparation and supervision of the remuneration policies of HSBC Global Asset Management (France);
- ◆ Ensures that the Remuneration Policy is consistent with the effective management of risks and that it fosters rigorous risk management. In this regard, the Remuneration Policy:
 - Is consistent with the economic strategy, objectives, values and interests of HSBC Global Asset Management (France);
 - Does not encourage excessive risk-taking in relation to the investment policy of the UCIs that HSBC Global Asset Management (France) manages; and
 - Enables HSBC Global Asset Management (France) to align the interests of UCIs and their investors with those of the Identified Staff who manage these UCIs, and to establish and maintain a sound financial position.
- ◆ Ensures that all the corporate governance principles and structures of HSBC Global Asset Management (France) as well as their interactions with the remuneration system are taken into account in the preparation and implementation of its remuneration policies and practices;
- ◆ Supervises the remuneration of members of the management body.

1.2. The Remuneration Committee

1.2.1. Composition

HSBC Global Asset Management (France) has set up its own governance body, the “Remuneration Committee”, which monitors and implements compensation policies for employees of HSBC Global Asset Management (France) and its subsidiary HSBC REIM.

The composition of the Remuneration Committee makes it possible to supervise the Remuneration Policy in a competent and independent manner. The Remuneration Committee has three members, who are directors without executive positions at HSBC Global Asset Management (France). The Chairman of the Remuneration Committee is an independent member of the Board and does not hold an executive position within HSBC Global Asset Management (France).

The committee’s members also have sufficient professional expertise and experience in risk management and control activities, in particular as regards the mechanism for aligning the remuneration structure with the risk and capital profiles of asset management companies.

The following also attend Remuneration Committee meetings as guests: one employee representative, the Chief Executive Officer and the Chief Risk Officer for the Asset Management business line in France (also Deputy Chief Executive Officer), and the Head of Performance and Remuneration of HSBC Continental Europe’s Human Resources department. However, the Chief Executive Officer and the Deputy Chief Executive Officer do not participate in meetings of the Remuneration Committee that discuss their own compensation.

1.2.2. Roles

Coordination of the Remuneration Committee with the HSBC Continental Europe Remuneration Committee

HSBC Continental Europe’s Remuneration Committee provides competent and independent oversight of the remuneration policies and practices implemented within HSBC Continental Europe and its subsidiaries in France and Europe.

In particular, HSBC Continental Europe’s Remuneration Committee monitors the implementation of the Group’s compensation policies in all business lines and functions in France. It also ensures compliance with local standards and that the bank’s Risk and Compliance policies are properly taken into account. In this respect, HSBC Continental Europe’s Remuneration Committee shares information with the Group Remuneration Committee on a regular basis and whenever necessary.

Any significant event or any major change in the remuneration policy of HSBC Global Asset Management (France) or its implementation is escalated to the HSBC Continental Europe Remuneration Committee.

Specific roles of the Remuneration Committee

This committee, which meets at least once a year, considers remuneration policies and practices for the asset management business line, ensuring that they are consistent with the Group’s policy, that they comply with local standards, and that the Risk and Compliance policies of the companies covered are properly taken into account, particularly for HSBC Global Asset Management (France), HSBC REIM (France) and HSBC Epargne Entreprise.

It is responsible for preparing decisions on remuneration, including those that have an impact on risks and risk management for HSBC Global Asset Management (France) or the UCIs or mandates managed, which the Board of Directors is required to approve in its supervisory role.

The Remuneration Committee also reviews the remuneration of corporate officers, the Chief Risk Officers and the Heads of Compliance and Internal Control.

More specifically, the Remuneration Committee establishes an overall remuneration system to meet the following objectives:

- ◆ Fulfilling its duty of drawing up recommendations to the Board of Directors regarding the remuneration of members of the management body and the employees of HSBC Global Asset Management (France) who receive the highest remuneration;
- ◆ Providing assistance and its opinion to the Board of Directors for the approval of the overall remuneration policy of HSBC Global Asset Management (France);
- ◆ Assisting the Board of Directors in supervising the drafting and implementation of the remuneration system on behalf of the Board of Directors;
- ◆ Paying particular attention to the assessment of the mechanisms adopted to ensure that:
 - The remuneration system appropriately takes into account all categories of risk, liquidity and levels of assets under management; and
 - The Global Remuneration Policy is consistent with the economic strategy, objectives, values and interests of HSBC Global Asset Management (France) and the UCIs it manages and those of investors in these UCIs.

1.3. The Risk, Compliance, Internal Control, Legal and Human Resources functions

The functions in charge of risk control, compliance, internal control, legal affairs and human resources at HSBC Continental Europe ensure that remuneration policies comply with the applicable standards.

The Remuneration Policy is validated by the Chief Compliance Officer, the Chief Risk Officer, the Chief Executive Officer and the Deputy Chief Executive Officer and the other persons mentioned in the paragraph above before being presented to the Remuneration Committee.

A variable remuneration package specific to the control functions² is established in order to comply with the rules applicable to the remuneration of this category of employees. The remuneration of the control and compliance functions is set independently of the business line for which they validate or verify transactions, and at a sufficient level to have qualified and experienced staff. It takes into account the achievement of the objectives associated with the function.

1.3.1. Compliance incentives: the “Incentivizing Compliance” process

Objectives and principles

This process aims to cover all HSBC Global Asset Management (France) employees with a particular focus on those with managerial responsibility or having a direct and significant role in the risks incurred by the bank.

It provides for the identification of blatantly inappropriate/wrongful behaviour, evident lack of diligence and/or significant errors in the application of internal rules and standards, whether intentional or not, whether they are repeated or occasional, with particular attention paid to those that are particularly harmful to the bank. This is therefore, in principle, an “exceptional” process. HSBC Global Asset Management (France) takes a holistic approach involving an overall assessment of risk themes rather than listing one-off cases or showing unwarranted formalism.

This process is not a substitute for disciplinary procedures that may be taken in the event of certain breaches or misconduct by staff members.

This global approach for all employees applies in the same way to exceptional actions/achievements.

²The ESMA Guidelines 2016/575 of 14 October 2016 entitled “Guidelines on sound remuneration policies under the UCITS Directive” defines members of the control functions as: “staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within a management company (e.g. the CFO to the extent that he/she is responsible for the preparation of the financial statements).”

Process

The management of individual breaches at HSBC Global Asset Management (France) is based on a four-step system in line with the Group's principles:

1. Identification and escalation of the breach;
2. Assessment of the level of risk;
3. Assessment of the severity of the breach; and
4. The impact of the breach in disciplinary and managerial terms and on the assessment of the employee's performance and his/her variable pay.

Step 1: Identification and escalation of the breach

Any employee, whether or not they perform a control function (risk, compliance, internal audit, etc.) may identify an incident, a breach or non-compliance with an internal obligation, or may be informed of an incident by a third party external to HSBC. As soon as an employee becomes aware of such a breach, he/she must report it.

The concept of "individual breaches" includes the following situations:

- ◆ Bullying and harassment;
- ◆ Discrimination;
- ◆ Internal fraud;
- ◆ Breaches of the Information Security Policy;
- ◆ Breaches of financial crime rules;
- ◆ Regulatory compliance breaches; and
- ◆ Other breaches of HSBC policies, procedures and standards not listed above (compulsory global training, rules applicable to restricted employees, recipients of HSBC share awards).

Step 2: Assessment of the level of risk

Depending on the type of breach, a central function of the second line of defence, which includes the risk and compliance functions, will:

- ◆ Analyse and investigate the breach;
- ◆ Determine the level of risk that the incident caused (or could have caused) to HSBC. This assessment is based on a scale of criteria by type of risk; and
- ◆ Report on the conclusions of their analysis and their assessment of the severity of the risk arising from the incident (Low, Medium, High or Very High) at the ad hoc committee of the business line/function concerned.

Step 3: Assessment of the severity of the breach

The dedicated business line or function committee analyses the incidents reported and decides on the responses to be made, either in terms of processes/procedures, or, in the event of non-compliance with an internal obligation within its scope (failure to observe rules and procedures in the broad sense), in terms of managerial actions and/or disciplinary sanctions.

Based on the recommendations of the Employee Relations team, the business line decides on the severity of the breach (Low, Medium, High or Very High) taking into account the circumstances of the case under review, such as the repetition of offences, the spontaneous nature of the report, the position held by the employee, his/her personal situation, any mitigating circumstances that impact the severity of the breach and the response to the incident. The business line, still following the recommendations of the Employee Relations team, also decides on any disciplinary sanctions or managerial action to be taken.

The Employee Relations team makes legal recommendations regarding the proposed sanction and implements the disciplinary procedure once it has been decided.

Step 4: Impact of the breach on the performance rating and on the employee's variable remuneration

Depending on the severity of the breach, and particularly for medium, high and very high risk breaches, a restricted performance assessment grid applies. For example, a very satisfactory or remarkable performance rating may not be awarded following a high risk breach.

Similarly, an increase in variable remuneration compared to the previous year may not follow a medium, high or very high risk breach (except in duly justified special cases).

It should be noted that for employees located outside France concerned by these situations, the Group will reduce the amount of variable pay awarded according to the severity of the breach.

Finally, the application of malus or clawback provisions may be considered for the most serious breaches.

For exceptional actions/achievements, a list of employees is proposed by the Head of business line/function after discussions with the business line. Employees identified in this context benefit from an increase in their variable remuneration integrated directly into the SFCComp Pay Review tool.

Roles and Responsibilities

The different roles and responsibilities are described below:

- ◆ The risk functions (at central level or within the business lines/functions) and the compliance functions are responsible for:
 - Applying the breach risk criteria chart drawn up by the Group;
 - Conducting risk assessments of breaches reported to it (step 4, Roles and responsibilities, 1.3.1); and
 - Communicating the results of their assessment and documentation of breaches to the business line ad hoc committee.
- ◆ Business line managers are responsible for:
 - Ensuring that risk objectives are included in the Balance Scorecards;
 - Deciding, in collaboration with HR, on the severity of the breach, based on the analysis performed by the Risk or Compliance functions; and
 - Informing the employee's direct manager of the measures taken.
- ◆ The Employee Relations team is responsible for:
 - Coordinating the breach management system by drafting and publishing an internal circular;
 - Applying the HR breach risk criteria chart drawn up by the Group;
 - Analysing the HR risk assessment of breaches;
 - Giving its opinion on the assessment of all breaches to the ad hoc committee; and
 - Summarising cases of proven individual breaches and exceptional actions/achievements.
- ◆ The Chief Risk Officer is responsible for:
 - Supervising the breach management system; and
 - Validating decisions proposed by the business line managers and ensuring the consistency of decisions between the various business lines for all types of risks.

1.4. Internal Audit

The remuneration policy of HSBC Global Asset Management (France) is subject to a central, independent assessment by Internal Audit in accordance with Articles 319-10 I para. 4 and 321-125 I para. 4 of the AMF General Regulation.

2. Principles relating to the composition and payment of remuneration for all employees

2.1. Principle of gender-neutral remuneration

In accordance with the principle of equal pay for male and female workers for equal work or work of equal value as provided for in Article 157 of the Treaty on the Functioning of the European Union (TFEU), the Remuneration Policy adopts a remuneration approach that respects the rules of fairness and is based on the principle of equal pay between male and female workers for the same work or work of equal value. The Remuneration Policy is therefore gender neutral.

2.2. The Remuneration Policy takes sustainability risks into account

The SFDR lays down harmonised rules for financial market participants on transparency regarding the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information on financial products.

In addition, this Regulation sets out the obligation for financial market participants and financial advisers to publish written policies on the integration of sustainability risks (including details on the criteria for aligning the remuneration policy with performance indicators) and to ensure the transparency of this integration.

In terms of remuneration, the objective is to:

- ◆ Achieve greater transparency, in qualitative or quantitative terms, with respect to remuneration policies;
- ◆ Promote sound and effective risk management with regard to sustainability risks;
- ◆ Ensure that the remuneration structure does not encourage excessive sustainability risk-taking, and that it is linked to risk-adjusted performance.

In order to comply with these provisions, HSBC Global Asset Management (France) has:

- ◆ Updated this Policy with respect to the integration of sustainability risks,
- ◆ Published information on how HSBC Global Asset Management (France) integrates sustainability risks into its Policy;
- ◆ Published this information on its website.

Any revision or modification of the information concerning the inclusion of sustainability risks in the Policy will be justified by HSBC Global Asset Management (France), which undertakes to keep the information published on its website up to date. In the event of a change, HSBC Global Asset Management (France) will publish a clear explanation of this change on the same website.

HSBC Global Asset Management (France) has thus implemented a Remuneration Policy in line with the policies relating to the integration of sustainability risks, notably in the environmental field and in terms of diversity and inclusion, and in particular by reiterating that environmental, social and governance criteria must be taken into account in the company's objectives and that, depending on their level of achievement, they may have an impact on variable remuneration.

2.3. Composition of employee remuneration

Remuneration consists of the following:

1. A fixed portion that remunerates the employee's ability to fulfil their duties satisfactorily;
2. A collective variable portion, as applicable. In France and a number of other countries, employee remuneration includes mandatory and discretionary profit-sharing schemes. In accordance with regulations, these collective

variable compensation schemes are excluded from the rules applicable to remuneration (non-discretionary arrangements awarded to all employees);

3. An individual variable portion, as applicable, which aims to reward the employee's individual performance, in accordance with defined and formalised principles and objectives.

Annual pay review and calculation of variable compensation packages

An annual Pay Review takes place each year with the objective of determining:

- ◆ Any changes to individual salaries, within a set budget;
- ◆ The Individual variable remuneration of employees based on their performance, within a set budget.

As part of the mandatory annual pay review, HSBC Global Asset Management (France) may, based on a proposal by Senior Management, provide for specific measures.

The annual Pay Review process is as follows:

- ◆ The budgets for variable remuneration are set globally for the Group and are determined by the global business lines and functions according to their financial and sustainable performance, their competitiveness and/or their achievements during the financial year and the controlled management of the risks incurred by the Group and its various business lines. These budgets are then broken down by region/country depending on the contribution of these scopes to the overall performance of the business line or function;
- ◆ The budgets assigned to individual salary increases are decided locally by Senior Management in France, in consultation with the business line. This budget is allocated for increases proposed during the Pay Review and those proposed during the year;
- ◆ The managerial line proposes individual allocations (fixed and variable remuneration). These proposals are reviewed and validated by the Senior Management of HSBC Global Asset Management (France);
- ◆ Proposals are validated after a consistency review by the Human Resources teams, based in particular on the position held, age and compliance with fairness rules;
- ◆ The Human Resources Department reviews the proportionality between the fixed salary and variable remuneration to ensure that fixed compensation remains consistent with total remuneration so as to prevent employees from relying excessively on the variable component;
- ◆ This process follows a timetable set by the Group, with salary decisions generally announced in February for implementation with the March payroll, without retroactive effect.

2.4. Principles applicable to the fixed component of remuneration

A basic fixed salary that remunerates skills, expertise, level of responsibility

The base salary is the main component of this remuneration. It primarily compensates employees' skills, expertise, technical knowledge, level of responsibility and seniority.

The objective of the review of the base salary is to remunerate one or more of the following in terms of development or positioning:

- ◆ Increase in skills, level of expertise and technical knowledge;
- ◆ Promotion with new responsibilities;
- ◆ Growth in the size of the teams and revenue managed;
- ◆ Increased influence on the organisation;
- ◆ Lack of external competitiveness (a pay shortfall in relation to the market); and

- ◆ Lack of internal competitiveness (a pay shortfall compared to the employee's peers in a team with equivalent functions, age, seniority and performance).

In accordance with the Group policy, the overall performance rating can also be taken into account in the pay review decision. Pay reviews must favour remarkable or very satisfactory performance, particularly in the event of a shortfall compared to the market median and for obvious retention reasons.

Special case of promotion

A promotion (GCB or local collective agreement level) with new responsibilities or an increase in skills, expertise or technical knowledge is generally accompanied by a pay review. This principle aims to encourage mobility and reward the risk-taking associated with new responsibilities.

However, these pay reviews are not systematic and must be analysed on a case-by-case basis, particularly with regard to the employee's positioning in relation to their peers internally and on the market. In any event, they must comply with the three following rules:

- ◆ Be part of the annual pay review budget as set for the pay review process;
- ◆ Comply with the Group's rules, in particular the limits on pay increases;
- ◆ Never be the subject of oral or written promises.

Collective measures and their alignment with selective measures

In a number of countries, HSBC Continental Europe has a legal obligation to conduct annual wage negotiations with social partners. In this context, HSBC Global Asset Management (France) favours:

- ◆ Compliance with HSBC Global Asset Management (France)'s financial constraints, measured in particular through income indicators while taking into account the level of inflation and positioning in relation to the market;
- ◆ A fair balance between collective measures and individual selective measures, which must enable the application of the remuneration policy which aims to reward individual performance;
- ◆ An emphasis on the lowest wages and fairness at all levels; and
- ◆ High quality social dialogue.

Fixed remuneration that includes a monthly fixed bonus for some Identified Staff

To comply with the cap on variable pay in relation to fixed compensation, in 2014 it was decided to allocate a fixed monthly bonus to a certain number of Identified Staff members as an integral part of their fixed compensation. The objective of this approach is to:

- ◆ Maintain the competitiveness of these employees' remuneration;
- ◆ Retain the ability to recruit and retain key or particularly high-performing employees;
- ◆ Minimise competitive distortions on specialised and restricted labour markets, on European markets in relation to financial players not covered by the AIFM/UCITS V Directives and also those outside the European Economic Area, where local players are not subject to a regulatory cap on variable remuneration; and
- ◆ Allow HSBC Global Asset Management (France) to retain full flexibility to allocate the appropriate level of variable remuneration with regard to the performance of the employee concerned and in particular to be able to reward the best performers of HSBC Global Asset Management (France) at their fair value.

This fixed bonus may be removed, reduced or adjusted in the event of a change in the status of Identified Staff, in the event of a change in position as Identified Staff or in the event of a regulatory change imposed on HSBC Global Asset Management (France). However, once allocated, the payment and the amount of this monthly fixed premium are not discretionary under any circumstances.

2.5. Principles applicable to the variable component of remuneration

At Group level, the overall discretionary variable compensation packages are determined in accordance with the procedures described above.

The nature and volume of activities, the size and the risks (past, present and future) to which companies are exposed are taken into account when determining variable amounts.

Employees who leave the company during the year may, depending on the circumstances of their departure, remain eligible for variable remuneration insofar as their annual performance and the way in which they deliver it can be assessed.

At an individual level, variable compensation is individualised and not automatic and aims to reward the achievement of the employee's objectives and the way in which he/she achieves his/her annual performance.

Insofar as variable compensation is awarded in respect of the performance of year N-1, it is not possible to establish a reserve allowing variable compensation to be granted in year N.

2.5.1. General principles applicable to variable compensation

Balance of fixed and variable remuneration

An appropriate balance is established between the fixed and variable components of total remuneration. In any event, the fixed component represents a sufficiently high proportion of the total remuneration to allow the possibility of reducing or not paying a variable component.

Prohibition of guaranteed variable remuneration

Guaranteed variable remuneration is prohibited for current employees. However, subject to the global business line's position, by way of derogation from this prohibition, a target variable remuneration may be awarded on hiring, excluding intra-group transfers. In this case, the target variable remuneration is strictly limited to one year.

Severance pay

Under no circumstances may an employee be granted a "golden parachute" clause that would reward failure in the event of early termination, without the compensation corresponding to actual performance. Severance pay is determined by taking into account clear and objective criteria such as a performance evaluation or a risk/cost assessment in the event of a dispute. It must be designed in such a way that it does not reward failure.

Payments related to the early termination of an employment contract are thus designed so as not to reward failure. They correspond to actual performance assessed over time.

In the event of departure from the company, deferred compensation not yet vested is normally cancelled according to the general terms and conditions set by the Group. Depending on the circumstances of departure of the Company, HSBC Assurances Vie (France) may - after validation by Group Performance & Reward - maintain deferred remuneration components for outgoing employees (Good Leaver Status).

Pension schemes

HSBC Global Asset Management (France)'s pension policy is in line with its strategy, objectives, values and long-term interests.

Compliance with requirements as regards insurance distribution

The variable portion of remuneration is also determined in such a way as to avoid the introduction of inducements that could lead to conflicts of interest between Relevant Persons and current and/or potential clients or non-compliance with the rules of good conduct with respect to clients, for example through sales targets or any other

mechanism or remuneration likely to encourage the employee to recommend a particular product to the detriment of the client's interest or actual needs. In particular, sales objectives are designed to respect the interests of clients and have no direct impact on the variable remuneration of employees.

The remuneration of Relevant Persons must not impede their ability to act in the best interests of clients, nor deter them from making an appropriate recommendation on a given product or from fulfilling their obligation to provide information and their duty to advise in an impartial, clear and non-misleading manner.

2.5.2. Determination of individual performance

The variable component of remuneration is assessed based on the achievement of financial and non-financial objectives set both individually and collectively, as part of the performance management process at the beginning of the year. The objectives must be explicit, consistent with the interests of the company and its clients over time, and particular attention must be paid to risk and compliance objectives.

The amount of the variable component of remuneration is determined by combining the assessment of the performance of the person and the operational unit or UCIs concerned with the overall results of HSBC Global Asset Management (France).

The employee's individual performance is managed through performance and development interviews over the year. It is based on a highly structured system that measures individual performance throughout the year and leads to the award of an annual performance level.

The performance assessment uses a four-level scale to ensure appropriate differentiation of performance and therefore variable remuneration:

- ◆ "Remarkable" performance;
- ◆ "Very satisfactory" performance;
- ◆ "Satisfactory" performance;
- ◆ "Unsatisfactory" performance.

Individual performance depends on the achievement of objectives set at the beginning of the year and on how performance is achieved. These objectives include, in a balanced manner, quantitative criteria (individual and collective financial results) and qualitative criteria relating to customer relations, risk management, compliance with processes and adherence to the Group's standards, including compliance with ethical rules, regulations and company rules. For certain categories of employees, they can also incorporate environmental criteria (such as reducing the carbon footprint, developing sustainable finance, supporting the Group's climate ambitions, etc.) and criteria related to diversity.

In accordance with applicable local regulations, the Group also jointly assigns employees located outside France a level of behaviour aligned with the Group's values. The rating scale is: 'Unacceptable', 'Satisfactory', 'Very Satisfactory', 'Role Model'. In accordance with regulations in France, this process does not apply to employees of HSBC Global Asset Management (France).

Recognition of exceptional actions/achievements and management of inappropriate individual situations in 2022

Lastly, employees who have carried out exceptional actions or made exceptional achievements, particularly with regard to risk management and financial crime, in accordance with compliance and ethical rules, may benefit from an increase in their variable remuneration.

Conversely, employees who have failed to comply with internal procedures, rules of compliance and/or ethics are subject to a restricted performance grid that can impact their variable remuneration.

For employees located outside France and concerned by these situations, the Group will reduce the amount of variable pay awarded according to the severity of the breach.

This includes the following situations:

- ◆ Bullying and harassment;
- ◆ Discrimination;
- ◆ Internal fraud;
- ◆ Breaches of the Information Security Policy;
- ◆ Regulatory compliance breaches; and
- ◆ Other instances of breaches of HSBC policies, procedures and standards not listed above (compulsory global training, rules applicable to restricted employees, HSBC share awards).

2.5.3. Specific principles applicable to certain categories of employees

Principles applicable to control functions

A variable remuneration package specific to each control function is established in order to comply with the rules applicable to the remuneration of this category of employees.

Employees who are members of the control functions are generally remunerated according to the achievement of objectives related to their functions, regardless of the performance of the areas of activity they control.

Principles applicable to employees in charge of insurance distribution

The variable portion of the remuneration of employees who sell insurance products is determined in such a way as to avoid the introduction of inducements that could lead to conflicts of interest between employees and current and/or potential clients or non-compliance with the rules of good conduct with respect to clients, for example through sales targets or any other mechanism or remuneration likely to encourage the employee to recommend a particular product to the detriment of the client's interest or actual needs. In particular, sales objectives are designed to respect the interests of clients and have no direct impact on the variable remuneration of employees.

The remuneration of employees who sell insurance products must not impede their ability to act in the best interests of clients, nor deter them from making an appropriate recommendation on a given product or from fulfilling their obligation to provide information and their duty to advise in an impartial, clear and non-misleading manner.

3. Remuneration principles applicable to all employees

A system specific to the Group applies to all employees who are not qualified as Identified Staff and for employees qualified as Identified Staff who are below the thresholds provided for in 4.2. This system provides for a deferral mechanism for all variable remuneration above a certain threshold (see table below).

In accordance with Group rules, Group employees in France who receive significant variable remuneration have a portion of this remuneration deferred in the form of HSBC shares in accordance with the table below.

The deferral period is three years (66% paid in year N+2 and 34% in year N+3) in accordance with the terms and conditions of the French sub-plan of the HSBC 2011 Plan.

Variable remuneration - Standard deferral rules

Less than \$75,000 Less than €70,937	Nil Deferral
\$75,001 - \$200,000 €70,938 - €189,166	10%
\$200,001 - \$350,000 €189,167- €331,040	20%
\$350,001 - \$500,000 €331,041 - €472,914	30%
\$500,001 - \$750,000 €472,915 - €709,371	35%
\$750,001 - \$1,000,000 €709,372 - €945,828	40%
Above \$1,000,000 Above €945,829	50%

The case of Identified Staff is addressed below in 4.2.

The ex-post adjustment mechanism (malus or clawback clauses) for Identified Staff provided for in point 4.2 applies to this system.

4. Remuneration principles applicable to Identified Staff

In accordance with regulatory requirements, each year HSBC Global Asset Management (France) ensures that the financial situation of HSBC Global Asset Management (France) is not adversely affected either by the overall variable remuneration awarded each year or by the amount of variable remuneration paid or vested during the year.

4.1. Reminder of regulatory requirements

The system applicable to the variable compensation component, as provided for in the regulations, is as follows:

- ◆ At least 50% of the variable component of remuneration consists of units or shares of the AIF/UCITS concerned, or an equivalent holding, or instruments linked to equities or equivalent non-cash instruments, unless the

management of AIF/UCITS represents less than 50% of the total portfolio managed by the portfolio management company, in which case the minimum threshold of 50% does not apply;

- ◆ The payment of a substantial portion of at least 40% (60% for high earners receiving a particularly high amount of variable remuneration) of the variable component of the remuneration is deferred, taking into account the life cycle and the redemption policy of the AIF/UCITS (by at least three to five years for AIF unless the AIF's life cycle is shorter and at least three years for UCITS). This share is proportionate to the nature of the risks associated with the AIF/UCITS and is vested on a pro rata basis;
- ◆ Deferred amounts may be subject to an ex-post adjustment.

Any variable remuneration in respect of the performance of a year, paid in cash, awarded in instruments or deferred over time, does not foretell payments or awards in respect of subsequent years.

4.2. Rules applicable to the composition and payment of the variable remuneration of Identified Staff

The rules set out below apply to Identified Staff whose variable remuneration is greater than €200,000 or whose variable component is greater than 30% of their annual fixed remuneration.

In accordance with the applicable regulations, Identified Staff, as defined above, are subject to specific rules on variable remuneration:

- ◆ The variable component paid in financial instruments represents 50% of the variable component. It consists of cash indexed to a basket of funds (as defined below) and is subject to a retention period of 12 months;
- ◆ Between 40% and 60% of variable compensation is deferred, as stipulated by regulations. In accordance with Group rules, 60% of any variable remuneration exceeding £500,000 will be deferred and 40% of any variable remuneration of less than £500,000 will be deferred;
- ◆ The deferred portion of variable compensation is deferred over at least four years;
- ◆ Each deferred remuneration tranche is only definitively vested subject to performance conditions, the absence of risky professional behaviour, compliance with internal rules and procedures (see malus clause below) and attendance (see attendance clause above) at the vesting date.

The Group's standard deferred payment rules (point 3) apply to Identified Staff who receive variable remuneration of less than €200,000 or whose variable remuneration is less than 30% of their annual fixed remuneration.

Malus clause

Pursuant to the malus mechanism, failure to meet the conditions described below could lead to a reduction or the permanent loss of the deferred amount.

The malus system is implemented at the discretion of the HSBC Global Asset Management (France) Remuneration Committee and applies subject to the legal provisions in force at the time of its implementation.

The vesting of the deferred portion of the variable component is never guaranteed and is also subject to compliance with applicable conditions throughout the deferral period, which depend in particular on the results of HSBC Global Asset Management (France) and, where applicable, the employee's individual situation. The total amount of variable remuneration is subject to penalties of up to 100% depending on the financial situation and proof of performance. The employee is explicitly informed of these conditions when the variable component of their remuneration is allocated.

They allow non-vested deferred payments to be reduced or cancelled under certain circumstances, including, among others:

- ◆ In the event of harmful conduct that discredits the company;

- ◆ If there is evidence that past performance taken into account when deciding on the bonus packages on the basis of which the awards were granted, was substantially lower than what was initially assessed;
- ◆ In the event of the restatement, correction or amendment of any financial statements;
- ◆ If reasonable evidence demonstrates inappropriate or inadequate risk management.

Clawback clause

When the person concerned has not followed the rules laid down by HSBC Global Asset Management (France) in terms of risk-taking, in particular because of his or her involvement in actions that led to significant losses for HSBC Global Asset Management (France), or in the event of a breach of fitness and probity obligations, HSBC Global Asset Management (France) has put in place a system to ensure that deferred variable remuneration already paid can be recovered up to seven years after payment.

4.2.1. Identification of the investment funds used to define the performance applicable to deferred variable remuneration for Identified Staff

Due to its size and its inclusion within HSBC Group, HSBC Global Asset Management (France) is organised into matrix structures in which fund managers manage several types of funds. The nature of certain managed funds, including in particular AIF or UCITS dedicated to institutional clients or employee savings funds, do not allow employees to hold units in these funds.

To take these constraints into account, since 1 January 2015, a performance calculation for deferred variable compensation has been established on the basis of an "AIF Basket" representing the activity and risks taken by HSBC Global Asset Management (France). The performance applied to the variable portion of deferred remuneration has been based on this basket of AIFs since 1 January 2015 and was extended to a basket of UCITS funds as of 1 January 2017.

To establish the composition of the "Basket", HSBC Global Asset Management (France) has put in place a governance system and a procedure to determine over time the AIF and subsequently the UCITS to be included. This process for creating the basket and the annual performance of said basket are reviewed and validated annually by an external audit firm in order to avoid any conflict of interest.

5. Prohibition on the use of individual hedging strategies

HSBC Global Asset Management (France) ensures that its employees undertake not to use a personal hedging strategy or compensation or liability insurance in order to counteract the impact of alignment with risks incorporated in their remuneration.

Employees who receive part of their remuneration in the form of deferred compensation in financial instruments (equities or indexed cash) must certify that they do not use individual hedging or insurance strategies for their deferred variable (anti-hedging certification procedure). This policy aims to ensure that remuneration not yet vested is aligned with the risks provided for by the remuneration scheme.

6. Annual evaluation of the Remuneration Policy

The Remuneration Policy, including the process for identifying Identified Staff, is subject to a central independent internal assessment by Internal Audit at least once a year and periodic reviews by the supervisory authorities.

The operational procedures implementing the Remuneration Policy are documented in order to provide an audit trail for the system and ensure the traceability of decisions.

The results of the annual internal assessment, formalised in written reports or minutes, are communicated to the relevant committees and functions.

7. Publication of the Policy

7.1. Internal publication

This Remuneration Policy is available to all HSBC Global Asset Management (France) employees and is published on its intranet.

7.2. External publication

Without prejudice to confidentiality rules and the applicable data protection regulations, HSBC Global Asset Management (France) must disclose information about its remuneration policies and practices for members of staff whose professional activities have a material impact on the risk profile of the UCIs that HSBC Global Asset Management (France) manages.

HSBC Global Asset Management (France) must also provide general information on the main features of its remuneration policies and practices.

In practice, with regard to the disclosure of remuneration, HSBC Global Asset Management (France) must publish remuneration information:

- ◆ In the annual reports of the UCIs;
- ◆ In the annual report of HSBC Global Asset Management (France). This report describes the total amount of remuneration for the financial year paid by HSBC Global Asset Management (France), broken down into fixed and variable amounts, and the number of beneficiaries, and provides details of the remuneration awarded to “Identified Staff”. It also specifies the aggregate amount of remuneration, broken down between senior managers and members of staff of the management company whose activities have a significant impact on the risk profile of the management company and/or the portfolios.

This information is available from HSBC Global Asset Management (France) on written request.

8. Delegation of management

In the event of delegation of management, HSBC Global Asset Management (France) ensures that its agents comply with general rules deemed appropriate in terms of remuneration and that they are governed by regulatory provisions on remuneration that are equivalent to those applicable under this Remuneration Policy.

HSBC Global Asset Management (France) formally undertakes not to instrumentalize such delegation to circumvent the remuneration measures set out in the Remuneration Policy.

APPENDIX I: List of Identified Staff

Employees identified as Identified Staff are:

1. The members of the Board of Directors of HSBC Global Asset Management (France);
2. Executive Management (executive officers);
3. Members of the Executive Committee;
4. The Heads of Portfolio Management;
5. The Head of Trading;
6. Control functions (Risk, Compliance and Internal Control);
7. The Head of Sales and Marketing (Client Proposition);
8. The Product Manager;
9. The Chief Financial Officer;
10. The Head of Legal; and
11. The heads of the support and administrative functions.

The case of employees whose total remuneration is in the same remuneration bracket as members of the Executive Management or Executive Committee and those whose variable compensation was greater than €200,000 in 2022, is also reviewed individually.

For the 2022 financial year, HSBC Global Asset Management (France) had 46 regulated staff members, with a total of 39 at 31 December 2022 due to departures.

APPENDIX 2: INTEGRATION OF SUSTAINABILITY RISKS IN THE REMUNERATION POLICY AND PRACTICES OF HSBC GLOBAL ASSET MANAGEMENT (FRANCE)

The Remuneration Policy is designed to provide a framework for sound and responsible remuneration practices. In particular, it aims to avoid conflicts of interest, protect client interests and discourage excessive risk-taking.

This Annex has been drawn up in accordance with Articles 5 and 12 of the Sustainable Finance Disclosure Regulation (SFDR).

The HSBC Group's asset management business line has included environmental, social and governance ("ESG") criteria at the heart of its management and investment decision-making.

In terms of sustainability, each team contributes to the implementation of the global strategy, and thus plays a part in achieving the objectives of HSBC Global Asset Management (France). Sustainability risk is defined as an environmental, social or governance event or situation which, if it occurs, could have a significant actual or potential negative impact on the value of the investment.

HSBC Asset Management business line governance

In 2021, the HSBC Asset Management business line, to which HSBC Global Asset Management (France) belongs, set up a global operating model to oversee the integration of these ESG criteria (including the impacts of climate change) with the establishment of two departments reporting to the business line's CEO: a Sustainability Office reporting to the CEO and a Responsible Investment Office reporting to the Global Head of Investments.

The Sustainability Office and the Responsible Investment Office define respectively:

1. The environmental, social and governance (ESG) strategy, policies and supervision and the means implemented to contribute to the energy and ecological transition
2. The inclusion of ESG criteria in the investment and research processes for all asset classes under management, as well as the supervision of this implementation, voting and engagement with companies.

These two offices support the general managements of the Asset Management companies, including HSBC Global Asset Management (France), in deploying and implementing ESG strategy.

The aim of this governance is to strengthen oversight of sustainable investment activity by creating discussion forums and coordination committees involving the risk, compliance and legal functions, as well as the management teams.

Governance at HSBC Global Asset Management (France)

HSBC Global Asset Management (France) is integrated into the global governance of the Asset Management business line.

In accordance with its internal regulations, the Board of Directors of HSBC Global Asset Management (France) determines the strategic orientations of the business, and supervises and controls their implementation by General Management, taking into consideration the social, environmental and governance quality challenges of the activities.

The Board of Directors, through its Remuneration Committee, validates the Remuneration Policy and its implementation, which includes qualitative and quantitative objectives, as well as sustainability indicators for employees.

Integrating sustainability objectives for employees

In 2023, specific (qualitative or quantitative) sustainability objectives were assigned to the teams and employees of HSBC Global Asset Management (France) where relevant.

As indicated in section 2 of HSBC Global Asset Management (France)'s Remuneration Policy, the achievement of these objectives is assessed, as is the case for other objectives, during the annual appraisal interviews, a key element in determining the variable remuneration awarded to employees.

In 2023, General Management and the Executive Committee also decided to step up professional training on the theme of sustainable development within the company, and to include specific requirements in the objectives of certain categories of employee, such as compulsory ESG training or certification.

In greater detail, the following objectives have been set:

General Management and, where applicable, the members of the Executive Committee have objectives linked to the successful implementation of the overall sustainability strategy and the integration of sustainability risks within the organisation.

This strategy includes all policies and procedures aimed at integrating the assessment of these risks into investment processes and engagement and dialogue activities.

Management teams:

The successful implementation of ESG criteria integration rules is part of the quantitative and qualitative objectives of the Investment Managers, and is also passed on to their teams, as well as to the analysts and research teams.

Management teams are responsible for implementing the ESG integration rules defined at global business line level for the assets they manage, which include:

(i) the integration of ESG constraints and risks into investment decision-making; and (ii) the objective of enhancing the environmental and social characteristics of portfolios in line with the investment proposals communicated to clients.

We have also included objectives for managers in terms of training and ESG certification.

Sales teams: As part of their business development objectives, these teams are dedicated to sharing and promoting ESG policies, expertise and responsible investment solutions. They are also tasked with supporting clients in the new SFDR environment.

We have also included objectives for certain employees in terms of training and ESG certification.

Products team: This team's objectives include aligning products with regulations and sustainable labels.

We have also included objectives for certain employees in terms of training and ESG certification.

Marketing teams have objectives that are consistent with those of the sales and management teams, and must ensure that communications on Responsible Investment and ESG criteria are compliant.

We have also included objectives for employees in terms of specific training on greenwashing and ESG certification.

The Risk Function: Sustainability risks are included in the supervision of the Risk Function and are reflected in the objectives of its members. Individual objectives are allocated within the team to strengthen sustainability expertise in order to initiate action and proper assessment of climate, sustainability, environmental, social and governance risks, or to support NZAM, coal, or sectoral exclusion policies.

We have also included objectives for certain employees in terms of training and ESG certification.

The objectives of the **operations functions** are to support ESG developments and projects in order to meet the regulatory obligations of the management and client reporting teams.

The objectives of the **Compliance and Legal functions** are to provide legal and regulatory support on all matters, including ESG, in order to assist the company's various teams in interpreting and implementing the latest legislative and regulatory texts.

These two functions also aim to organise training sessions on this topic for directors, the Executive Committee and employees.

We have also included objectives for certain employees in terms of ESG training.

ESG Champions have been appointed within the various teams. They help to promote sustainable investment, integrate sustainability risks and share sustainability issues.

The objectives of ESG Champions take these responsibilities into account.

Taking sustainability risks into account in the risk-adjusted remuneration scheme

The overall variable remuneration package is determined each year, taking into account "current and future risks (including those relating to sustainability)".

HSBC Global Asset Management (France) employees have mandatory Risk and Compliance objectives. If these objectives are not met, the variable remuneration of the employees concerned may be reduced in accordance with the Remuneration Policy.

The achievement of Risk and Compliance objectives is decided following a review of appraisals carried out by managers.

To enhance staff skills and gain a better understanding of the approach, ESG processes and governance of sustainable asset management, all staff are invited to take part in mandatory training sessions organised at global level as well as within the investment, business development or functional line teams.

More generally, and as described in the Remuneration Policy, on the basis of controls, the Risk and Compliance functions may identify any risk-related shortcomings, including those linked to sustainability. Such breaches may have a negative impact on the variable remuneration awarded at the end of the Remuneration Review Process, and before the final vesting of deferred variable remuneration, potentially leading to the application of a penalty on the value of amounts in the process of vesting.

Such breaches and the measures taken are reported to the Remuneration Committee.

