



HSBC
Investment Funds (Luxembourg) S.A

Conflicts of Interest Policy

HSBC INVESTMENT FUNDS (LUXEMBOURG) S.A.

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REVISION HISTORY

Date / version	Drafted by	Reviewed / approved by	Comments
APR19/ v 0.1	Mehdi Mostefaoui (Head of Regulatory Compliance)	HIFL's Board of Directors	Approved by HIFL Board on 29 April 2019
APR20/ v 0.2	Mehdi Mostefaoui (Head of Regulatory Compliance)	HIFL's LMC	Approved by HIFL LMC on 29 April 2021
APR20/ v 0.2	Mehdi Mostefaoui (Head of Regulatory Compliance)	HIFL's LMC	Presented for noting at the HIFL Board meeting held on 24 June 2021 No significant changes have been made to the documents since these were last approved by the Board in 2019. The only change made was that the exhaustive list of funds under management has been replaced by some generic wording
APR23/ v 2.1	Gianmarco Ciciotti (Head of Regulatory Compliance)	HIFL Board of Directors	Approved by the HIFL Board of Directors on 3 April 2023 No significant changes have been made to the document since this was last approved. The only change made is in relation to REGULATION (EU) 2019/2088 ("SFDR") with explicit reference to conflicts of interest that may arise as a result of the integration of sustainability risks in HIFL's processes, systems and internal controls



MAY23/ v 2.2	Gianmarco Ciciotti (Head of Regulatory Compliance)	HIFL Board of Directors	Approved by the HIFL Board of Directors on The policy was updated to reflect the requirements of the ESMA Common Supervisory Action (CSA) on the supervision of costs and fees of UCITS - CSSF feedback report (20 October 2022) in relation to inclusion of a specific reference to conflict of interest that might arise from: i. the use of Securities Financing Transactions (SFT) and Efficient Portfolio (EPM) techniques with securities lending agents that are part of the same group; and ii. Related parties' transactions with entities of the same Group.
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1. Regulations

This policy is aligned to meet the requirements of:

- Law of 17 December 2010, as amended (Article 109(1))
- CSSF Regulation 10-04 (Chapter III)
- Commission Delegated Regulation (EU) 2016/438 (Article 23)
- Directive 2011/61/EU of the European Parliament and of the Council, (Article 14);
- Commission Delegated Regulation (EU) 231/2013 (Article 31);
- Law of 12 July 2013 (Article 13);
- 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 (“SFDR”)
- ESMA Common Supervisory Action (CSA) on the supervision of costs and fees of UCITS - CSSF feedback report (20 October 2022).
- Global Risk FIM D.4 Conflicts of Interest; and
- RBWM FIM D1.1.13 Conflicts of Interest

2. General Principles

HSBC Investment Funds (Luxembourg) S.A. (HIFL) is a Luxembourg domiciled entity, under the prudential supervision of the Commission de Surveillance du Sector Financier (CSSF).

The arrangements mentioned in this document apply to all HSBC funds under management.

HSBC GSM 5.8 Conflicts of Interest mandates: *“Each Group member shall have in place appropriate policies, procedures and/or arrangements which are designed to identify and manage conflicts arising between the interests of HSBC, its group companies and employees on the one hand and the interest of its clients/counterparties on the other and also conflicts between Clients themselves.”*

CSSF Regulation No. 10-4, Chapter I, Art. 1.2 mandates that undertakings for collective investment shall: *“establish criteria for acting honestly and fairly and with due skill, care and diligence in the best interests of the UCITS and the criteria for determining the types of conflict of interest, specifying the principles required to ensure that the resources are employed effectively; and defining the steps that should be taken by management companies to identify, prevent, manage or disclose the conflicts of interest referred to in Art. 111 of the Law of 17 December 2010 concerning undertakings for collective investment”*

The purpose of this policy is to outline the process in order to ensure consistency and accuracy of the conflicts of interest management in accordance with Luxembourg legal and regulatory obligations envisioned under CSSF Regulation 10-4; CSSF Circular 18/698 and the Law of 17 December 2010; as well as to implement HSBC Guidance, principles and obligations envisioned in GSM 5.8 Conflicts of Interest, and Global Risk FIM B.4 Conflicts of Interest.

3. Scope



This policy is applicable to all HIFL Staff, regardless/irrespective of their employment status as well as all relevant persons as defined by Art. 3.4 of the CSSF Regulation 10-4.

Responsibilities

First Line of Defence (FLoD): HIFL Business as FLoD is responsible for designing and implementing a Conflicts of Interest Procedure (hereafter, the “*Procedure*”) and related controls in order to give effect to this policy.

In particular, the FLoD is responsible for ensuring that a register of all the potential and actual conflicts that could reasonably arise in the context of HIFL’s activities is maintained and kept up-to-date – please refer to the section 5 below (i.e. “Conflicts of Interest Register”).

Second line of Defence (SLoD): Regulatory Compliance (RC) for HIFL is responsible for maintaining the local conflicts of interest policy. RC is also responsible for providing advice, guidance and adequate oversight of the register owned by the FLoD.

4. Application

Art. 20 of CSSF Regulation 10-4, sub-section 5.5.7.1 of CSSF Circular 18/698 and Article 31 of the Commission Delegated Regulation (EU) 231/2013 require HIFL to establish, implement and maintain an effective conflict of interest policy.

HIFL, as a part of the HSBC Group must undertake special considerations of conflict of interest that might arise from the relations, structure and business activities of other members of the HSBC Group, as envisioned under Art. 20.1, second paragraph of CSSF Regulation 10-4.

Definition: A conflict of interest is a situation or arrangement where HIFL and/or any of its employees is subject to multiple influences, the existence of which might adversely affect decision-making in the course of conducting business.

Conflicts within the scope of this policy are, in principle, those that could arise between:

- HIFL, including its employees or any person directly or indirectly linked to HIFL by control, and the Fund (UCITS or AIF) managed by HIFL or the investors in that Fund;
- HIFL and entities of the same group;
- a Fund managed by HIFL, or the investors in that Fund, and another Fund or the investors in that Fund;
- HIFL and its clients;
- the Fund, or the investors in that Fund, and another client of HIFL;
- two clients of HIFL;
- integration of sustainability risks in HIFL’s processes, systems and internal controls

Ensuring that conflicts of interest are properly managed is central to the relationship of trust between HIFL, the Funds under its management and the investors while upholding HSBC Conduct values.



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As a general rule, HIFL must try to avoid conflicts of interest and when they cannot be avoided, ensure that the UCITS it manages are fairly treated in accordance with Article 111(d) of the 2010 Law.

Specific provisions for AIFs managed by HIFL: In respect of the AIFs under its management, HIFL must take all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, to identify, manage and monitor and, where appropriate, disclose these conflicts of interest in order to prevent them from adversely affecting the interests of the managed AIFs and their investors and to ensure that the managed AIFs are treated fairly.

Specific provisions for sustainability risk: in respect of the integration of sustainability risks in HIFL's processes, systems and internal controls under its management, HIFL must take all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, to identify, manage and monitor and, where appropriate, disclose these conflicts of interest in order to prevent them from adversely affecting the interests of the managed funds and their investors. Examples of Conflict of Interest linked to the integration of sustainability risks in HIFL's processes, systems and internal controls are included in the HIFL Conflict of Interest register.

Specific provisions for related parties' transaction: based on article 20 of CSSF Regulation 10-4 stresses that the HIFL should be aware of the circumstances which may give rise to a conflict of interest resulting from the structure and business activities with other members of the same group. In respect to the related parties' transaction with entities of the same group, HIFL must take all reasonable steps to avoid conflicts of interest and ensure that, among others, transactions on quoted and unquoted investments (incl. FDIs) concluded with related parties (e.g. the portfolio manager/adviser) to the managed funds under management are done on an arm's length basis. When conflicts with related parties' transactions cannot be avoided, HIFIL must identify, manage and monitor and, where appropriate, disclose these conflicts of interest in order to prevent them from adversely affecting the interests of the managed funds and their investors.

Specific provision for use of Securities Financing Transactions (SFT) and Efficient Portfolio (EPM) techniques: in relation to SFT/EPM transactions with securities lending agents that are part of the same group, HIFL must proceed to a comprehensive documented assessment of the operational model and related processes underlying the use of the SFT/EPM transactions in order to identify and record the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of the managed funds and their investors.

5. Conflicts of Interest Register

The HIFL business and its employees are responsible for identifying all types of potential and actual conflicts that could reasonably arise in the context of HIFL's activities and document those conflicts on a Conflicts of Interest Register ("Register") together with mitigating controls. Newly identified conflicts must be added to the Register promptly, including conflicts of interest that may arise as a result of the integration of sustainability risks in HIFL's processes, systems and internal controls.



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The details are set down in the Procedure owned by the HIFL business.