

Remuneration Policy

1. Preface

HSBC Investment Funds (Luxembourg) S.A. ("HIFL", or the "Management Company") is a management company authorized under Chapter 15 of the amended Law of 17 December 2010 on undertakings for collective investment (the "2010 Law") and Chapter 2 of the amended Law of 12 July 2013 on alternative investment fund managers (the "2013 Law").

It acts as the appointed management company of several undertakings for collective investment in transferable securities ("UCITS") within the meaning of Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to UCITS (the "UCITS Directive") and as an alternative investment fund manager of alternative investment funds ("AIFs") within the meaning of Directive 2011/61/EU of the European Parliament and of the Council on alternative investment fund managers (the "AIFM Directive").

The Management Company forms part of the HSBC group (the "HSBC Group"), which applies a Group-wide approach to remuneration policies and practice. Furthermore, ["Remuneration Practices and Governance arrangement for UCITS and AIFMD authorized entities"](#) has been put in place within HSBC Global Asset Management ("AMG") and should be considered as part of the Policy.

2. Remuneration Policy and Group Principles

In this context, the Management Company has put in place this remuneration policy (the "Policy") to fulfil the requirements of (i) Articles 111bis and 111ter of the 2010 Law, (ii) Article 12 and Appendix II of the 2013 Law (iii) Commission Delegated Regulation 231/2013 of 19 December 2012, (iv) the ESMA guidelines on sound remuneration policies under the UCITS Directive (ESMA 2016/575) as well as the ESMA guidelines on sound remuneration policies under the AIFMD (ESMA 2013/232) as amended (together the "ESMA Guidelines"), and (v) article 5 of the Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019.

3. Scope of the Policy

For the purposes of this Policy, "remuneration" consists of all forms of payments or benefits made by the Management Company, in exchange for professional services rendered by its Identified Staff.

Remuneration can be divided into i) fixed remuneration (payments or benefits without consideration of any performance criteria); and ii) variable remuneration (additional payments or benefits depending on performance or, in certain cases, other contractual criteria).

This Policy applies to the Management Company's staff who qualify as "Identified Staff" / "Material Risk Takers" ("MRTs") within the meaning of the ESMA Guidelines, which is any individual whose professional activities have a material impact on the risk profile of the Management Company or of the AIFs/UCITS which they manage (or both).

4. Identification of the "Identified Staff"

On an annual basis, a remuneration review is undertaken at AMG level to have the list of MRTs reviewed / updated as appropriate. Furthermore, a review of the MRTs is also undertaken locally by the HR team for all HSBC Luxembourg-based entities, including the Management Company.

At the time of writing, the Identified Staff of the Management Company are as follows:

- Board members¹ (Executive, Non-Executive and Independent Directors);
- Conducting officers;
- Senior Management members; and
- Individuals responsible for Internal Control Functions².

5. Proportionality Principle

The Management Company applies the proportionality principle for the categories of staff covered by the Guidelines (i.e. the "Identified Staff" mentioned in section 4 above). The application of the proportionality has been assessed based on the criteria set down in the ESMA Guidelines - i.e. criteria in terms of size, internal organisation and nature, scope and complexity of the activities; group of persons, who have only collectively a material impact on the risk profile of the management company; and structure of the remuneration of identified staff.

In this context, the Management Company will not apply the following:

- Requirement to pay out a part of the variable remuneration in instruments and, de facto, the related instrument retention obligations;
- Requirement to pay out a part of the variable remuneration through a deferral scheme and, de facto, the related ex-post risk adjustment obligations (malus); and
- Requirement to set up a remuneration committee at the Luxembourg entity level.

6. Delegation of Investment Management Activities

When delegating investment management functions (including risk management), the Management Company will ensure that:

- The entities to which investment management (or, in case of AIFs, portfolio management or risk management) activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines; or
- The appropriate contractual arrangements are put in place with entities to which investment management (or, in case of AIFs, portfolio management or risk management) activities have been delegated in order to ensure that this delegation does not result in a circumvention of the remuneration rules set out in the ESMA Guidelines.

At the date of this Policy, the portfolio management functions will be delegated to MiFID or non MiFID entities - these are all AMG offices.

¹ HSBC employees acting as Board members do not receive any remuneration for this function and are therefore out of the scope of the Policy. The Independent Directors do not receive any variable remuneration for this function.

² Staff responsible for heading other functions (e.g. Audit, Legal, Finance, and IT) are excluded from the present policy since they are covered by another country-wide remuneration policy as stringent as the HIFL remuneration policy.

The ESMA Guidelines provide that regulatory requirements on remuneration such as Directive 2013/36/EU (CRD IV) or Directive 2011/61/EU (AIFMD) are equally as effective for these purposes. The MiFID firm or EU Investment Managers will be aligned to this category.

Where the Investment Manager is a non EU Investment Manager, the Investment Manager appointed by the Management Company is subject to regulatory or internal requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines since these are subject to HSBC's group remuneration policies that are CRD V³ compliant. The Management Company will rely on the remuneration policies and procedures of each delegate to ensure that their remuneration structures promote a culture of investor protection and mitigate conflicts of interest.

7. Governance at Management Company Level

The Board of Directors of the Management Company (the "Management Company Board") is responsible for adopting and providing oversight of the implementation of the Policy and processes, which includes reviewing the Policy at least annually.

The management committee of the Management Company (the "Management Committee") also reviews and approves the Policy.

The Management Company Board and the Control Functions (i.e. risk management, internal audit or compliance functions) also provide information on local regulatory requirements to Human Resources for consideration in remuneration decisions to ensure that decisions comply with all mandatory Luxembourg legal and regulatory requirements.

The Risk Management function should assess how the variable remuneration structure affects the risk profile of the Management Company.

The Compliance function of the Management Company should analyse how the remuneration structure affects the Management Company's compliance with legislation, regulations and internal policies.

From time to time, the Internal Audit function will review the implementation of the Policy in the Management Company and report to the Management Company Board on its findings. It should also periodically carry out an independent audit of the design, implementation and effectiveness of the Management Company's remuneration policies.

8. Shareholders' Involvement

HSBC employees acting as Board members do not receive any remuneration for this function while the Independent Directors do not receive any variable remuneration for this function. The approval of the payment of the fixed remuneration of the Independent Directors ("Directors fees") within the Management Company Board are assigned to the meeting of the shareholders of the Management Company. At each Annual General Meeting ("AGM"), shareholders are asked to approve the level of Directors' fees paid to the Independent Directors for the year.

³ Directive 2013/36/EU as amended by Directive 2019/878 is known as CRD V.

9. Disclosure

a. Internal Disclosure

The Policy will be accessible to all staff members, who will know in advance the criteria that will be used to determine their remuneration. Confidential quantitative aspects of the remuneration of staff members will remain confidential and will thus not be internally disclosed.

The information provided to staff members will contain at least the following elements:

- information on the decision-making process and linkage between pay and performance;
- information on the total amount of remuneration paid to Identified Staff for the financial year, split into fixed and variable remuneration, the number of Identified Staff, and where relevant, any amount paid directly by the UCITS/AIFs itself, including any performance fee/carried interest;
- information on the different forms of variable remuneration and the rationale for using them and for allocating them to different categories of staff;
- information on the criteria used for performance measurement and the risk adjustment;
- information on the performance criteria (including sustainability risks) on which the entitlement to variable components of remuneration is based; and
- the main parameters and rationale for any annual bonus scheme and any other non-cash benefits.

b. External Disclosure

A summary of the Policy will be available on the AMG website, and contain, inter alia, the following elements:

- information on the decision-making process;
- information on linkage between pay and performance;
- information on the performance criteria (including sustainability risks) on which the entitlement to variable components of remuneration is based;
- information on the different forms of variable remuneration and the rationale for using them / allocating them to different categories of staff;
- determination of Identified Staff;
- delegation of investment management activities; and
- governance matters at the level of the Company.

In accordance with Article 5 of Regulation 2019/2088, the Management Company will disclose on its website information on how the Policy is consistent with the integration of sustainability risks.

Furthermore, the total amount of remuneration for the financial year paid by the Management Company to its staff, the aggregate amount of remuneration broken down by the relevant categories of employees, a description of how the remuneration has been calculated and any material changes to the Remuneration Policy will be disclosed in the annual audited financial statements of the UCITS and AIFs under management.