



Financial market participant: Internationale Kapitalanlagegesellschaft mbH
LEI: 549300SIG49DZZN70M07

Summary

Internationale Kapitalanlagegesellschaft mbH (hereinafter „HSBC INKA“) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of HSBC INKA.

This statement on principal adverse impacts on sustainability factors covers the reference period from 01 January 2023 to 31 December 2023.

We see it as part of our corporate social responsibility to contribute to enabling a future worth living for all. In doing so, the consideration of principal adverse impacts (hereinafter “PAI”) can act as an important steering tool. Within our business model as fund administration provider (“Master-KVG”), we are available to our institutional investors and fund partners to implement measures aimed at achieving the goals of the Paris Climate Agreement or other desired sustainability aspects in the investment funds.

PAI are defined as principal adverse impacts, whether material or likely to be material, of investment decisions on sustainability factors in the areas of environment, social and governance. Examples include greenhouse gas emissions, adverse impacts on biodiversity, violations of the UN Global Compact principles, gender diversity in management bodies and exposure to controversial weapons (e.g. cluster munitions, landmines). PAI are regulated by the EU in Delegated Regulation (EU) 2022/1288 (hereinafter referred to as “Delegated Regulation”), subdivided into mandatory PAI indicators, which are always to be considered and optional PAI indicators. According to Annex I, Table 1 of the Delegated Regulation, there are fourteen mandatory PAI indicators for investments in companies, two for investments in sovereigns and two for investments in real estate. In addition, HSBC INKA has selected two optional PAI indicators for companies with regard to CO₂ reduction and human rights on basis of the regulation. These twenty PAI indicators and their impacts in the year 2023 are described in the section, “Description of the principal adverse impacts on sustainability factors” (“Beschreibung der wichtigsten nachteiligen Auswirkungen auf Nachhaltigkeitsfaktoren”) in our entire “Statement on principal adverse impacts of investment decisions on sustainability factors”, which is only available in German.

The consideration and reporting of PAI depend largely on the extent to which the data required to identify and prioritise the adverse sustainability impacts are available from companies and countries and can be ascertained by professional ESG data providers. The necessary data is not or has not been available yet to a sufficient extent and in the required quality for all assets in which the HSBC INKA investment funds invest, or processes have not yet been fully established to enable a comprehensive consideration. Therefore, the focus for the consideration of PAI is on investments in liquid assets of issuers (companies and sovereigns) for which sufficient data is available, as well as on investment funds that consider ESG criteria as part of their investment strategy. The processes to consider PAI were established and further developed in 2023 by HSBC INKA and those external asset managers appointed by HSBC INKA.

Due to our diversified business model as Master-KVG, PAI are prioritised and considered in a variety of ways. Across all our investment funds, this depends largely on the priorities set by our institutional investors or fund partners, which are then implemented in the investment funds. We are generally in favour of the implementation of specific PAI indicators, particularly with regard to the reduction of CO₂, compliance with the UN Global Compact and OECD guidelines as well as the reduction of investments in the context of controversial weapons. HSBC INKA deliberately refrains from its own discretionary portfolio management, but provides its institutional investors with a platform for implementing the desired strategies (also with regard to ESG criteria and PAI indicators) and connecting external asset managers.

The external asset managers appointed by HSBC INKA generally consider the regulatory required PAI indicators on a best efforts basis in their processes, insofar as sufficient data is available from renowned data providers, and provided that this is compatible with the respective investment strategy specified. The concrete weighting and consideration of PAI can take place through the application of various methods, which are applied depending on the investment strategies of the respective investment funds or processes of the asset managers, e.g. engagement with companies, PAI-based exclusions or portfolio-based considerations that may lead to disinvestments. In 2023, there were still restrictions on the consideration of PAI due to the data limitations, outlined above. If PAI indicators are specifically agreed in investment guidelines of investment funds (e.g. as exclusions), they are monitored in the investment limit review process.

The evaluation of the applied PAI indicators in the overall view for all investment funds of HSBC INKA and the consideration of any measures to be derived from this (e.g. reconciliation with asset managers and investors) is carried out by HSBC INKA as part of a regular internal ESG committee. In 2023, the focus was initially on PAI 1 (greenhouse gas emissions of companies Scope 1 and 2), PAI 10 (serious violations of the UN Global Compact principles by companies), PAI 14 (exposure of companies to controversial weapons) and PAI 15 (GHG emissions intensity of countries), but has been expanded to include further substantial PAI indicators over the year.

With regard to private assets (e.g. private equity, infrastructure), we will be connecting a leading data provider in the course of 2024. In this context, it is planned that data on PAIs can be reported in a standardised and validated format next year. HSBC INKA works to improve the data situation through regular exchanges with issuers of private assets. For certain investments some PAIs were taken into account when investing in 2023, in particular as exclusions (e.g. coal (based on sales), controversial weapons, governance standards). In addition, investments made in 2023 often include investment approaches that are considered to be positive in line with ESG considerations or in the context of PAI consideration.

In exercising its voting rights, HSBC INKA generally takes dedicated sustainability aspects into account, that aim at good corporate governance, as well as improved sustainability reporting and disclosure of corporate practices with an impact on the environment, social affairs and corporate governance. That includes aspects as appropriate, that have an impact on individual PAI indicators. In addition to the exercise of voting rights, engagement is a measure in the consideration of PAI. Due to the diversified business model of HSBC INKA, engagement is generally carried out in accordance with the own engagement processes of the external asset managers assigned by HSBC INKA, insofar as these perform engagement and this is compatible with the respective investment strategy of the investment funds. The engagement activities are generally carried out at their discretion and not based on specifications of HSBC INKA.

HSBC INKA complies with the BVI-Wohlverhaltensregeln (BVI Code of Conduct) drawn up by the BVI Bundesverband Investment und Asset Management e.V. (German Association of Investment and Asset Management). Many of the external asset managers assigned by HSBC INKA are signatories to the UN Principles for Responsible Investment (UN PRI) or other initiatives and therefore consider the principles of the UN Global Compact and, as the case may be, other international standards in their processes, which may have a positive impact on certain PAI indicators. In June, HSBC INKA submitted the signature of the UN PRI as a service provider.

Through current and future measures in our investment funds with regard to the reduction of CO₂, which we would like to reconcile and implement together with our institutional investors, we aim to make an important contribution towards achieving the goals of the Paris Climate Agreement.

Our entire "Statement on principal adverse impacts of investment decisions on sustainability factors" ("Erklärung zu den wichtigsten nachteiligen Auswirkungen von Investitionsentscheidungen auf Nachhaltigkeitsfaktoren") is available in the German language as pdf file.