Product name: **HSBC RESPONSIBLE INVESTMENT FUNDS - SRI EURO BOND**

Legal entity identifier: **9695002FAVKRMMSQE25**

Reporting Date **31 December 2022**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ **Yes** ☒ **No**

☐ It made sustainable investments with an environmental objective: _%

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It made sustainable investments with a social objective: _%

☒ **It promoted Environmental/Social (E/S) characteristics**, and while it did not have as its objective a sustainable investment, it had a proportion of 24.31% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ with a social objective

☐ It promoted E/S characteristics but did **not make any sustainable investments**

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective are not necessarily aligned with the taxonomy.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The subfund promotes E, S, and G characteristics by investing in euro-denominated bonds and debt securities across a universe of issues that meets socially responsible economic, environmental, social, and governance criteria.
For public or private listed corporate issues: the manager uses a best-in-class approach to select within each sector the companies that have the best ESG practices compared with their peers within each sector of the economy.
For each ESG pillar, several criteria are used, including CO2 emissions for the E pillar, the management of staff for the S pillar, and level of independence of directors for the G pillar.
For government issues (bonds): euro-denominated issuing countries are ranked according to their overall “ESG” rating, which is based 50% on the Environmental pillar (E) and 50% on the Social/Governance pillar (S/G).

The Social and Governance pillar includes the analysis of the political and governance system, human rights and fundamental freedoms, and social conditions. The Environmental pillar includes the analysis of natural resources, climate change and energy, production, and sustainable consumption.
The manager uses an ESG Selection approach to select the countries with a minimum ESG rating according to the non-financial rating agency ISS-Oekom from among euro-denominated issuing countries.

In addition, the subfund will:
- Exclude issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational Enterprises.
- Exclude securities of companies involved in the production of controversial weapons or their components. Controversial weapons include, but are not limited to, anti-personnel mines, depleted uranium weapons, and white phosphorus when used for military purposes. This exclusion is in addition to the exclusion policy on weapons prohibited by international treaties.
- Exclude securities of companies in the Defence sector.
- Exclude securities of companies engaged in thermal coal activities.
Companies with more than 10% revenue generated from coal-fired power generation are partially excluded. Mining companies are completely excluded.
- Exclude securities of companies involved in tobacco production.
- Carefully consider environmental issues through engagement activities.
The subfund is actively managed and does not track a benchmark. The indicator used by the subfund to measure performance is the Bloomberg Capital Euro Aggregate 500MM. However, it has not been designated to determine whether the subfund is aligned with the environmental or social characteristics it promotes.

Alignment with the environmental and social characteristics was 94.52% as at 31 December 2022

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

How did the sustainability indicators perform?

The subfund promotes all the pillars (E, S, and G). Therefore, the primary sustainability indicator used to measure the portfolio's ESG performance is the ESG rating.

	ESG rating source*	ESG	E	G	S	Coverage rate
Fund	HSBC	6.53	6.6	6.57	6.74	99.65%
Benchmark	HSBC	6.28	5.39	6.72	6.9	97.23%

* HSBC Proprietary ESG rating (look-through)

The SICAV takes into account all the E, S, and G pillars to obtain an overall ESG score that is higher than that of its reference benchmark. It will also exclude issuers in the bottom quartile of ESG scores and limit the number of issuers in the 3rd quartile. Other exclusions are also applied, such as issuers with an excessive percentage of carbon emissions, controversial weapons, or the tobacco sector. At the end of 2022, the top issuers in terms of ESG score were Sydney Airport, Transurban, and Orsted.

The subfund also takes the following principal adverse impacts into consideration: · Corporate greenhouse gas intensity, · Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises: Exclusion · Exposure to controversial weapons. Exclusion · In addition, the subfund will not invest in shares of companies or other securities equivalent to shares of companies exposed to certain activities ("excluded activities"). The excluded activities are set out below among the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the financial product.

Scores	Carbon intensity (Scope 1+2)*	Coverage rate
Benchmark	135.43	91.43
Fund	117.11	94.35

* Expressed in tonnes of CO_2/$M of revenue, taking scope 1 & 2 emissions into account.

Carbon intensity is not one of the basic constraints of the SICAV. However, the manager will not be able to invest in emitters for which the percentage of CO_2 will be greater than 10% of turnover. The evolution of carbon intensity over time will also be taken into account by the manager, who will strive to favour companies making the greatest efforts in terms of decarbonisation.

The international Greenhouse Gas (GHG) Protocol was created in 1998 to help companies conduct their carbon or greenhouse gas assessments by identifying the main direct and indirect emission items in order to better target reduction strategies. The GHG Protocol serves to quantify all the impacts generated by the production and consumption of products and services by companies. It is divided into three CO_2 emissions scopes:
• Scope 1 includes direct emissions resulting from combustion of fossil fuels, such as gas, oil, and coal.
• Scope 2 relates to indirect emissions from the consumption of electricity, heat, or steam necessary to manufacture the product. A company's scope 2 will include emissions associated with the production of energy it uses: electricity, steam, heat, cold, and compressed air. These indirect emissions therefore depend greatly on the primary energy source (oil, gas, coal, biomass, wind, solar, etc.) used to produce them.
• Scope 3 corresponds to other indirect emissions. Scope 3 carbon emissions are not yet included in the calculation of carbon intensities because this scope of emissions is difficult to understand and is not yet sufficiently taken into account in the carbon assessment of companies.

…and compared to previous periods?

Not applicable

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

The subfund's sustainable investments are aligned with its environmental characteristics. The identification and ESG analysis of companies are performed as part of the investment decision-making process to reduce sustainability risks and increase returns.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmetnal or sustainable investment objective?

The principle of "do no significant harm" to environmental or social objectives applies only to the underlying sustainable investments of the subfund. This principle is incorporated into the investment decision-making process, which includes consideration of principal adverse impacts.

How were the indicators for adverse impacts on sustainability factors taken into account?

HSBC Asset Management's "do no significant harm" (DNSH) assessment of issuers as part of its sustainable investment process includes consideration of principal adverse impacts (PAI). All the PAIs included in table 1 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 were thus examined and integrated into the investment process according to an approach that combines exclusions (sectoral, the most severe ESG controversies, norms-based exclusions, etc.) with voting and shareholder engagement activities to instil and maintain a positive change dynamic within companies. As such, the subfund's eligible universe during the past financial year excluded issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or with at least two alleged violations) and the OECD Guidelines for Multinational Enterprises,- shares of companies involved in the production of controversial weapons or their components. Controversial weapons include, but are not limited to, anti-personnel mines, depleted uranium weapons, and white phosphorus when used for military purposes. This exclusion is in addition to the exclusion policy on weapons prohibited by international treaties. The examination of the other PAIs was conducted with proxies. For example, to address all PAIs related to greenhouse gas emissions, we have used our coal policy as an exclusion filter. Companies with more than 10% revenue generated from coal-fired power generation are partially excluded. Mining companies are completely excluded. Furthermore, the 'do no significant harm' (DNSH) test of issuers described above was supplemented by the application of an exclusion policy (with a 0% threshold for tobacco) and the exclusion of issuers for which the level of controversy provided by Sustainalytics was very severe (equal to 5). In our view, the setting of exclusion thresholds for each PAI is not always relevant and could compromise the fact that many sectors and companies are in a transition strategy. Lastly, the subfund takes into consideration the principal adverse impacts in its engagement approach, which incorporates several levers for action including 1) direct dialogue with companies about their consideration of environmental and social issues to ensure that they are able to face the future and maintain long-term financial viability, 2) the exercising of voting rights by which we express our support for positive development initiatives or, conversely, our disagreement when directors do not meet our expectations, and 3) a gradual escalation procedure with companies when the ESG risks or controversies to which they are exposed are not managed.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

Yes, the sustainable investments were aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Pre-trade and post-trade monitoring ensures that issuers in violation of one or more of the Ten Principles of the United Nations Global Compact (or with at least two alleged violations) and the OECD Guidelines for Multinational Enterprises are systematically excluded.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.
The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.
Any other sustainable investments must also do no significant harm to any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

The methodology for addressing the principal adverse impacts selected by the subfund combines exclusions with voting and shareholder engagement activities to instil and maintain a positive change dynamic within companies. The manner in which each PAI is considered is explained in the table below.

	Impact 31 December 2022	Comment
Greenhouse gas intensity of investee companies	124.09	The fund's management policy takes into account the adverse impact of greenhouse gas emissions in its selection of securities. In addition, the fund excludes companies involved in coal mining from its investments and limits investments to those that have more than 10% of their activities related to coal use.
Exclusion of issuers in violation of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.	0%	Issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational Enterprises.
Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	Application of the exclusion policy

What were the top investments of this financial product?

The list includes the investments constituting the largest share of investments of the financial product as at: 31 December 2022

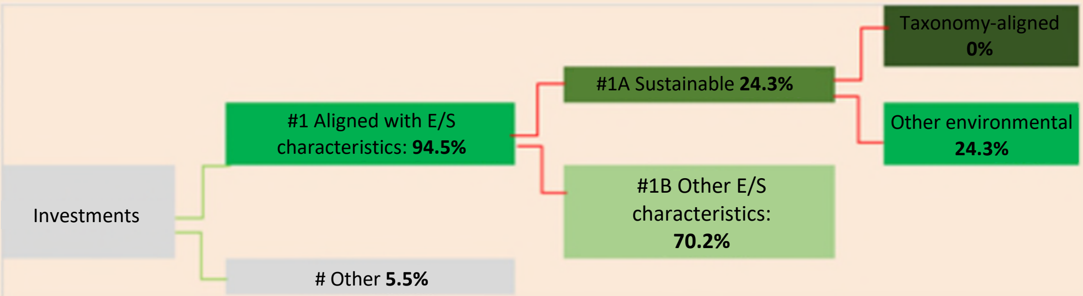
Largest investments	Sector	% Assets	Country
DBR 4 01/04/1937	Governance	2.10%	Germany
FRTR 0.5 05/25/25	Governance	2.08%	France
BTPS 1.25 12/01/26 10Y	Governance	2.04%	Italy
BTPS 6 05/01/1931	Governance	1.65%	Italy
SPGB 1.95 07/30/30	Governance	1.57%	Spain
BTPS 5 09/01/1940	Governance	1.35%	Italy
FRTR 2.75 10/25/27	Governance	1.34%	France
SPGB 1.95 04/30/26	Governance	1.29%	Spain
SPGB 4.7 07/30/41	Governance	1.29%	Spain
BTPS 3.45 03/01/48 31Y	Governance	1.12%	Italy
DBR 4.75 07/04/1940	Governance	1.04%	Germany
ISPIM 1 07/04/24 EMTN	Finance	1.02%	Italy
IBESM VI.875 PERP	Utilities	1.01%	Netherlands
EFSF 0 10/13/27	Governance	0.99%	Luxembourg
BTPS 2 02/01/2028	Governance	0.97%	Italy

What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

Although the subfund does not have sustainable investments as an objective, it commits to a minimum proportion of 5% of its assets in sustainable investments. At 31/12/2022, the share of sustainable investments was 24.3%.



Category **#1 "Aligned with E/S characteristics"** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

Category **#2 "Other"** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category **#1 "Aligned with E/S characteristics"** covers:
-subcategory **#1A "Sustainable"** covers sustainable investments with environmental or social objectives;

-subcategory #1B "Other E/S characteristics" covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

Sector	% Assets
Governance	42.12%
Finance	24.97%
Utilities	7.01%
Industry	5.48%
Property	3.61%
Consumer staples	3.24%
Telecommunications services	3.21%
Health	2.77%
Energy	2.57%
Information technology	1.89%
Materials	1.71%
Consumer discretionary	1.33%
Other	0.09%
Total	100%

To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

The subfund does not commit to a minimum proportion of sustainable investments with an environmental objective aligned with the European Union's taxonomy. However, when assessing issuers, the subfund manager takes into consideration two environmental indicators and applies our coal phase-out policy as well as the sectoral exclusions set out in the label guidelines.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

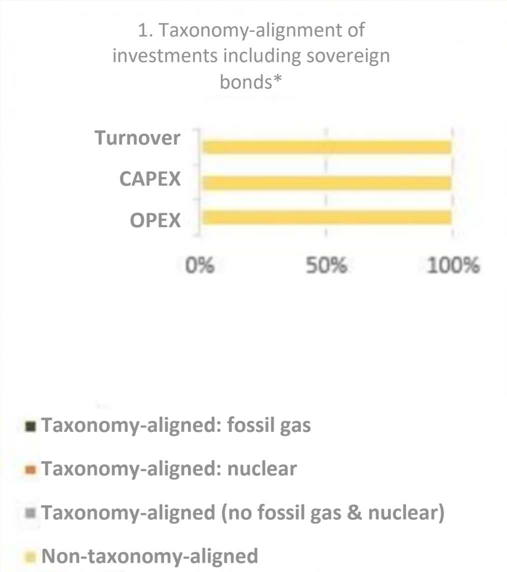
Yes. ☐ ☐ In fossil gas ☐ In nuclear energy

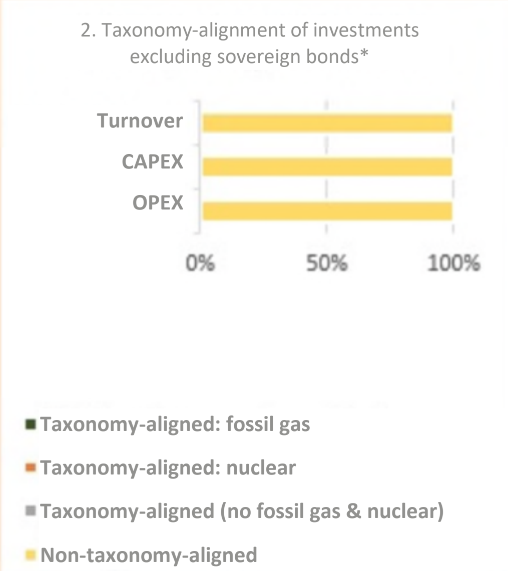
No. ☒

*[1] **Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.***

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies;
- **capital expenditure** (CAPEX) showing the green investments made by investee companies, e.g. for a transition to a green economy;
- **operational expenditure** (OPEX) reflecting green operational activities of investee companies.

The two graphs below show, in green, the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





* For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures.

The share of sustainable investments with an environmental objective aligned with the European Union's taxonomy is 0%.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the share of investments in transitional and enabling activities? transitoires et habilitantes ?

This does not apply to the mandate, as the share of sustainable investments with an EU Taxonomy-aligned environmental objective was 0% as at 31/12/2022.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Not applicable.

The symbol denotes sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective that were not aligned with the European Union's taxonomy was 24.31%.

What was the share of socially sustainable investments?

The subfund does not commit to having a minimum share of socially sustainable investments. However, when assessing issuers, the subfund manager does look at the social characteristics, respect for human rights and employee rights, management conduct, and corporate social responsibility of the companies.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

The fund's "Other" category is composed of cash and UCITS units.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the year, we continuously relied on arbitrage within the fund to improve the overall ESG score. Issuers whose scores fell into the bottom quartile were systematically sold in favour of better-rated issuers, and the number of issuers in the 3rd quartile remained below 8%. Consideration of non-financial factors, such as the percentage of female executives or independent board members, were also added to the list of criteria taken into account to improve the S and G criteria.

How did this financial product perform compared to the reference benchmark?

The subfund is actively managed and does not track a benchmark. There is no benchmark representative of our management philosophy and therefore of our investment universe or an index designated to determine whether the subfund is aligned with the environmental or social characteristics it promotes. The information expected in this section is therefore not applicable to this product.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How does the reference benchmark differ from a broad market index?***

Not applicable.

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

Not applicable.

- ***How did this financial product perform compared to the reference benchmark?***

Not applicable.

- ***How did this financial product perform compared with the broad market index?***

Not applicable.