



## HSBC MSCI JAPAN ISLAMIC ESG UCITS ETF

### The sub-fund will promote the following environmental and social characteristics:

In replicating the performance of the MSCI Japan Islamic ESG Universal Screened Select Index (the "Index"), the Fund promotes the investment in companies with an improvement of ESG rating against that of the MSCI Japan Islamic Index (the "Parent Index").

The Fund promotes this characteristic by replicating the performance of the Index which removes companies based on sustainability exclusionary criteria and based on United Nations Global Compact exclusionary criteria and which weights companies in order to improve the exposure to companies with favourable ESG ratings, further detailed in the section relating to binding elements below.

The Index applies controversial conduct exclusions based on United Nations Global Compact (UNGC) Principles to the issuers. In addition, each issuer in the Index needs to publicly disclose that they have safeguarding policies in place to mitigate and reduce environmental and social risks in the public domain arising from the projects they finance. Issuers that are non-compliant for UNGC violations or do not have safeguard policies are removed from the Index at the next monthly rebalance.

The Index has been designated as a reference benchmark for the purpose of attaining the environmental and/or social characteristics promoted by the Fund.

Do no significant harm analysis is completed by the Index provider as part of the Index construction.

By replicating the performance of the Index, the investments of the Fund that are sustainable investments do not cause significant harm to the environmental and/or social investment sustainable objective.

The Investment Manager overlays an investment restrictions monitoring process that screens for any investments that would cause significant harm to sustainable objectives and which could result in divestment by the Investment Manager ahead of the index rebalancing.

### Investment Strategy and Proportion of Investments:

The Fund is passively managed and aims to replicate the net total return performance of the Index.

The Index seeks to achieve an improvement of the MSCI ESG rating against that of the Parent Index. The Index achieves this in the following ways: 1. Excluding securities of companies with exposure (as defined by the Index provider in the Index methodology) to any of the certain characteristics. 2. The Index applies the MSCI ESG Universal Indexes Methodology in the construction of the Index in order to increase exposure to those companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile, while seeking to minimise exclusions from the Parent Index.

The Fund promotes environmental and/or social characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 21.7% of sustainable investments.

### Methodologies:

HSBC Asset Management's ESG data team leverages its proprietary data to run internal ESG reports to ensure sustainable objectives and targets, and the indicators used to measure these, as embedded in the product's methodology, are met. Using this data HSBC Asset Management conducts regular reviews with the relevant index partner to ensure accuracy of the data being provided.

Good corporate governance has long been incorporated in HSBC Asset Management's proprietary fundamental company research. HSBC Asset Management's Stewardship team meets with companies regularly to improve our understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice. HSBC Asset Management believes that good corporate governance ensures that companies are managed in line with the long-term interests of their investors.

HSBC's Responsible Investment Policy, our Engagement Policy and Stewardship Plan is available on our website [www.assetmanagement.hsbc/responsible-investing/policies](http://www.assetmanagement.hsbc/responsible-investing/policies)