

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 8, first paragraph, of Regulation (EU) 2020/852).

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.

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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes    No

<p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective:_%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective:_%</p>	<p><input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 5% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>
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### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes climate-responsible economic growth and the transition to a lower-carbon economy through its investment in companies linked to digital transformation. Digital transformation for these purposes means the integration of digital technology into companies, through the utilization of data and analytics, that results in a fundamental change in how the company operates.

The Investment Manager applies a sustainability framework to evaluate the alignment of prospective investee companies with the above characteristics, incorporating both quantitative and qualitative analysis based on three key themes:

Low Carbon Infrastructure - companies that not only provide infrastructure to cloud enablers but also continue to innovate to reduce power consumption with future products.

Data Stewardship - the security and privacy of customer data and the promotion of operational efficiency which drives a reduction in carbon emissions.

Transitioned Tech Disruptors- companies that have already transitioned their business activities and utilize more efficient platforms, driving uptake across their segment and therefore improving its sustainability characteristics.

The Sub-Fund does not use a reference benchmark to attain its environmental and/or social characteristics.

**Sustainability indicators**

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

**What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators used to measure the attainment of the environmental characteristics promoted by the Sub-Fund are:

- A requirement that more than 20% of revenue of each investee company is generated by activity across one or more of the three segments described above (Low Carbon Infrastructure, Data Stewardship and Transitioned Tech Disruptors) within the sustainable framework; and
- An improvement in the GHG emissions profile of the Sub-Fund relative to the wider market through the exclusions of activities related to thermal coal extraction and generation and the application of the sustainability framework, measured in terms of carbon emissions per dollar revenue across scope 1 and 2 emissions and against the Reference Performance Index.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The objectives of the sustainable investments made by the Sub-Fund are to promote climate-responsible economic growth and the transition to a lower-carbon economy. The sustainable investments contribute to the objectives through the application of the binding elements described below under " *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*".

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

The principle of do no significant harm is incorporated into the investment decision-making process in respect of the sustainable investments, which includes consideration of principal adverse impacts.

**How have the indicators for adverse impacts on sustainability factors been taken into account?**

The mandatory principal adverse impacts ("PAI") indicators have been used in the assessment of business activities of the initial universe of securities. Revenue data, business involvement and other data sources have been considered when assessing each security using minimum thresholds or blanket exclusions on activities identified in relation to these indicators.

The strategy applies business involvement exclusions on thermal coal extraction and generation (PAI 4). Tobacco and controversial weapons (PAI 14) are removed. Also excluded are companies involved in controversies related to the United Nations Global Compact ("UNGC") Principles and companies at risk of contributing to severe or systemic and/or systematic violations of international norms and standards relating to UNGC Principles 7, 8, 9 (PAI 10).

Furthermore, active ownership, through engagement and global proxy voting, is a key pillar of the Investment Manager's approach to responsible investments.

The Investment Manager's stewardship activity is focused on protecting and enhancing our clients' investments with us. We engage with companies on a range of ESG issues and we have the following clear set of engagement objectives:

- o improve our understanding of company business and strategy;
- o monitor company performance;
- o signal support or raise concerns about company management, performance or direction; and
- o promote good practice.

Engagement issues range from corporate governance concerns such as the protection of minority shareholder rights, director elections and board structure to environmental issues, including climate change adaptation and mitigation and the low carbon energy

**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.

transition, to social issues including human capital management, inequality and data privacy.

The Investment Manager has a dedicated stewardship team with engagement specialists. Engagement is also integral to the fundamental research process. The Investment Manager's analysts and portfolio managers engage with issuers as part of the investment process and cover relevant ESG issues in their research and discussions.

The Investment Manager is fully transparent in its reporting of its engagement and voting activity, publishing its voting on a quarterly basis and summary information about its engagement activity annually.

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

The Sub-Fund excludes issuers which have been determined to be in violation of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The EU Taxonomy sets out a “do not 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 not significantly harm any environmental or social objectives.



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No



### **What investment strategy does this financial product follow?**

The Sub-Fund seeks to achieve its investment objective by using a bottom-up approach focused on investing, under normal circumstances, in companies that are investing in digitally transforming their businesses from the Low Carbon Infrastructure, Data Stewardship and Transitioned Tech Disruptors segments. At least 80% of underlying investment holdings will have a minimum of 20% revenues related to digital transformation products & services. The Sub-Fund aims to provide long term total return by investing in a concentrated portfolio of equities and equity-related securities of companies worldwide that are enablers or beneficiaries of digital transformation, while promoting ESG characteristics within the meaning of Article 8 of the European Union's SFDR.

To achieve this, the Investment Manager first identifies companies that exist within the Low Carbon Infrastructure, Data Stewardship and Transitioned Tech Disruptors segments. The Investment Manager then uses proprietary analytics to identify long term growth trends across the segments to develop long-term thematic convictions and a broader asset allocation framework, which are used by the Investment Manager to assist in the selection of investments, constructing the portfolio of the Sub-Fund, and determining asset allocation and weightings across sectors and sub-sectors.

The Sub-Fund also employs a range of business exclusions. Companies involved in the following are excluded:

- Non-compliance with UNGC principles and the OECD Guidelines for Multinational Enterprises.
- Controversial Weapons.
- Tobacco.
- Thermal Coal – extraction and generation.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are as follows:

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- Tobacco.
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- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Sub-Fund does not have a committed minimum rate to reduce the scope of investments.

- **What is the policy to assess good governance practices of the investee companies?**

**Good governance**

practices include sound management structures, employee relations, remuneration of staff and tax compliance

Governance is assessed against criteria specified in the investment process which includes, among other things, business ethics, culture and values, corporate governance and bribery and corruption. Controversies and reputational risks are assessed through enhanced due diligence as well as screening which are used to identify issuers that are considered to have low governance scores. Those issuers will then be subjected to further review, action and/or engagement.

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

Further information is available on request.



### What is the asset allocation planned for this financial product?

The Sub-Fund will invest up to 100% of its NAV in equity securities linked to the digital transformation defined as the integration of digital technology in to companies, through utilisation of data and analytics, that results in a fundamental change in how the company operates.

The Sub-Fund will invest at least 80% of its net assets in equity securities that promote 'E' and 'S' characteristics. Cash and other instruments may be used for liquidity, hedging and efficient portfolio management and may constitute up to 20% of net assets.

#### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

#### - turnover

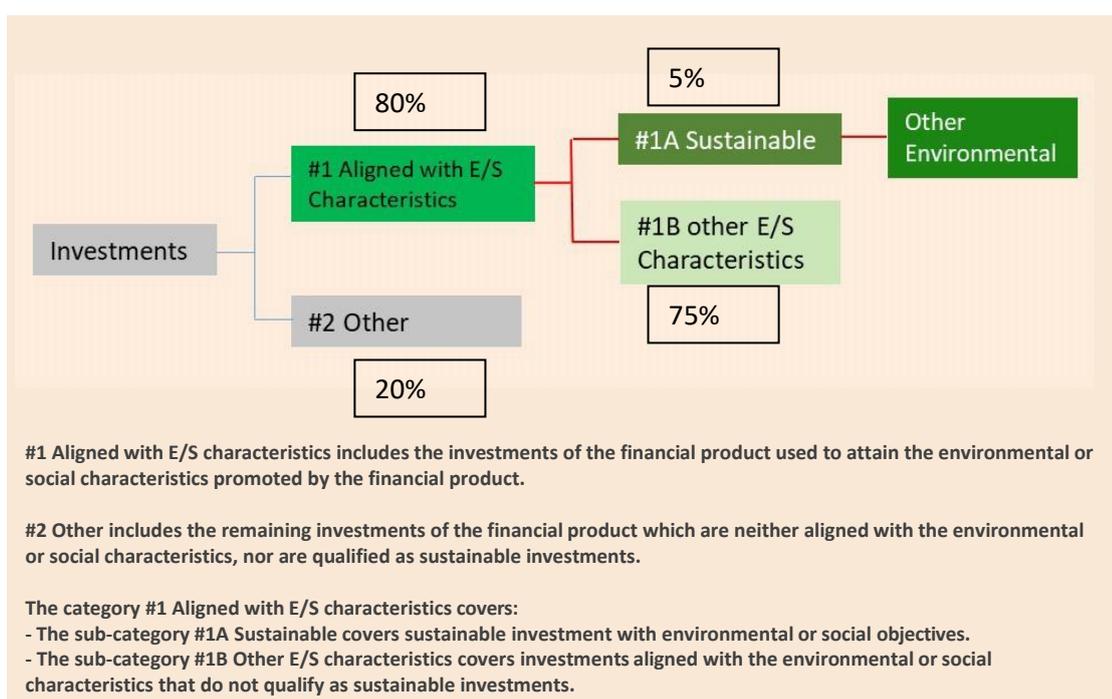
reflecting the share of revenue from green activities of investee companies

#### - 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.



- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

The Sub-Fund will not use derivatives to attain the environmental and/or social characteristics of the Sub-Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

N/A. The Sub-Fund does not intend to commit to a minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy.

- ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?***<sup>1</sup>

Yes

in fossil gas

In nuclear energy

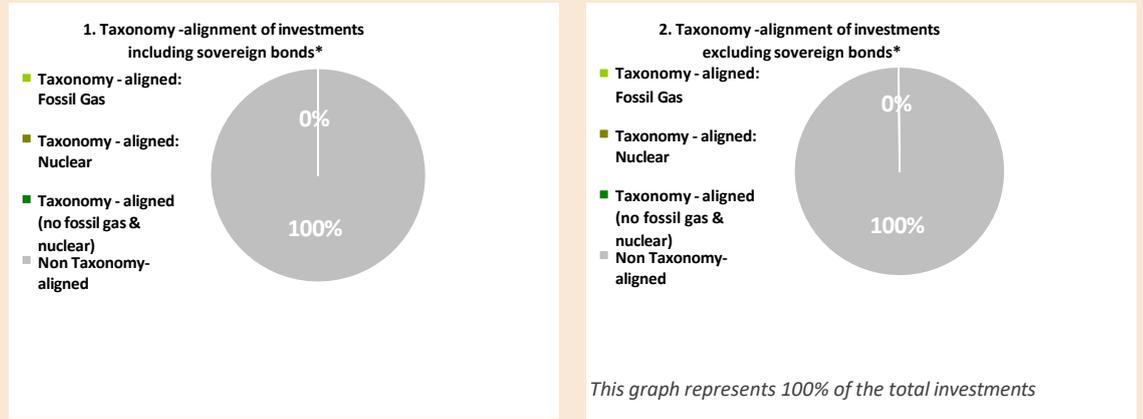
No

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 objective –see explanatory note in the left hand 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.

**Enabling activities**

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

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.

**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 is the minimum share of investments in transitional and enabling activities?**  
N/A. The Sub-Fund does not have a specific minimum share of transitioning and enabling activities.

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

- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
The Sub-Fund commits to a 5% minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

- **What is the minimum share of socially sustainable investments?**  
N/A. The Sub-Fund does not intend to commit to a minimum share of sustainable investments.

- **What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**  
Cash, eligible collective investment schemes and/or financial derivative instruments may be used for liquidity, hedging and efficient portfolio management in respect of which there are no minimum environmental and/or social safeguards.

Is a specific index designated as a reference benchmark to determine whether this



**financial product is aligned with the environmental and/or social characteristics that it promotes?**

A reference benchmark is not used for the purposes of attaining the environmental and/or social characteristics promoted by the Sub-Fund.

**Reference benchmarks**

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

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**  
Not applicable.
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
Not applicable.
- **How does the designated index differ from a relevant broad market index?**  
Not applicable.
- **Where can the methodology used for the calculation of the designated index be found?**  
Not applicable.

**Where can I find more product specific information online?**

More product-specific information can be found on the website:

[www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com)