

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

**Product Name:** HSBC MSCI World Islamic ESG UCITS ETF

**Legal Entity Identifier:** 213800U32MXHBTON4K27

## Environmental and/or social characteristics

**Did this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> <u>  </u>%</p> <p style="margin-left: 20px;"><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> <u>  </u>%</p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input checked="" type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of 55.32% of sustainable investments</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input type="checkbox"/> with a social objective</p> <p><input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b></p>
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### To what extent were the environmental and/or social characteristics promoted by this financial product met?

In replicating the performance of the MSCI World Islamic ESG Universal Screened Select Index (the "Index"), the Fund promoted the following environmental and/or social characteristics:

- An improvement on the ESG rating against that of the MSCI World Islamic Index (the "Parent Index").

The Fund sought to achieve the promotion of these characteristics by replicating the performance of the Index which removed companies based on sustainability exclusionary criteria and United Nations Global Compact ("UNGC") exclusionary criteria and which weighted companies in order to improve the exposure to companies with favourable ESG ratings.

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

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

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

The performance of the sustainability indicators used to measure the attainment of the environmental and/or social characteristics promoted by the Fund can be seen in the table below. The sustainability indicators were calculated by the Investment Manager and utilises data from third party data vendors.

The data can be based on company/issuer disclosures, or estimated by the data vendors in the absence of company/ issuer reports. Please note that it was not always possible to guarantee the accuracy, timeliness or completeness of data provided by third party vendors.

### ● ***How did the sustainability indicators perform?***

<b>Indicator</b>	<b>Fund</b>	<b>Broad Market Index</b>
ESG Score	7.74	7.27
4. Exposure to companies active in the fossil fuel sector	9.41%	15.43%
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00%	0.00%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00%	0.00%

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024.

Broad Market Index - MSCI World Islamic Index

### ● ***...and compared to previous periods?***

<b>Indicator</b>	<b>Period Ending</b>	<b>Fund</b>	<b>Broad Market Index</b>
ESG Score	31 December 2024	7.74	7.27
	31 December 2023	7.92	7.48
	31 December 2022	7.89	7.46
4. Exposure to companies active in the fossil fuel sector	31 December 2024	9.41%	15.43%
	31 December 2023	6.35%	15.50%
	31 December 2022	0.00%	0.00%
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	31 December 2024	0.00%	0.00%
	31 December 2023	0.00%	0.00%
	31 December 2022	0.00%	0.00%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	31 December 2024	0.00%	0.00%
	31 December 2023	0.00%	0.00%
	31 December 2022	0.00%	0.00%

Broad Market Index - MSCI World Islamic Index

The Fund recalculated figures for 2022 Reporting Year with figures for ESG Score - 7.89, 4. Exposure to companies active in the fossil fuel sector - 6.37, 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises - 0.00, 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) - 0.00 because of change in data sets and certain calculation methodology.

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

The objectives of the sustainable investments in the Fund were, amongst others:

1. Companies with sustainable product and/or services or quantifiable projects (e.g. CAPEX, OPEX and Turnover) linked to sustainable goals or outcomes;
2. Companies that demonstrated qualitative alignment and/or convergence with UN Sustainable Development Goals or sustainable themes (e.g. Circular Economy);
3. Companies that were transitioning with credible progress. (e.g the transition to or use of renewable energy or other low-carbon alternatives).

By replicating the performance of the Index, the sustainable investments of the Fund contributed to these sustainable objectives.

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

The Index was re-balanced periodically and removed stocks based on sustainability exclusionary criteria, including, but not limited to:

- Controversial weapons;
- Nuclear weapons;
- Civilian firearms;
- Tobacco
- Thermal Coal power;
- Thermal Coal mining;
- Oil Sands extraction;
- Oil Sands Reserves Ownership; and
- All companies that fail to comply with the UNGC principles.

The methodology also considers the aggregate ESG score (as calculated by MSCI ESG Research) which is applied to all eligible securities post business activity screen and weighted accordingly.

In addition, the sustainable investments were deemed by the Investment Manager to not have caused significant harm against any environmental or social sustainable investment objective following assessment against the below considerations:

- Banned & controversial weapons involvement;
- Tobacco production revenues above 0%;
- Thermal coal extraction revenues above 10%;
- Thermal coal power generation revenues above 10%;
- Compliance with United Nations Global Compact principles; and
- Involvement in controversies of the highest levels.

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

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

**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 mandatory PAI indicators were used in the assessment of business activities of the initial universe of securities. Revenue data, business involvement and other data sources were considered when assessing each security using minimum thresholds or blanket exclusions on activities identified in relation to these indicators. As per the Index methodology, securities involved in thermal coal mining and generation, Oil & Gas, were screened at a minimum threshold level and controversial weapons (PAI 14) were removed before the Index was calculated. In addition, a separate controversy screen was applied to the starting universe to remove any security in violation of UNGC Principles, (PAI 10). The methodology also considered the aggregate ESG score (as calculated by MSCI ESG Research) which was applied to all eligible securities post business activity screen and weighted accordingly. The Index increased the weightings of companies with robust ESG characteristics, including those that showed improvement in the direction of their rating over the most recent 12 months, while reducing the weight of those companies who lagged behind their industry peers in terms of ESG quality. No optional indicators were taken into account.

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

The index methodology incorporated the MSCI ESG Controversies. The evaluation framework used in MSCI ESG Controversies was designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UNGC Principles. Specifically, the MSCI ESG Controversies approach covered the following pillars: Environment, Human Rights & Community, Labor rights & Supply chain, Customers and Governance. These pillars included indicators such as Human rights concerns, Collective bargaining & unions, Child labor and Anticompetitive practices, which were also issues that the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights covered. Further information on MSCI ESG Controversies is available on the Index provider's website.

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 Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



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

The Index was constructed using MSCI proprietary data on each security's business involvement. As per the Index methodology, securities involved in Thermal coal mining and generation, Oil & Gas, were screened at a minimum threshold level and controversial weapons (PAI 14) were removed before the Index was calculated. In addition, a separate controversy screen was applied to the starting universe to remove any security in violation of UNGC principles, (PAI 10). The methodology also considered the aggregate ESG score (as calculated by MSCI ESG Research) which was applied to all eligible securities post business activity screen and weighted accordingly. The Index increased the weightings of companies with robust ESG characteristics, including those that showed improvement in the direction of their rating over the most recent 12 months, while reducing the weight of those companies who lagged behind their industry peers in terms of ESG quality.



## What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: Based on the four-quarter average holdings of the reference period as at 31/12/2024

<b>Largest Investments</b>	<b>Sector</b>	<b>% Assets</b>	<b>Country</b>
Microsoft Corporation	Information Technology	18.35%	United States of America
Tesla, Inc.	Consumer Discretionary	3.11%	United States of America
Salesforce, Inc.	Information Technology	2.62%	United States of America
Advanced Micro Devices, Inc.	Information Technology	2.35%	United States of America
SAP SE	Information Technology	2.11%	Germany
Adobe Inc.	Information Technology	2.10%	United States of America
Cisco Systems, Inc.	Information Technology	1.96%	United States of America
Novartis AG	Health Care	1.92%	United States of America
Exxon Mobil Corporation	Energy	1.74%	United States of America
Johnson & Johnson	Health Care	1.71%	United States of America
Shell Plc	Energy	1.69%	United States of America
Intuit Inc.	Information Technology	1.66%	United States of America
Danaher Corporation	Health Care	1.39%	United States of America
TotalEnergies SE	Energy	1.30%	France
ServiceNow, Inc.	Information Technology	1.29%	United States of America

Cash and derivatives were excluded

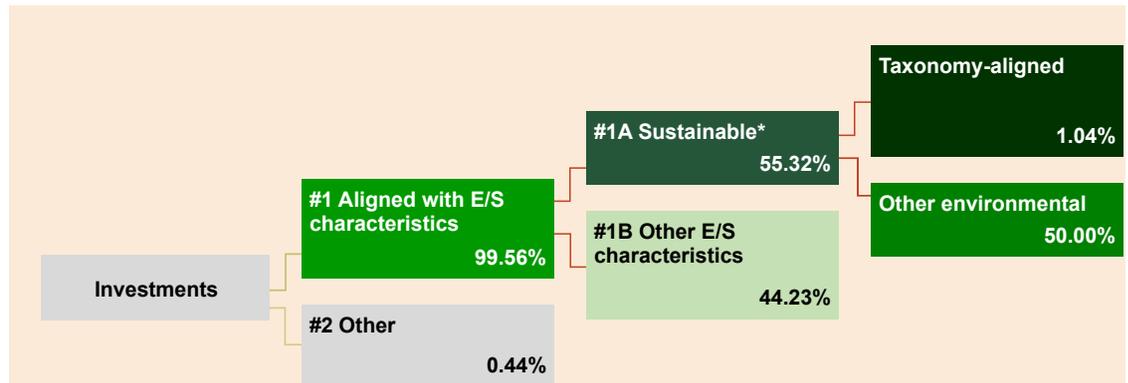


## What was the proportion of sustainability-related investments?

55.32% of the portfolio was invested in sustainable investments.

**Asset allocation** describes the share of investments in specific assets.

### ● *What was the asset allocation?*



**#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.

**#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.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

\*A company or issuer considered as a sustainable investment may contribute to both a social and environmental objective, which can be aligned or non-aligned with the EU Taxonomy. The figures in the above diagram take this into account, but one company or issuer may only be recorded once under the sustainable investments figure (#1A Sustainable).

The percentages of Taxonomy-aligned and Other Environmental, do not equal #1A Sustainable investment due to differing calculation methodologies of sustainable investments and Taxonomy-aligned investments.

● **In which economic sectors were the investments made?**

<b>Sector / Sub-Sector</b>	<b>% Assets</b>
Information Technology	43.59%
Industrials	13.46%
Health Care	12.83%
Materials	8.75%
Energy	7.96%
<i>Coal &amp; Consumable Fuels</i>	<i>0.15%</i>
<i>Integrated Oil &amp; Gas</i>	<i>5.59%</i>
<i>Oil &amp; Gas Equipment &amp; Services</i>	<i>0.97%</i>
<i>Oil &amp; Gas Exploration &amp; Production</i>	<i>0.53%</i>
<i>Oil &amp; Gas Refining &amp; Marketing</i>	<i>0.73%</i>
Consumer Discretionary	6.36%
Consumer Staples	3.36%
Real Estate	1.39%
Communication Services	0.98%
Utilities	0.94%
<i>Electric Utilities</i>	<i>0.41%</i>
<i>Gas</i>	<i>0.04%</i>
<i>Multi-Utilities</i>	<i>0.41%</i>
Cash & Derivatives	0.35%
Financials	0.01%
Total	100.00%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.



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

1.04% of the Fund's investments were deemed sustainable investments with an environmental objective aligned with the EU Taxonomy.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?**

Yes:
  In fossil gas
  In nuclear energy

No

<sup>1</sup> 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 no significant harm to 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.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.

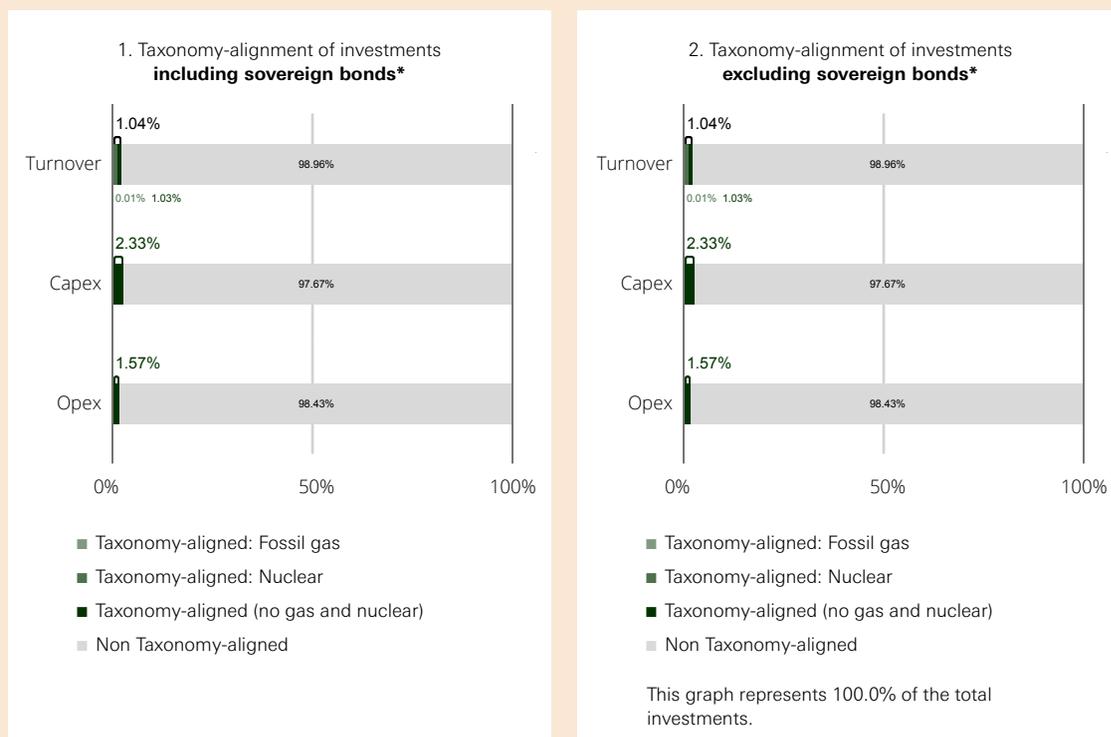
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.

- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

**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.

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

*The graphs below show in green the percentage of investments that were 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.

● **What was the share of investments made in transitional and enabling activities?**

For the reference period the Fund’s share of investment in transitional activities was 0.00% and the share of investment in enabling activities was 0.81%.

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

Indicator	2023-24	2022-23	2021-22
Revenue - Taxonomy-aligned: Fossil gas	0.00%	0.00%	0.00%
Revenue - Taxonomy-aligned: Nuclear	0.01%	0.00%	0.00%
Revenue - Taxonomy-aligned (no gas and nuclear)	1.03%	0.67%	0.00%
Revenue - Non Taxonomy-aligned	98.96%	99.33%	100.00%
CAPEX - Taxonomy-aligned: Fossil gas	0.00%	0.00%	0.00%
CAPEX - Taxonomy-aligned: Nuclear	0.00%	0.00%	0.00%
CAPEX - Taxonomy-aligned (no gas and nuclear)	2.33%	1.63%	0.00%
CAPEX - Non Taxonomy-aligned	97.67%	98.37%	100.00%
OPEX - Taxonomy-aligned: Fossil gas	0.00%	0.00%	0.00%
OPEX - Taxonomy-aligned: Nuclear	0.00%	0.00%	0.00%
OPEX - Taxonomy-aligned (no gas and nuclear)	1.57%	1.34%	0.00%
OPEX - Non Taxonomy-aligned	98.43%	98.66%	100.00%

 are sustainable investments with an environmental objective that **do not take into account the criteria for environmentally sustainable economic activities** under Regulation (EU) 2020/852.



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

The sustainable investments with an environmental objective not aligned with the EU Taxonomy were 50.00%. Due to lack of coverage and data, the Fund did not commit to making any EU Taxonomy aligned investments.



### **What was the share of socially sustainable investments?**

The Fund did not invest in socially sustainable investments.



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

Cash and other Shariah-compliant instruments such as financial derivative instruments may have been used for liquidity and hedging purposes in respect of which there were no minimum environmental and/or social safeguards.



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

The Fund was passively managed and aimed to replicate the net total return performance of the Index. The Index sought to achieve an improvement of the MSCI ESG rating against that of the Parent Index.

The Index achieved 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; and
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.

HSBC Asset Management is a signatory of the UN Principles of Responsible Investment and UK Stewardship Code. The HSBC Asset Management's stewardship team met with companies regularly to improve the understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice.

Further information on shareholder engagement and voting policy can be found on our website: <https://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/responsible-investing/policies>



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

See below for details on how the Fund performed compared to the reference benchmark.

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

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

Index is an equity index based on the MSCI World Islamic Index and which reflected Shariah investment principles and included large- and mid-cap securities across 23 Developed Markets countries as determined by the Index provider. The Index was constructed from the Parent Index by applying the following values and climate-based exclusionary criteria (as defined by the Index provider in the Index methodology): Each of the exclusionary criteria may apply thresholds which are defined by the Index provider and set out in the Index methodology and which may be amended from time to time. In addition to the application of the exclusionary criteria, the Index applied the MSCI ESG Universal Indexes methodology to achieve its ESG objective. The use of the MSCI ESG Universal Indexes Methodology in the construction of the Index is 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. To achieve this, the Index provider applied the following steps to the Parent Index:

- (i) the Index provider excluded the securities with the weakest ESG profile from the Parent Index;
- (ii) the Index provider defined an ESG re-weighting factor that reflects an assessment of both the current ESG profile, based on the current MSCI ESG Rating, as well as the trend in that profile; and
- (iii) the Index provider re-weighted securities from the free-float market cap weights of their parent index using this combined ESG score to construct the Index.

Further information on the Index provider’s ESG re-weighting factors and the MSCI ESG Rating system can be found on the Index provider’s website.

● ***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?***

In seeking to achieve its investment objective, the Fund invests in the constituents of the Index in generally the same proportions in which they were included in the Index.

In doing so, the performance of the sustainability indicators of the Fund was similar to the performance of the sustainability indicators of the Index, as shown below.

● ***How did this financial product perform compared with the reference benchmark?***

Indicator	Fund	Reference Benchmark
ESG Score	7.74	7.74
4. Exposure to companies active in the fossil fuel sector	9.41%	9.45%
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00%	0.00%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00%	0.00%

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024

.Reference Benchmark - MSCI World Islamic ESG Universal Screened Select Index

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

<b>Indicator</b>	<b>Fund</b>	<b>Broad Market Index</b>
ESG Score	7.74	7.27
4. Exposure to companies active in the fossil fuel sector	9.41%	15.43%
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00%	0.00%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00%	0.00%

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024.

Broad Market Index - MSCI World Islamic Index