

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, 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

☐ **It will make a minimum of sustainable investments with an environmental objective:_%**

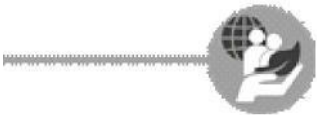
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ **It will make a minimum of sustainable investments with a social objective:_%**

☒ **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 5.00% 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 promotes E/S characteristics, but will not make any sustainable investments



What environmental and/or social characteristics are promoted by this financial product?

In replicating the performance of the FTSE Japan ESG Low Carbon Select Index (the "Index"), the Fund promotes the following environmental and/or social characteristics:

- a reduction in carbon emissions and fossil fuel reserves exposure compared to the FTSE Japan Index (the "Parent Index"); and
- an improvement of the FTSE Russell ESG rating against that of the Parent Index.

The Fund seeks to achieve the promotion of these characteristics by replicating the performance of the Index which removes companies based on sustainability exclusionary criteria and United Nations Global Compact exclusionary criteria and which weights companies in order to reduce the exposure to companies with higher carbon emissions and fossil fuel reserves and to improve the exposure to companies with favourable ESG ratings.

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

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**
The sustainability indicator is the HSBC Asset Management's proprietary ESG ratings system which is used to measure the attainment of the ESG characteristics promoted by the Index and therefore that of the Fund, specifically measuring:
 - ESG score relative to the Parent Index; and
 - Carbon Emissions and fossil fuel reserves exposure relative to the Parent Index (as

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

measured as Carbon Intensity).

- **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 sustainable investments made by the Fund are aligned to the environmental and/or social characteristics which it promotes, as set out in this annex.

The Fund replicates the performance of the Index, the focus of which is to achieve a reduction in carbon emissions and fossil fuel reserves exposure and an improvement of the FTSE Russell ESG rating against that of the Parent Index through the removal of companies based on sustainability exclusionary criteria. By replicating the performance of the Index, the investments of the Fund contribute to these sustainable objectives.

- **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?**

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

The Index is re-balanced periodically; prior to the re-balance of the Index the indicators referred to below are incorporated in the assessment of the business activities.

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

Investment restrictions monitoring is an HSBC overlay process that screens for any investments that would cause significant harm to the objectives and which could result in divestment by the Investment Manager ahead of the index re-balancing.

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

Sustainable investment data inputs into the Index methodology (e.g. ESG scores, carbon data) implicitly capture mandatory principal adverse impacts ("PAI") metrics and are used in the construction of the Index. As a result, the Index will show a more positive exposure to PAI metrics against the Parent Index.

Furthermore, active ownership, through engagement and global proxy voting, is a key pillar of our approach to responsible investments. Our 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:

- Improve our understanding of company business and strategy
- Monitor company performance
- Signal support or raise concerns about company management, performance or direction
- 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 transition, to social issues including human capital management, inequality and data privacy.

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.

We have a dedicated stewardship team with engagement specialists. Engagement is also integral to the fundamental research process. Our analysts and portfolio managers engage with issuers as part of the investment process and cover relevant ESG issues in

their research and discussions.

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

The Index methodology incorporates the FTSE Russell ESG scores. The FTSE Russell ESG scores include assessments of whether companies meet global standards such as the United Nations Global Compact Principles ("UNGC") or the Organisation for Economic Cooperation and Development ("OECD") Guidelines for Multinational Enterprises. This is part of the 'human rights and community' pillar in the social pillar of the FTSE Russell ESG ratings model. Further information on controversies and human rights in FTSE Russell indices is available on the Index provider's website.

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, sustainable investment data inputs into the Index methodology (e.g. ESG scores, carbon data) implicitly capture mandatory PAI metrics used in the construction of the Index. As a result, the Index will show a more positive exposure to PAI metrics vs the Parent Index.

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We are fully transparent in our reporting of our engagement and voting activity,

publishing our voting on a quarterly basis and summary information about our engagement activity annually.

How PAI indicators were considered will be included in the Fund's year-end report and accounts.

Further information is available on request.

☐ No



What investment strategy does this financial product follow?

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

The Index seeks to achieve a reduction in carbon emissions and fossil fuel reserves exposure and an improvement of the FTSE Russell ESG rating against that of the Parent Index.

The Index achieves this in the following ways:

1. on an annual basis in September, removing stocks based on sustainability exclusionary criteria.
2. on an annual basis in September, adjusting the weights of the remaining companies within the Parent Index according to carbon emissions, fossil fuel reserves exposure and FTSE Russell ESG ratings based criteria.
3. on a quarterly basis, removing companies considered to be non-compliant with one or more of the UNGC principles.

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:

1. on an annual basis in September, removing stocks based on sustainability exclusionary criteria. The following types of companies are removed from the Index on an annual basis due to the sustainability exclusionary criteria, some criteria may apply thresholds:

- a. companies identified as providing core weapons systems, or components/services that are considered tailor-made and essential for banned and controversial weapons (including anti-personnel mines, blinding laser weapons, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, non-detectable fragments, and white phosphorus munitions);
- b. companies identified as involved in the manufacturing of tobacco products;
- c. companies identified as involved in providing tailor-made products and/or services, or tailor-made components for conventional military weapons;
- d. companies identified as involved with thermal coal extraction and electricity generation;
- e. companies identified as involved with electricity generation from nuclear power; and
- f. companies considered to have breached one or more of the UNGC principles (widely accepted sustainability principles covering human rights, labour, environment and anti-corruption);
- g. companies identified as involved in owning or operating a gambling establishment or manufacturing specialised products exclusively for gambling or providing supporting products/services to gambling operations; and
- h. companies identified as involved in the production or operation of adult entertainment establishments or in the distribution of adult entertainment materials;

2. on an annual basis in September, adjusting the weights of the remaining companies within the Parent Index according to carbon emissions, fossil fuel reserves exposure and

FTSE Russell ESG ratings based criteria . The Index also aims to limit industry divergence against the Parent Index by maintaining maximum stock weights of 10% and minimum stock weights of 0.5 bps ; and

3. on a quarterly basis, removing companies considered to be non-compliant with one or more of the UNGC principles.

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

The Fund does not have an committed minimum rate to reduce the scope of investments.

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

The Index methodology incorporates the FTSE Russell ESG scores. The FTSE Russell ESG Ratings model consists of pillars such as "Tax Transparency", "Corporate governance" and "Labor standards", among others, which enable the assessment of investee companies for good governance.

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 HSBC's proprietary fundamental company research. HSBC's Stewardship team meets with companies regularly to improve our understanding of their business and strategy, signal support or concerns the Investment Manager has with management actions and promote best practice. HSBC 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.

Good governance

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

Asset allocation

describes the share of investments in specific assets.



What is the asset allocation planned for this financial product?

In seeking to achieve its investment objective, the Fund will aim to invest in the constituents of the Index in generally the same proportions in which they are included in the Index. Cash and other instruments may be used for liquidity, hedging and efficient portfolio management.

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 5% of sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- turnover

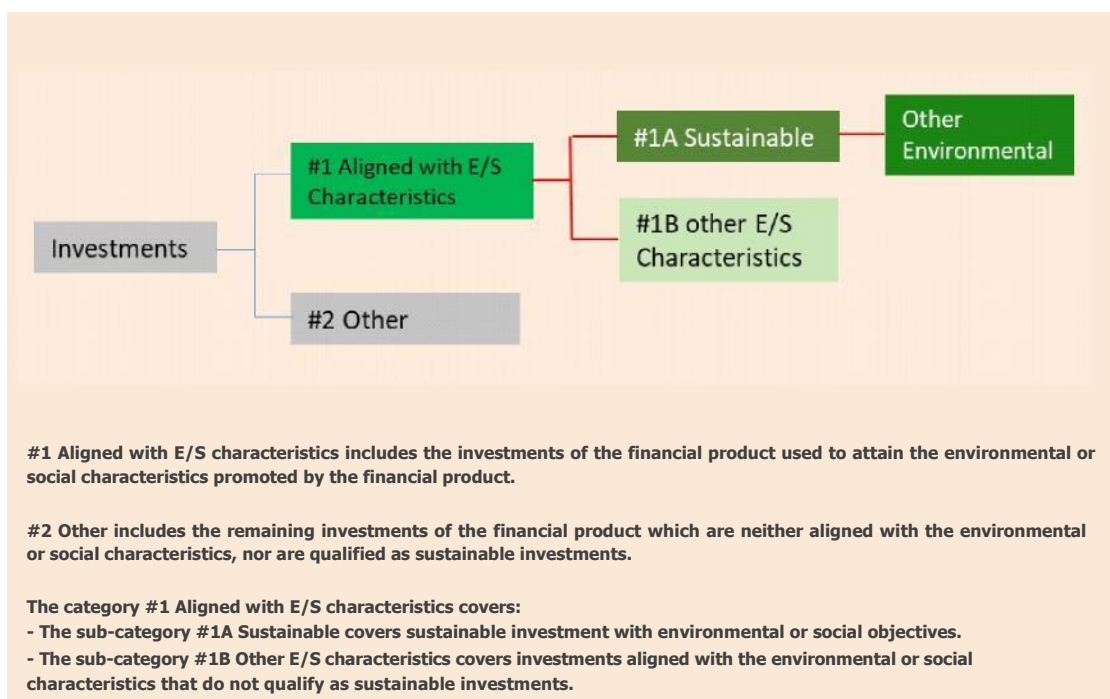
reflecting the share of revenue from green activities of investee companies

- 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 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 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 ? ¹**

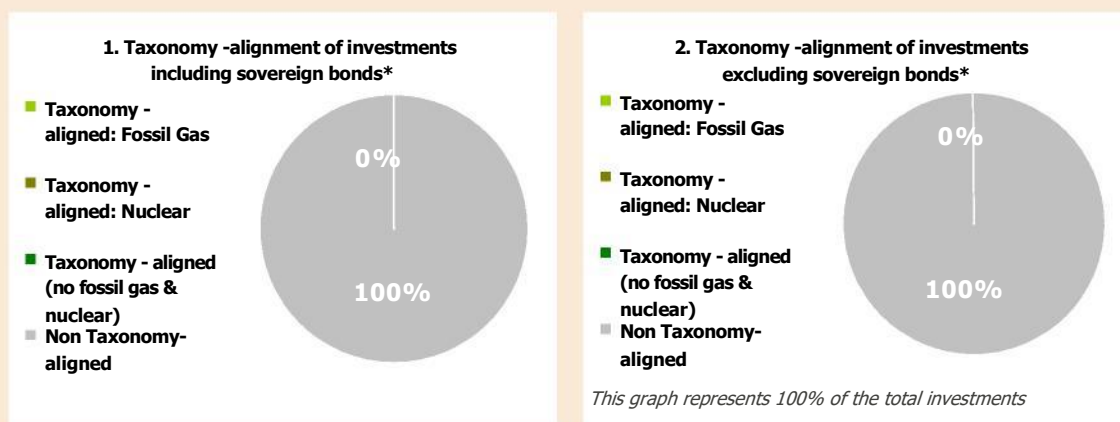
☐ yes in fossil gas In nuclear energy

☒ 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 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 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?

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



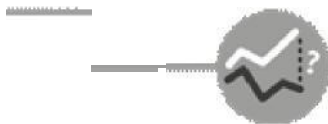
What is the minimum share of socially sustainable investments?

N/A. The Fund does not intend to commit to a minimum share of socially sustainable investments.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Cash and other instruments such as American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts, 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?

Yes. The investment objective of the Fund is to replicate the performance of the FTSE Japan ESG Low Carbon Select Index.

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?**

On an annual basis, the Index provider applies sustainable exclusionary criteria and weights companies in order to reduce the exposure in the Index to companies with higher carbon emissions and fossil fuel reserves and to improve the exposure in the Index to comply with favourable FTSE Russell ESG ratings compared to that of the Parent Index. In addition, the United Nations Global Compact (UNGC) exclusionary criteria are applied to the Index on a quarterly basis (i.e. on each rebalancing date).

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

The investment objective of the Fund is to replicate the performance of the FTSE Japan ESG Low Carbon Select Index, while minimising as far as possible the tracking error between the Fund's performance and that of the Index. In seeking to achieve its investment objective, the Fund will aim to invest in the constituents of the Index in generally the same proportions in which they are included in the Index.

- **How does the designated index differ from a relevant broad market index?**

The Index is a subset of the FTSE Japan Index and aims to measure the performance of companies in Japan as defined by the Index provider.

As further detailed above, on an annual basis, the Index provider applies sustainable exclusionary criteria and weights companies in order to reduce the exposure in the Index to companies with higher carbon emissions and fossil fuel reserves and to improve the exposure in the Index to comply with favourable FTSE Russell ESG ratings compared to that of the Parent Index. In addition, the United Nations Global Compact (UNGC) exclusionary criteria are applied to the Index on a quarterly basis (i.e. on each rebalancing date).

- **Where can the methodology used for the calculation of the designated index be found?**

The Index methodology may be amended from time to time by the Index provider. Information on the Index methodology is available on <https://www.ftserussell.com/>.

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

More product-specific information on this and all other HSBC ETF funds can be found on the website. Go to: www.assetmanagement.hsbc.com/investment-expertise/etf and select your country/location from the list. Please select 'Funds' from the main navigation page, where you can use the search or filter functions to find your particular fund.