

Website disclosure summary - Global Equity Sustainable Healthcare

No significant harm to the environmental or social characteristics of the financial product

The sustainable investments in the sub-fund will be assessed against the principle of DNSH to ensure that the investments do not significantly harm any environmental or social objectives. The DNSH principle applies only to the underlying sustainable investments of the sub-fund. This principle is incorporated into the investment decision-making process, which includes assessment of principal adverse impacts (“PAIs”). The mandatory PAIs as defined in Table 1 of Annex 1 of the regulatory technical standards for Regulation 2019/2088 are used to assess whether the sustainable investments of the sub-fund are significantly harming the environmental or social objective. To support the DNSH assessment, quantitative criteria have been established across the PAIs.

Environmental or social characteristics of the financial product

The environmental and/or social (“E/S”) characteristics promoted by this sub-fund are:

1. Investment into in a concentrated portfolio of equities of companies that may support increasingly constrained healthcare budgets world-wide, including patient accessibility to care and affordability.
2. A minimum proportion of the sub-fund’s investments shall meet minimum ESG standards, i.e. the companies that the sub-fund invests in are required to meet minimum ESG and E and S and G score levels.
3. Consideration of responsible business practices in accordance with United Nations Global Compact (“**UNGC**”) and OECD Guidelines for Multinational Enterprises (“**OECD**”) principles. Where instances of potential violations of UNGC principles are identified, companies will be subject to HSBC’s proprietary ESG due diligence checks to determine their suitability for inclusion in the sub-fund’s portfolio and, if deemed unsuitable, excluded.
4. Excluding activities covered by HSBC Asset Management’s Responsible Investment and the EU Climate Transition Benchmark exclusions.

Investment strategy

The sub-fund aims to provide long term total return by investing in a concentrated portfolio of equities of companies that may benefit from increasingly constrained healthcare budgets world-wide.

The sub-fund aims to do this by investing in companies with current and/or expected revenue exposure to sustainable healthcare products (“Sustainable Healthcare Products”). The sub-fund’s social focus is to improve the affordability of healthcare, aiming to alleviate the budgetary pressures of providing healthcare. Such Sustainable Healthcare Products have the potential to improve value for money of healthcare spending through improved clinical benefits (e.g. improved clinical efficacy, safety) and/or cost savings through innovation (e.g. a reduction in treatment costs, reduction in ongoing hospitalisation costs). Such companies, in line with the social focus of the sub-fund (“Healthcare Companies”) are determined based on a HSBC proprietary analysis process including sustainable healthcare scores (“Sustainable Healthcare Scores”), as described below. The sub-fund’s aims are aligned with goal three of the UN Sustainable Development Goals, which is a social goal focused on good health and well-being.

Sustainable Healthcare Products may include, but are not limited to, drugs which help reduce the days a patient spends in an intensive care unit, diagnostic tests which enable early detection and treatment, disease prevention, operational improvements and deployment of technology or healthcare services which may include, but are not limited to, hospitals, distributors or laboratories. The sub-fund may be relatively concentrated in equities of companies domiciled in the USA. Fundamental analysis of the healthcare sector and sub-sectors is undertaken to identify companies that present an investment opportunity. Investments in Healthcare Companies are not automatically qualified as sustainable investments, and sustainable investments will be ascertained through the investment process.

You can find HSBC Asset Management’s Responsible Investment Policy and Sustainable Investment Methodology (including HSBC Asset Management’s proprietary climate transition assessment that supports economies transition towards Net Zero) on HSBC Asset Management’s website: www.assetmanagement.hsbc.com. You will need to select “About us” from the main menu, then “Responsible investing”, then “Policies and Disclosures”.

Proportion of Investments

The sub-fund promotes E/S characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 51% of sustainable investments. The sub-fund will have a minimum proportion of 80% of investments that are aligned with the E/S characteristics it promotes. Other investments include liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) and financial derivatives instruments which may be used for efficient portfolio management.



Monitoring of environmental or social characteristics

All our sub-funds aim to demonstrate strong and/or improving ESG characteristics at the company and overall portfolio level using quantitative or qualitative criteria which are monitored on an on-going basis. Funds are monitored via an ESG dashboard to ensure portfolios align to the internally established thresholds.

Methodologies

HSBC uses its own proprietary systematic investment process to measure how the environmental characteristics promoted by the sub-fund are met. HSBC will use data provided by a number of third parties. All data used will be verified by HSBC Asset Management's extensive research department.

Data Sources and Processing

HSBC Asset Management uses data from a number of external third parties such as Sustainalytics, ISS, MSCI and Trucost to ensure it attains the environmental characteristics promoted. HSBC Asset Management also use a number of ESG rating agencies for norms-based screening against the UN Global Compact principles.

The data is verified by HSBC Asset management's extensive research department and processed via HSBC Asset Management's propriety research methodology. HSBC Asset Management is reliant on third party data and while we verify the data, we cannot comment on limitation to the methodologies of such third-party companies. No data is estimated by HSBC Asset Management.

Limitations to Methodologies and Data

HSBC Asset Management is not aware of any limitation in meeting the environmental or social characteristics of the sub-fund.

Due Diligence

Investments in the sub-fund are assessed for minimum good governance practices through consideration of UNGC principles, additionally good governance practice of companies is viewed through ESG and G pillar scores. Investments considered to be Sustainable Investments must pass an additional good governance screen before they can be designated as such. 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. UNGC violations are assessed through ESG due diligence as well as screening which are used to identify companies that are considered to have poor governance. Companies which meet the criteria of sustainable investment are assessed through minimum governance scores to ensure higher standards of governance and no association with severe controversy. Where relevant those companies will then be subjected to further review, action and/or engagement.

Engagement Policies

HSBC's Stewardship team meets with issuers and companies regularly to improve HSBC's understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice. HSBC believes that good corporate governance ensures that issuers and companies are managed in line with the long-term interests of their investors.

Designated Reference Benchmark

Some of the environmental and social characteristics are measured against the MSCI World Health Care as the "Reference Benchmark" for the sub-fund. However, this benchmark has not been designated for the purpose of achieving the environmental and social characteristics promoted by the sub-fund.