

Environmental and/or social characteristics

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.

Does this financial product have a sustainable investment objective?

☒ ☐ Yes

☐ ☒ No

☐ 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 **50%** 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?

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

1. 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.
2. The **identification and analysis of a company's environmental and social factors**, including corporate governance practices which form an integral part of the investment decision making process.
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 Policies (the "**HSBC Excluded Activities**") and the Paris-aligned Benchmark exclusions (the "**PAB Excluded Activities**") (together referred to as the "**Excluded**")



Activities”) as listed below.

The attainment of the E/S characteristics are measured using the sustainability indicators below, some of which are measured against the MSCI AC World High Dividend, as the "Reference Benchmark" for the sub-fund. However, this benchmark has not been designated for the purpose of achieving the E/S characteristics promoted by the sub-fund.

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?***

Sustainability indicators measure the attainment of each promoted E/S characteristic and are therefore a key consideration in the Investment Adviser’s investment decision making process, which comprise of:

	Environmental/social characteristic	Sustainability indicator
1.	Minimum ESG standards	At least 80% 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.
2.	Identification and analysis of a company’s environmental and social factors	The sub-fund aims to have a higher ESG score, calculated as a weighted average of the ESG scores given to the companies in which the sub-fund has invested, than the weighted average of the constituents of the Reference Benchmark.
3.	Responsible business practice in line with UNGC and OECD principles	All investments are assessed against the ten principles of the UNGC and the OECD. Companies that are flagged as having violated one of the ten principles of the UNGC or OECD guidelines are systematically excluded, unless they have gone through an ESG due diligence assessment, undertaken by HSBC, and are determined not to be in breach of the principles or guidelines.
4.	Excluded Activities	Exclusion of companies that are not in compliance with Excluded Activities.

- ***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 in the sub-fund will contribute to environmental and/or social objectives. Investments will be considered sustainable if they make a positive contribution in accordance with HSBC’s Sustainable Investment Policy. This is determined by an investment meeting one or more of the following criteria:

- Promoting the highest levels of environmental and social practices;
- Companies classified as net zero aligned, or better, by HSBC Asset Management’s net zero investment framework;

- Generating sustainable revenues, which are determined as those which support the enhancement of the United Nations Sustainability Development Goal (UN SDGs), EU Taxonomy or climate related revenues.

Companies with a positive contribution to one of the above criteria will then be subject to:

- 'Do no significant harm' ("DNSH") assessment
- Good governance screening

Once an investment has satisfied the above criteria, it can then be considered as a sustainable investment.

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.

- ***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 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").

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

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.

In instances where data is either non-existent or not sufficient, either a qualitative review and/or a relevant proxy may be used as an alternative. Where a company is determined to cause or contribute to significant harm, it can still be held within the sub-fund but will not count toward the portion of 'sustainable investments' within the sub-fund.

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

The Investment Adviser uses a third-party research provider to monitor companies for controversies which may indicate potential breaches of the UNGC principles. The principles are aligned with the UN Guiding Principles on Business and Human Rights and the OECD's Guiding Principles on Business and Human Rights. UNGC principles include the assessment of non-financial risks such as human rights, labour, environment and anti-corruption. Companies that are flagged for potential violation of UNGC principles are systematically excluded, unless they have gone through an ESG due diligence assessment, undertaken by HSBC, and are determined not to be in breach of the

principles.

HSBC Asset Management is also a signatory of the UN Principles of Responsible Investment.

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, HSBC Asset Management considers PAIs at group level as part of its stewardship process and companies that are flagged for severe violations or worst in class performers on certain PAIs may be subject to further dialogue and ESG due diligence. Certain PAIs will also be considered through exclusions - including for example controversial weapons and UNGC violations. Potential UNGC violations are identified by a third-party controversies-based research service.

The sub-fund will specifically consider the following PAIs:

- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Violation of UNGC and OECD principles
- Share of investment involved in controversial weapons

The performance of these PAIs will be included in the Company’s annual report.

Further information can also be found in HSBC's User Guide on Principal Adverse Impacts available on the website at: www.assetmanagement.hsbc.com/about-us/responsible-investing - select your location and then choose Policies and Disclosures.

☐ No



What investment strategy does this financial product follow?

The sub-fund aims to provide income from dividends and long-term capital growth by investing in companies that may benefit over the long term from the transition to a more sustainable global economy ("**Sustainable Companies**").

The sub-fund aims to have a higher ESG score, calculated as a weighted average of the ESG scores given to the companies in which the sub-fund has invested, than the weighted average of the constituents of the Reference Benchmark.

The sub-fund invests in normal market conditions a minimum of 90% of its net assets in equities and equity equivalent securities of Sustainable Companies which are domiciled in, based in, or carry out the larger part of their business activities in, any country including both developed markets and Emerging Markets. The sub-fund may also invest in eligible closed ended Real Estate Investment Trusts ("**REITs**").

The sub-fund commits to not investing in equities or equity equivalent securities or REITs issued by companies with specified involvement in specific Excluded Activities as explained below.

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

The Investment Adviser conducts proprietary research to assess and grade certain sustainability criteria according to a 3-point scale, or similar grading scale. Sustainability criteria are subject to ongoing research and may change over time but may include sustainability of practices and culture, sustainability of business model, sustainability of products. The Investment Adviser will then consider a company's sustainability criteria grades and its alignment with UN Sustainable Development Goals to come to an initial conclusion as to whether a company is considered a Sustainable Company. The company will need to align with at least one UN Sustainable Development Goal and will typically have achieved top grades for the majority of its sustainability criteria for the Investment Adviser to give such an initial conclusion that it is a Sustainable Company. Finally, the Investment Adviser will compare its initial conclusion to ESG scores provided by financial and non-financial data providers. Where ESG scores corroborate the Investment Adviser's initial conclusion, the conclusion will be considered final. Where ESG scores do not corroborate the Investment Adviser's initial conclusion then the Investment Adviser will consider the reasons but may still finally conclude it is a Sustainable Company if it considers that ESG scores do not accurately reflect a company's sustainability profile.

The sub-fund includes the identification and analysis of a company's environmental and social factors and corporate governance practices as an integral part of the investment decision making process.

The sub-fund will have a proportion of the investments that meet minimum ESG standards, with the companies that the sub-fund invests in meeting minimum ESG and E, and S and G score levels. The required ESG standards are measured via a minimum ESG total score as well as minimum E, and S and G scores for each separate sub-component. These scores represent the management of ESG risks or opportunities that are relevant to the sector in which the company operates. The companies that have very low scores are deemed to have poor management of ESG risks and opportunities and are therefore excluded from contributing to promotion of environmental and social factors and corporate governance practices of the sub-fund.

Environmental and social factors, corporate governance practices, Sustainable Companies, Excluded Activities and the need for ESG due diligence may be identified and analysed by

using, but not exclusively, HSBC's proprietary ESG Materiality Framework and scores, fundamental qualitative research and corporate engagement. When assessing companies' ESG scores or their involvement in Excluded Activities, the Investment Adviser may rely on expertise, research and information provided by financial and non-financial data providers.

The sub-fund is actively managed and the investment strategy is implemented on a continuous basis through compliance and monitoring of the binding elements as listed below.

- ***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 used to select the investments to attain each of the E/S characteristics are:

- The sub-fund aims to provide income from dividends and long-term capital growth by investing in companies that may benefit over the long term from the transition to a more sustainable global economy.
- The Investment Adviser will consider a company's sustainability criteria grades and its alignment with UN Sustainable Development Goals to come to an initial conclusion as to whether a company is considered a Sustainable Company, as outlined above.
- The sub-fund commits to have a minimum of 80% of investments that are aligned with the E/S characteristics promoted by the sub-fund.
- The sub-fund will invest a minimum 50% of its net assets in sustainable investments.
- The sub-fund will include the identification and analysis of companies' environmental and social factors, including corporate governance practices within the investment process. The Investment Adviser will consider the ESG scores given to the companies in which the sub-fund invests.

Companies considered for inclusion within the sub-fund's portfolio will be subject to Excluded Activities including, but are not limited to:

HSBC Excluded Activities	Details
Banned Weapons	The sub-fund will not invest in companies HSBC considers to be involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of Banned Weapons
Controversial Weapons	The sub-fund will not invest in companies HSBC considers to be involved in The production of controversial weapons or their key components. Controversial weapons include but are not limited to anti-personnel mines, depleted uranium weapons and white phosphorous when used for military purposes.
Thermal Coal 1 (Expanders)	The sub-fund will not participate in initial public offerings ("IPOs") or primary fixed income financing by companies HSBC considers to be engaged in the expansion of thermal coal production.
Thermal Coal 2 (Revenue threshold)	The sub-fund will not invest in companies HSBC considers having more than 10% revenue generated from thermal coal power generation or extraction and which, in the opinion of HSBC, do not have a credible transition plan.
Arctic Oil & Gas	The sub-fund will not invest in companies HSBC considers to have more than 10% of their revenues generated from oil & gas extraction in the Arctic region and which, in the opinion of HSBC, do not have a credible transition plan.
Oil Sands	The sub-fund will not invest in companies HSBC considers to have more than 10% of their revenues generated from oil sands extraction and which, in the opinion of HSBC, do not have a credible transition plan.
Shale Oil	The sub-fund will not invest in companies HSBC considers to have more than 35% of their revenues generated from the extraction of Shale Oil and which, in the opinion of HSBC, do not have a credible transition plan.
Tobacco	The sub-fund will not invest in companies HSBC considers to be directly involved in the production of tobacco.

UNGC	The sub-fund will not invest in companies that HSBC considers to be non-compliant with United Nations Global Compact (UNGC) Principles. Where instances of potential violations of UNGC principles are identified, companies may be subject to proprietary ESG due diligence checks to determine their suitability for inclusion in a sub-fund's portfolio.
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In addition, HSBC apply the PAB Excluded Activities regarding investments in companies for this sub-fund.

Additional PAB Excluded Activities	Details
Controversial weapons	The sub-fund will not invest in companies involved in any activities related to controversial weapons, namely anti-personnel mines, cluster munitions, chemical weapons and biological weapons.
Tobacco	The sub-fund will not invest in companies involved in the cultivation and production of tobacco.
UNGC and OECD	The sub-fund will not invest in companies in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.
Hard coal and lignite	The sub-fund will not invest in companies that derive 1% or more of revenue from exploration, mining extraction, distribution or refining of hard coal and lignite.
Oil fuels	The sub-fund will not invest in companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels.
Gaseous fuels	The sub-fund will not invest in companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels.
Electricity generation	The sub-fund will not invest in companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO ₂ e/kWh.

- ***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?***

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

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

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.

HSBC's Stewardship team meets with 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 companies are managed in line with the long-term interests of their investors.

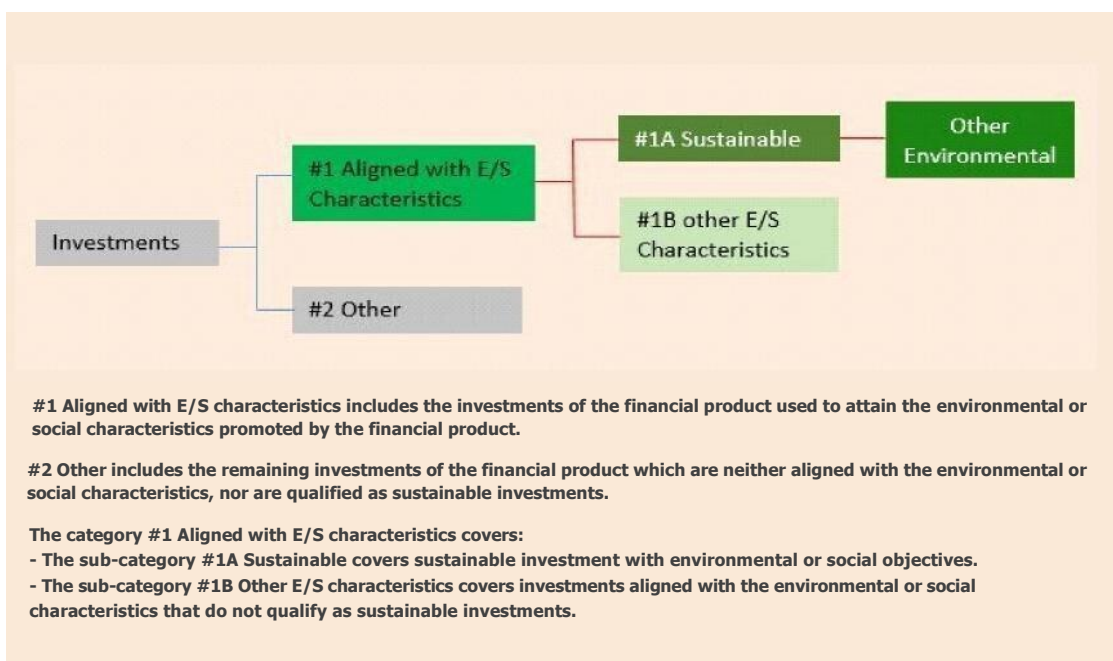


Asset allocation

describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

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 50% of sustainable investments (#1A Sustainable). The sub-fund will have a minimum proportion of 80% of investments that are aligned with the E/S characteristics it promotes (#1 Aligned with E/S Characteristics). (#2 Other) includes 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.



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 E/S characteristics of the sub-fund.



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

The sub-fund does not currently intend to invest in sustainable investments that are aligned with the EU Taxonomy and the minimum share of taxonomy-aligned investments (including transitional and enabling activities) is therefore assessed to be 0%.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

☐

Yes:

☐

In fossil gas

☐

In nuclear energy

☒

No

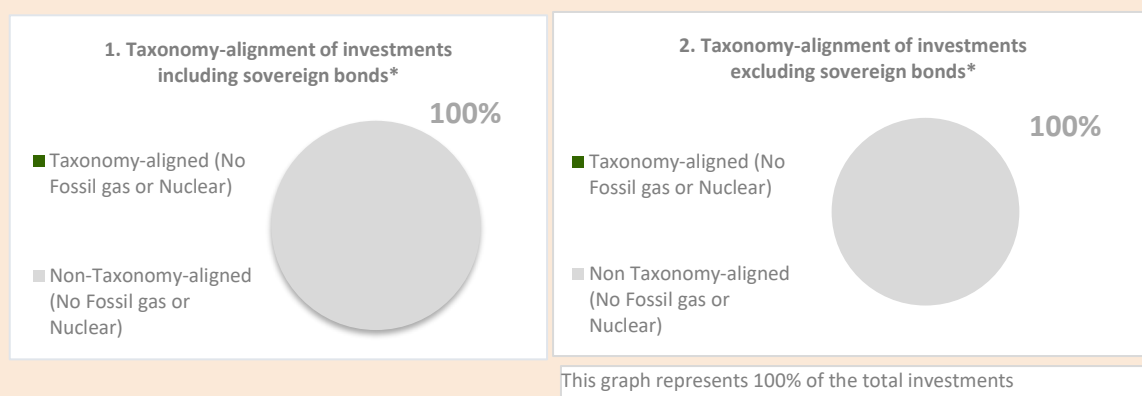
¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

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

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

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.

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

● What is the minimum share of investments in transitional and enabling activities?

There is no minimum share of investments in transitional and enabling activities given that the sub-fund does not commit to the EU Taxonomy.



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 invests at least 50% in sustainable investments, with an environmental objective that are not aligned with the EU Taxonomy. HSBC do not commit to having EU Taxonomy aligned investments due to the lack of coverage and data available.



What is the minimum share of socially sustainable investments?

There is no commitment 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?

The sub-fund may invest in money market funds for liquidity management purposes, hold liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds), financial derivative instruments may also be used for efficient portfolio management. This may also include investments that are not aligned for other reasons such as corporate actions and non-availability of data.

Liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) and financial derivatives instruments are not considered to be aligned with E/S characteristics within the sub-fund and do not have any minimum environmental or social safeguards applied. However, money market funds which meet the requirements of Article 8 SFDR are deemed to have minimum environmental 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?

No.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

Not applicable for this sub-fund.

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

Not applicable for this sub-fund.

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

Not applicable for this sub-fund.

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

Not applicable for this sub-fund.

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



Where can I find more product specific information online?

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

www.assetmanagement.hsbc.com