HSBC

Website disclosure summary - Global Equity Climate Transition

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. The sub-fund identifies which companies are on a clear and measurable climate transition pathway as informed by HSBC Asset Management's proprietary climate transition assessment to determine a company's progress or commitment towards alignment with "Net Zero" pathways.
2. The sub-fund will have a lower carbon intensity compared to the Reference Benchmark.
3. The sub-fund identifies revenues of investee companies that are considered to be providing Green Solutions. For example, revenues that are linked to technologies, services and tools that mitigate or eliminate or contribute to the removal of Greenhouse gasses.
4. 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.
5. 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.
6. 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 portfolio of equities. The sub-fund aims to do this with a focus on investments that have a clear and measurable path to climate transition, as well as a lower carbon intensity, (calculated as a weighted average of the carbon intensities of the sub-fund's investments, relative to the weighted average of the constituents of the Reference Benchmark).

The sub-fund will invest a minimum of 80% of its net assets in companies that the Investment Adviser believes are on a clear and measurable transition pathway as informed by HSBC Asset Management's proprietary climate transition assessment that supports the economies' transition towards Net Zero. The purpose of the climate transition assessment is to determine a company's progress or commitment towards alignment with Net Zero pathways (i.e. the projected emissions allowed to a company through to 2050 to meet the Paris Agreement goal to limit the temperature increase to 1.5 degrees Celsius by 2050 compared to pre-industrial levels).

The sub-fund uses a multi-factor investment process, based on five factors (value, quality, momentum, low risk and size), to identify and rank stocks in its investment universe with the aim of maximising the portfolio's risk-adjusted return.

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 10% 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 or 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 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.