



Website disclosure summary - Global Corporate Bond 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 characteristics (“E/S characteristics”) promoted by this sub-fund are:

1. The Investment Adviser will construct a portfolio that is on a clear and measurable path to decarbonise overtime.
2. The sub-fund identifies which issuers are on a clear and measurable transition pathway as informed by HSBC Asset Management’s proprietary climate transition assessment to determine an issuer’s progress or commitment towards alignment with “Net Zero” pathways.
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, issuers 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. A minimum proportion of the sub-fund shall meet minimum ESG standards, with the issuers that the sub-fund invests in meeting minimum ESG and E and S and G score levels.
5. 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 and promote climate transition as its ESG characteristics at issuer level by investing in a portfolio of corporate bonds issued by issuers that are deemed to be on a clear and measurable path to climate transition, and at portfolio level by seeking a reduction in carbon intensity (calculated as a weighted average of the carbon intensities of the sub-fund’s investments relative to the weighted average of the carbon intensities of the constituents of the Reference Benchmark).

The sub-fund invests (normally a minimum of 80% of its net assets) in Investment Grade and Non-Investment Grade rated fixed income and other similar securities issued in both developed markets and Emerging Markets. Investments will be denominated in developed market and Emerging Market currencies.

The sub-fund will invest a minimum of 80% of net assets in fixed income securities issued by issuers meeting certain climate transition related criteria (“Climate Transition Criteria”):

- Deemed to be on a clear and measurable path to climate transition in accordance with HSBC Asset Management’s proprietary climate transition assessment that supports economies transition towards Net Zero.
- That are not deemed to be on a clear and measurable path to climate transition but generate at least 20% of their total revenues from products and/or services that mitigate or contribute to the removal of greenhouse gas emissions. This may also include “green bonds” meeting the Green Bond Principles of the International Capital Market Association.

Further details on HSBC’s Net Zero classifications and green solutions can be found in HSBC’s Sustainable Responsible Investment Methodology document available on HSBC Asset Management’s website at: www.assetmanagement.hsbc.com/about-us/responsible-investing - select your location and then choose Policies and Disclosures.

Proportion of Investments

The sub-fund promotes E/S characteristics but will not make any 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

A minimum proportion of the sub-fund's investments shall meet certain ESG standards, which are measured via a minimum ESG total score as well as minimum E, 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 the promotion of environmental and social characteristics of the sub-fund.

Methodologies

A minimum proportion of the sub-fund's investments shall meet certain ESG standards, which are measured via a minimum ESG total score as well as minimum E, 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 the promotion of environmental and social characteristics of the sub-fund.

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 issuers 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 issuers that are considered to have poor governance. Issuers 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 issuers 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 ICE Global Corporate Climate Transition Index Hedged USD 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.

Version - FINAL

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