

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

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 0% 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 Bloomberg MSCI Global Aggregate 1-3 SRI Carbon ESG-Weighted Index (the "Index"), the Fund promotes the following environmental and/or social characteristics:

- a reduction in carbon emissions compared to the Bloomberg Global Aggregate 1-3 Year Index (the "Parent Index"); and
- an improvement of the MSCI 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
- Carbon emissions, relative to the Parent Index (as measured as Carbon Intensity)

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

- **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 an improvement of the MSCI ESG Rating against that of the Parent Index. 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?

The mandatory principal adverse impacts (“PAI”) indicators have been used in the assessment of business activities of the initial universe of securities. Revenue data, business involvement and other data sources have been considered when assessing each security using minimum thresholds or blanket exclusions on activities identified in relation to these indicators.

The Bloomberg (BBG) index is constructed using a combination of BBG and MSCI data. The MSCI proprietary data on each securities business involvement is used to initially screen securities for eligibility in the Index. Business Involvement Screening Research (BSIR) highlights each securities involvement or adherence to Global sanctions, Controversies and global norms (PAI 10, 13), Carbon and Sustainable Impact (Positive screening) (PAI 8,9). In addition, a separate controversy screen is applied to the starting universe to remove any security in violation of UNGC principles (PAI 10). Securities involved in Thermal coal mining and generation, Oil & Gas, are also screened at a minimum threshold level and controversial weapons (PAI 14) are removed before the final index is calculated. The methodology uses the aggregate ESG score (as calculated by MSCI ESG Research) which is applied to all eligible securities (minimum BB rating). These scores are used to apply tilt factors to reduce weight to the securities with the lowest ESG score and increase weight to those securities with robust ESG characteristics

No optional indicators are taken into account.

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:

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.

- 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.

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.

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

The Bloomberg (BBG) index is constructed using a combination of BBG and MSCI data. One of the MSCI models the Index methodology incorporates is the MSCI ESG Controversies. The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UNGC Principles. Specifically, the MSCI ESG Controversies approach covers the following pillars: Environment, Human Rights & Community, Labor rights & Supply chain, Customers and Governance. These pillars include indicators such as Human rights concerns, Collective bargaining & unions, Child labor and Anticompetitive practices, which are also issues that the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights cover. Further information on MSCI ESG Controversies 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.

The Bloomberg (BBG) index is constructed using a combination of BBG and MSCI data. The MSCI proprietary data on each securities business involvement is used to initially screen securities for eligibility in the Index. Business Involvement Screening Research (BSIR) highlights each securities involvement or adherence to Global sanctions, Controversies and global norms (PAI 10, 13), Carbon and Sustainable Impact (Positive screening) (PAI 8,9). In addition, a separate controversy screen is applied to the starting universe to remove any security in violation of UNGC principles (PAI 10). Securities involved in GHG Emissions and Intensity, Fossil fuels, Carbon and Energy, (PAI 1, 2, 3, 4) are also screened at a minimum threshold level and controversial weapons (PAI 14) are removed before the final index is calculated. The methodology uses the aggregate ESG score (as calculated by MSCI ESG Research) which is applied to all eligible securities (minimum BB rating). These scores are used to apply tilt factors to reduce weight to the securities with the lowest ESG score and increase weight to those securities with robust ESG characteristics.

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.

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.

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 Fund will use optimisation techniques which take account of tracking error and trading costs when constructing a portfolio.

The Index seeks to achieve a carbon emissions reduction and an improvement of the MSCI

ESG rating against that of the Parent Index.

The Index achieves this in the following ways:

1. Excluding securities of companies with exposure (as defined by the Index provider in the Index methodology) to any of the following characteristics (each characteristic will apply thresholds, as defined by the Index provider and set out in the Index methodology and which may be amended from time to time).
2. The weight of each constituent issuer is adjusted by a fixed multiplier, as set out in the Index methodology, which is determined by its MSCI ESG Rating.

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:

The following types of issuers are removed from the Index on an ongoing basis due to the sustainability exclusionary criteria and some criteria may apply thresholds:

MSCI ESG Rating

- a. issuers with an MSCI ESG Rating of lower than BB;
- b. issuers with an ESG Pillar Score of less than 2;
- c. unrated issuers from sectors with ratings;

Business Involvement Screens

- a. issuers involved (as per the standard Bloomberg Barclays MSCI SRI screen) in the following business activities: (i) adult entertainment; (ii) alcohol; (iii) gambling; (iv) tobacco; (v) conventional weapons; (vi) civilian firearms; (vii) nuclear weapons; (viii) controversial weapons; (ix) nuclear power; (x) fossil fuels; (xi) revenue from thermal coal or from the generation of thermal coal; and (ix) genetically modified organisms

MSCI ESG Controversies Scores

- a. issuers with a "red" MSCI ESG Controversies score (i.e. less than 1).

- **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 Bloomberg (BBG) index is constructed using a combination of BBG and MSCI data. The index methodology incorporates both MSCI ESG Controversies and MSCI ESG Ratings models. MSCI captures good governance practices through these two models. Specifically, MSCI ESG Controversies covers "Labor Rights & supply chain" and "Governance", among others, and MSCI ESG Ratings incorporates Corporate Governance, Corporate Behavior and Human Capital.

Further information on MSCI ESG Controversies and MSCI ESG Ratings is available on the Index provider's website.

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

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.



Asset allocation describes the share of investments in specific assets.

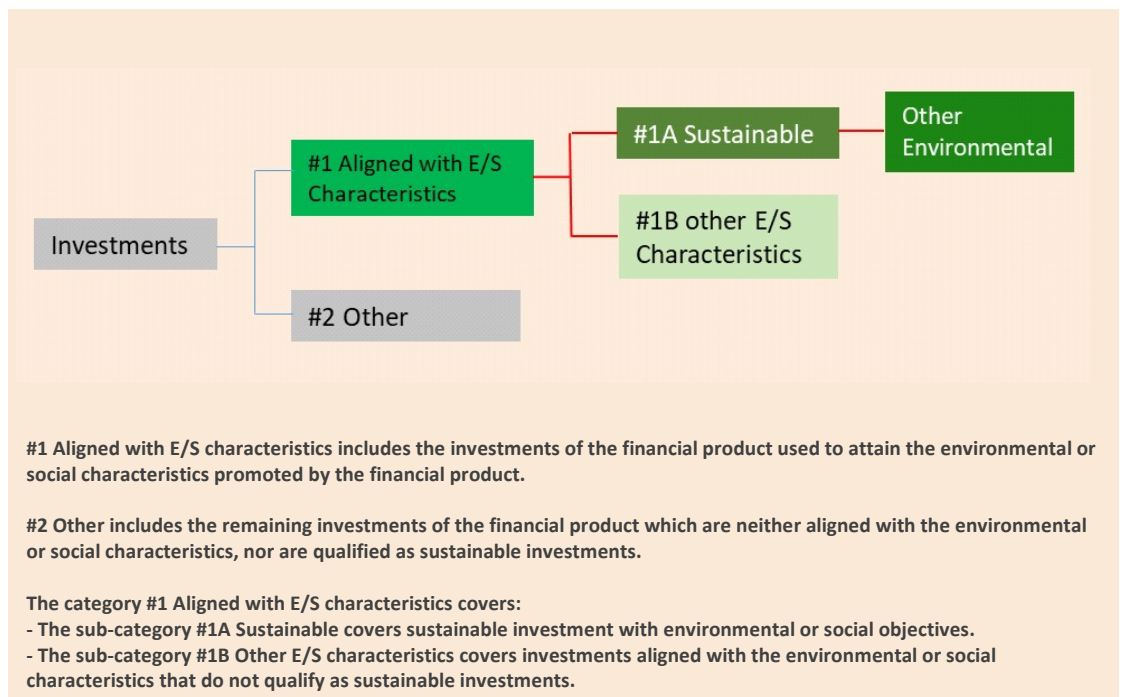
What is the asset allocation planned for this financial product?

In seeking to achieve its investment objective, the Fund will use optimisation techniques which take account of tracking error and trading costs when constructing a portfolio. Consequently, the Fund may not hold each of the underlying Index constituents or hold Index constituents close to their Index weights. Furthermore, the Fund may hold securities which are not Index constituents but which are expected to provide similar performance and risk characteristics to certain Index constituents. 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 0% 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**

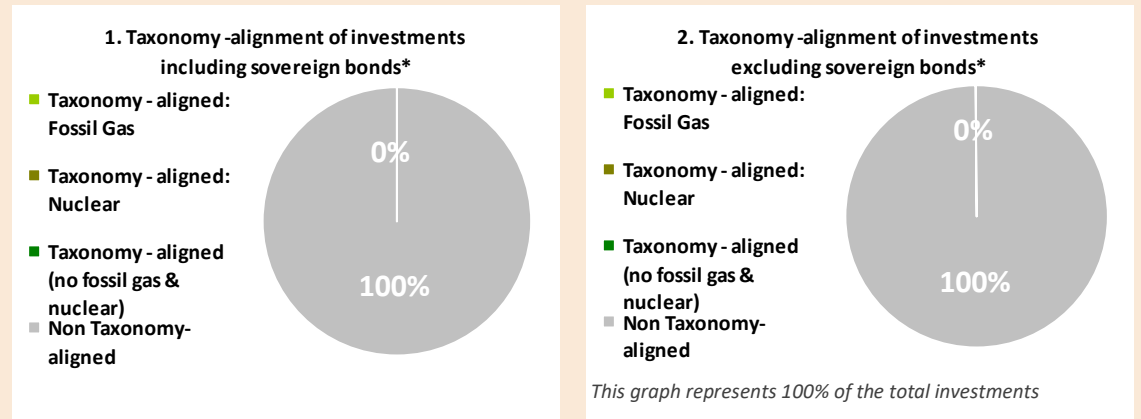
yes in fossil gas In nuclear energy

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.



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.

* 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?**
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?

Other instruments such as Eligible Collective Investment Schemes and/or financial derivative instruments may be used for 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 Bloomberg MSCI Global Aggregate 1-3 SRI Carbon ESG-Weighted 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?**

The following types of issuers are removed from the Index on an ongoing basis due to the sustainability exclusionary criteria and some criteria may apply thresholds:

Issuers with MSCI ESG Ratings lower than BB, issuers with an ESG Pillar score of less than 2, unrated issuers from sectors with ratings. The index also negatively screens issuers that are involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria, including activities with high carbon intensity or related to controversial weapons, and those issuers with a “red” MSCI ESG Controversy Score.

The weight of each constituent issuer is adjusted by a fixed multiplier, as set out in the Index methodology, which is determined by its MSCI ESG Rating.

On a monthly basis the weight of each constituent issuer is adjusted by a fixed multiplier, as set out in the Index methodology, which is determined by its MSCI ESG Rating.

The Index will be rebalanced on a monthly basis in order to account for the eligibility criteria.

- **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 Bloomberg MSCI Global Aggregate 1-3 SRI Carbon ESG-Weighted Index, while minimising as far as possible the tracking error between the Fund’s performance and that of the Index.

The Index will be rebalanced on a monthly basis in order to account for the eligibility criteria.

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

The Index seeks to achieve a reduction in carbon emissions and an improvement of the MSCI ESG rating against that of the Bloomberg Global Aggregate 1-3 Year Index.

The Index achieves this by removing, on a monthly basis, securities based on sustainability exclusionary criteria. The following types of issuers are removed from the Index on an ongoing basis due to the sustainability exclusionary criteria and some criteria may apply thresholds:

MSCI ESG Rating

Business Involvement Screens

Issuers with a “red” MSCI ESG Controversy score (i.e. less than 1).

The weight of each constituent issuer is adjusted by a fixed multiplier, as set out in the Index methodology, which is determined by its MSCI ESG Rating. Each constituent is capped at 2% by market value.

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

www.bloomberg.com/professional/product/indices/bloomberg-barclays-indices/#/ucits.

The Index methodology may be amended from time to time by the Index provider. Information on the Index methodology is available on the website above.



Where can I find more product specific information online?

More product-specific information can be found on the website:
www.assetmanagement.hsbc.com