

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product Name: HSBC JAPAN SUSTAINABLE EQUITY UCITS ETF

Legal Entity Identifier: 2138007HUGP3AZAZZ552

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?



Yes



It made **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 made **sustainable investments with a social objective:** _%



No



It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 17.38% 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 promoted E/S characteristics, but **did not make any sustainable investments**



To what extent were the environmental and/or social characteristics promoted by this financial product met?

In replicating the performance of the FTSE Japan ESG Low Carbon Select Index (the "Index"), the Fund promoted the following environmental and/or social characteristics:

- A reduction in carbon emissions and fossil fuel reserves exposure compared to the FTSE Japan Index (the "Parent Index"); and
- An improvement of the FTSE Russell ESG rating against that of the Parent Index.

FTSE Russell's ESG ratings reflects a company's exposure to, and management of, ESG issues. The ratings are comprised of an overall score that breaks down into underlying environmental, social and governance pillars with underlying theme exposures and scores.

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

The Fund sought to achieve the promotion of these characteristics by replicating the performance of the Index which removed companies based on sustainability exclusionary criteria and United Nations Global Compact ("UNGC") exclusionary criteria and which weighted 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 was designated as a reference benchmark for the purpose of attaining the environmental and/or social characteristics promoted by the Fund.

The Fund did not use derivatives to attain the environmental and/or social characteristics of the Fund.

The performance of the sustainability indicators used to measure the attainment of the environmental and/or social characteristics promoted by the Fund can be seen in the table below. The sustainability indicators were calculated by the Investment Manager and utilises data from third party data vendors.

The data can be based on company/issuer disclosures, or estimated by the data vendors in the absence of company/ issuer reports. Please note that it was not always possible to guarantee the accuracy, timeliness or completeness of data provided by third party vendors.

● ***How did the sustainability indicators perform?***

Indicator	Fund	Broad Market Index
ESG Score	4.42	3.78
GHG Intensity (Scope 1 & 2)	43.36	82.94
Fossil Fuel Reserve Exposures	311.66	441.73

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024.

Broad Market Index - FTSE Japan Index

● ***...and compared to previous periods?***

Indicator	Period Ending	Fund	Broad Market Index
ESG Score	31 December 2024	4.42	3.78
	31 December 2023	4.20	3.54
	31 December 2022	4.01	3.38
GHG Intensity (Scope 1 & 2)	31 December 2024	43.36	82.94
	31 December 2023	41.68	86.45
	31 December 2022	46.51	95.51
Fossil Fuel Reserve Exposures	31 December 2024	311.66	441.73
	31 December 2023	163.57	368.64
	31 December 2022	225.01	497.04

Broad Market Index - FTSE Japan Index

The Fund recalculated figures for 2022 Reporting Year with figures for ESG Score - 4.01, GHG Intensity (Scope 1 & 2) - 46.51, Fossil Fuel Reserve Exposures - 226.94 because of change in data sets and certain calculation methodology.

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

The objectives of the sustainable investments in the Fund were, amongst others:

1. Companies with sustainable product and/or services or quantifiable projects (e.g. CAPEX, OPEX and Turnover) linked to sustainable goals or outcomes;
2. Companies that demonstrated qualitative alignment and/or convergence with UN Sustainable Development Goals or sustainable themes (e.g. Circular Economy);
3. Companies that were transitioning with credible progress. (e.g the transition to or use of renewable energy or other low-carbon alternatives).

By replicating the performance of the Index, the sustainable investments of the Fund contributed to these sustainable objectives.

● ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

On an annual basis the Index removed stocks based on sustainability exclusionary criteria, including, but not limited to:

- companies identified as providing core weapons systems, or components/services that are considered tailor-made and essential for banned and controversial weapons (including anti-personnel mines, blinding laser weapons, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, non-detectable fragments, and white phosphorus munitions);
- companies identified as involved in the manufacturing of tobacco products;
- companies identified as involved in providing tailor-made products and/or services, or tailormade components for conventional military weapons;
- companies identified as involved with thermal coal extraction and electricity generation;
- companies identified as involved with electricity generation from nuclear power;
- companies considered to have breached one or more of the UNGC principles (widely accepted sustainability principles covering human rights, labour, environment and anti-corruption);
- companies identified as involved in owning or operating a gambling establishment or manufacturing specialised products exclusively for gambling or providing supporting products/ services to gambling operations; and
- companies identified as involved in the production or operation of adult entertainment establishments or in the distribution of adult entertainment materials.

On a quarterly basis, the Index removed companies considered to be non-compliant with one or more of the UNGC principles.

In addition, the sustainable investments were deemed by the Investment Manager to not have caused significant harm against any environmental or social sustainable investment objective following assessment against the below considerations:

- Banned & controversial weapons involvement;
- Tobacco production revenues above 0%;
- Thermal coal extraction revenues above 10%;
- Thermal coal power generation revenues above 10%;
- Compliance with United Nations Global Compact principles; and
- Involvement in controversies of the highest levels.

By replicating the performance of the Index, the investments of the Fund that were deemed sustainable investments did not cause significant harm to environmental and/or social investment sustainable objectives.

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

Sustainability related investment data inputs into the Index methodology (e.g. ESG scores, carbon data) implicitly captured mandatory PAI metrics and were used in the construction of the Index.

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.

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

The Index methodology incorporated the FTSE Russell ESG scores. The FTSE Russell ESG scores included assessments of whether companies met global standards such as the United Nations Global Compact Principles ("UNGC") or the Organisation for Economic Cooperation and Development ("OECD") Guidelines for Multinational Enterprises. This was part of the 'human rights and community' pillar in the social pillar of the FTSE Russell ESG ratings model. Further information on controversies and human rights in FTSE Russell indices is available on the Index provider's website.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

Sustainability related investment data inputs into the Index methodology (e.g. ESG scores, carbon data) implicitly captured mandatory PAI metrics and were used in the construction of the Index.



What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: Based on the four-quarter average holdings of the reference period as at 31/12/2024

Largest Investments	Sector	% Assets	Country
Toyota Motor Corp.	Consumer Discretionary	10.60%	Japan
Sony Group Corporation	Consumer Discretionary	5.68%	Japan
Itochu Corporation	Industrials	5.49%	Japan
Mizuho Financial Group, Inc.	Financials	5.39%	Japan
NEC Corporation	Information Technology	3.62%	Japan
Sumitomo Mitsui Financial Group, Inc.	Financials	3.60%	Japan
SoftBank Corp.	Communication Services	3.42%	Japan
KDDI Corporation	Communication Services	2.92%	Japan
Mitsui & Co., Ltd	Industrials	2.91%	Japan
Seven & I Holdings Co., Ltd.	Consumer Staples	2.87%	Japan
Daiichi Sankyo Company, Limited	Health Care	2.84%	Japan
Renesas Electronics Corporation	Information Technology	2.19%	Japan

Cash and derivatives were excluded

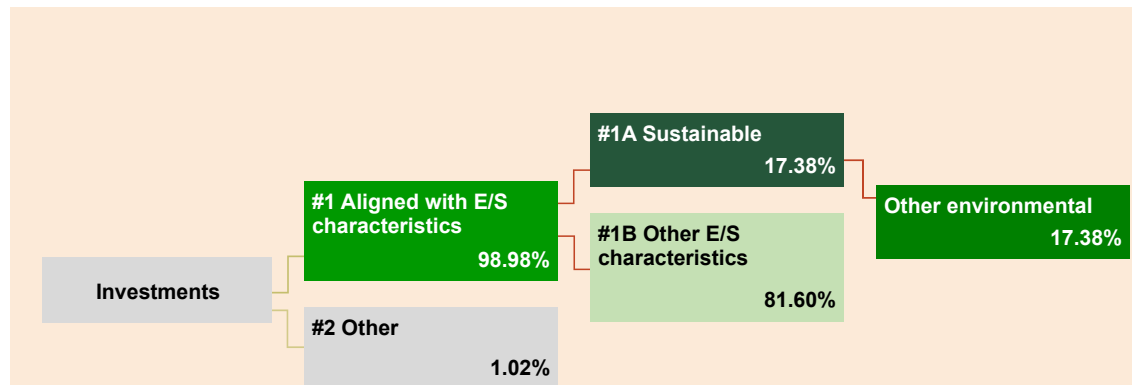


What was the proportion of sustainability-related investments?

17.38% of the portfolio was invested in sustainable investments.

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

*A company or issuer considered as a sustainable investment may contribute to both a social and environmental objective, which can be aligned or non-aligned with the EU Taxonomy. The figures in the above diagram take this into account, but one company or issuer may only be recorded once under the sustainable investments figure (#1A Sustainable).

The percentages of Taxonomy-aligned and Other Environmental, do not equal #1A Sustainable investment due to differing calculation methodologies of sustainable investments and Taxonomy-aligned investments.

● **In which economic sectors were the investments made?**

Sector / Sub-Sector	% Assets
Consumer Discretionary	24.11%
Industrials	19.56%
Information Technology	15.99%
Financials	13.61%
Health Care	7.52%
Communication Services	7.48%
Consumer Staples	6.41%
Real Estate	2.77%
Materials	1.33%
Cash & Derivatives	1.02%
Energy	0.12%
Oil & Gas Exploration & Production	0.04%
Oil & Gas Refining & Marketing	0.08%
Utilities	0.08%
Gas	0.08%
Total	100.00%

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



● **To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund did not make sustainable investments aligned with the EU Taxonomy.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying 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 no significant harm to 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.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.

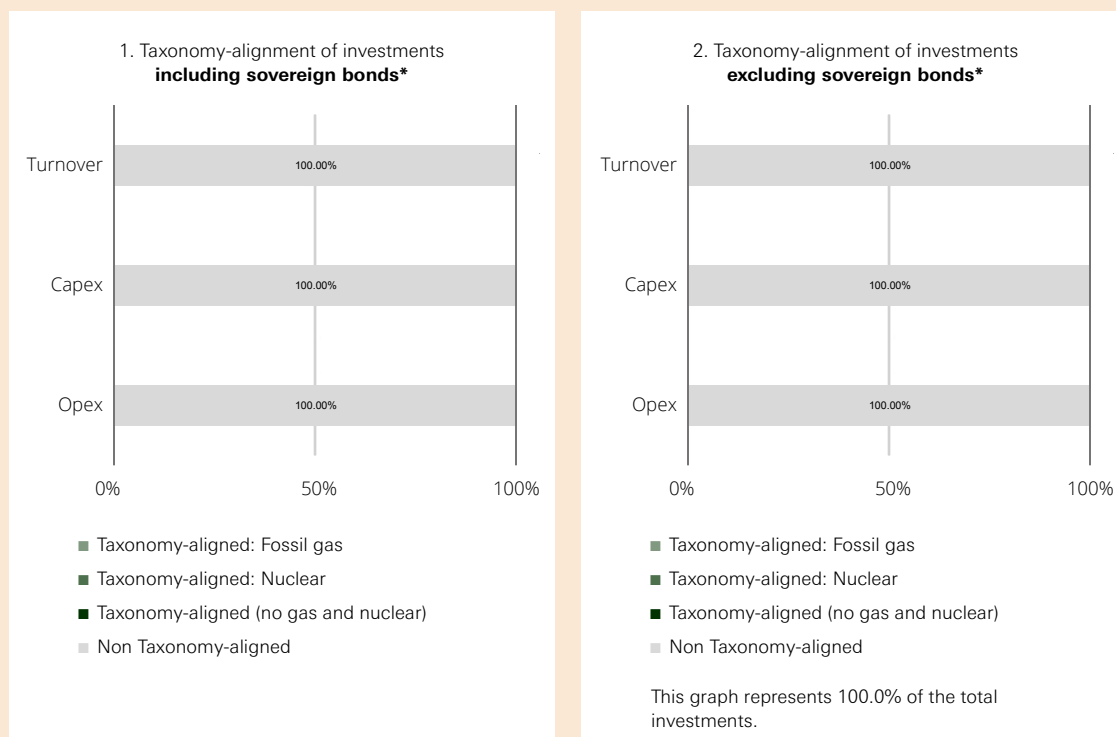
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.

- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

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.

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

The graphs below show in green the percentage of investments that were 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 was the share of investments made in transitional and enabling activities?

For the reference period the Fund's share of investment in transitional activities was 0.00% and the share of investment in enabling activities was 0.00%.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Indicator	2023-24	2022-23	2021-22
Revenue - Taxonomy-aligned: Fossil gas	0.00%	0.00%	0.00%
Revenue - Taxonomy-aligned: Nuclear	0.00%	0.00%	0.00%
Revenue - Taxonomy-aligned (no gas and nuclear)	0.00%	0.00%	0.00%
Revenue - Non Taxonomy-aligned	100.00%	100.00%	100.00%
CAPEX - Taxonomy-aligned: Fossil gas	0.00%	0.00%	0.00%
CAPEX - Taxonomy-aligned: Nuclear	0.00%	0.00%	0.00%
CAPEX - Taxonomy-aligned (no gas and nuclear)	0.00%	0.00%	0.00%
CAPEX - Non Taxonomy-aligned	100.00%	100.00%	100.00%
OPEX - Taxonomy-aligned: Fossil gas	0.00%	0.00%	0.00%
OPEX - Taxonomy-aligned: Nuclear	0.00%	0.00%	0.00%
OPEX - Taxonomy-aligned (no gas and nuclear)	0.00%	0.00%	0.00%
OPEX - Non Taxonomy-aligned	100.00%	100.00%	100.00%

 are sustainable investments with an environmental objective that **do not take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.**



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The sustainable investments with an environmental objective not aligned with the EU Taxonomy were 17.38%. Due to lack of coverage and data, the Fund did not commit to making any EU Taxonomy aligned investments.



What was the share of socially sustainable investments?

The Fund did not invest in socially sustainable investments.



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Cash and other instruments such as American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts, Eligible Collective Investment Schemes and/or financial derivative instruments may have been used for liquidity, hedging and efficient portfolio management in respect of which there were no minimum environmental and/or social safeguards.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund was passively managed and aimed to replicate the net total return performance of the Index. The Index sought to achieve a reduction in carbon emissions and fossil fuel reserves exposure and an improvement of the FTSE Russell ESG rating against that of the Parent Index. The Index achieved this in the following ways:

1. on an annual basis in September, removing stocks based on sustainability exclusionary criteria;
2. on an annual basis in September, adjusting the weights of the remaining companies within the Parent Index according to carbon emissions, fossil fuel reserves exposure and FTSE Russell ESG ratings based criteria; and
3. on a quarterly basis, removing companies considered to be non-compliant with one or more of the UNGC principles.

HSBC Asset Management is a signatory of the UN Principles of Responsible Investment and UK Stewardship Code. The HSBC Asset Management's stewardship team met with companies regularly to improve the understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice.

Further information on shareholder engagement and voting policy can be found on our website: <https://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/responsible-investing/policies>.



How did this financial product perform compared to the reference benchmark?

See below for details on how the Fund performed compared to the reference benchmark.

- ***How does the reference benchmark differ from a broad market index?***

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

The Index is a subset of the FTSE Japan Index and aimed to measure the performance of companies in Japan as defined by the Index provider. As further detailed above, on an annual basis, the Index provider applied sustainable exclusionary criteria and weighted companies in order to reduce the exposure in the Index to companies with higher carbon emissions and fossil fuel reserves and to improve the exposure in the Index to comply with favourable FTSE Russell ESG ratings compared to that of the Parent Index. In addition, the UNGC exclusionary criteria were applied to the Index on a quarterly basis (i.e. on each rebalancing date).

- a. companies identified as providing core weapons systems, or components/services that are considered tailor-made and essential for banned and controversial weapons (including anti-personnel mines, blinding laser weapons, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, non-detectable fragments, and white phosphorus munitions);
- b. companies identified as involved in the manufacturing of tobacco products;
- c. companies identified as involved in providing tailor-made products and/or services, or tailor-made components for conventional military weapons;
- d. companies identified as involved with thermal coal extraction and electricity generation;
- e. companies identified as involved with electricity generation from nuclear power;
- f. companies considered to have breached one or more of the UNGC principles (widely accepted sustainability principles covering human rights, labour, environment and anticorruption);
- g. companies identified as involved in owning or operating a gambling establishment or manufacturing specialised products exclusively for gambling or providing supporting products/services to gambling operations; and
- h. companies identified as involved in the production or operation of adult entertainment establishments or in the distribution of adult entertainment materials.

How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

In seeking to achieve its investment objective, the Fund invested in the constituents of the Index in generally the same proportions in which they are included in the Index.

In doing so, the performance of the sustainability indicators of the Fund, was similar to the performance of the sustainability indicators of the Index, as shown below.

How did this financial product perform compared with the reference benchmark?

Indicator	Fund	Reference Benchmark
ESG Score	4.42	4.42
GHG Intensity (Scope 1 & 2)	43.36	43.33
Fossil Fuel Reserve Exposures	311.66	311.86

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024.
Reference Benchmark - FTSE Japan ESG Low Carbon Select Index

● ***How did this financial product perform compared with the broad market index?***

Indicator	Fund	Broad Market Index
ESG Score	4.42	3.78
GHG Intensity (Scope 1 & 2)	43.36	82.94
Fossil Fuel Reserve Exposures	311.66	441.73

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024.

Broad Market Index - FTSE Japan Index