

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852).

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 5.00% 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 FTSE Emerging ESG Low Carbon Select Index (the "Index"), the Fund promotes the following environmental and/or social characteristics:

- supporting the transition to a lower carbon economy, through a reduction in carbon emissions and fossil fuel reserves exposure compared to the FTSE Emerging Index (the "Parent Index"); and
- supporting the management of a broad range of ESG issues collectively measured by FTSE Russell ESG ratings. FTSE Russell ESG ratings are a measure of the overall quality of a company's management of issues associated with three ESG pillars, being environmental, social, and governance. Each pillar has several themes against which companies are assessed, these are determined by FTSE Russell. The themes are climate change, biodiversity, pollution and resources, water security, customer responsibility, human rights, labor standards, health and safety, anti-corruption, corporate governance, risk management, tax transparency and supply chain considerations. The construction of the overall FTSE Russell ESG rating considers individual data points relating to the environmental social and governance themes, which are aggregated to give an overall rating for each company, considering the relevance of each theme to the company. This is achieved by targeting an improvement of the FTSE Russell 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 FTSE Russell

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.

**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?**

The below sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the Fund, specifically measuring:

- FTSE Russell ESG rating of the Fund relative to the Parent Index, whereby the FTSE Russell ESG rating of the Fund is expected to be higher than that of the Parent Index; and
- Carbon intensity and fossil fuel reserves exposure of the Fund relative to the Parent Index, whereby the carbon intensity and fossil fuel reserves exposure of the Fund is expected to be lower than that of the Parent Index.

- **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 will contribute to one or more of the following environmental and/or social objectives:

- Transition to a lower carbon economy;
- Support research and financing of technology, resources and supply chain improvements relating to climate change mitigation and/or adaptation;
- Support the enhancement of the United Nations Sustainable Development Goals (“UN SDGs”); and
- Adopting the highest level of environmental and social practices, ranging from the approach to climate change mitigation to board gender diversity.

Investments may be considered sustainable if they make a positive contribution to an environment or social objective in accordance with the Investment Manager’s sustainable investment policy. A sustainable investment’s contribution to these objectives will be determined by meeting one or more of the following criteria:

- Classification as net zero aligned, or better, by the Investment Manager’s net zero investment framework;
- Best in class environmental and / or social scores in the investment’s respective universe, as determined by the Investment Manager;
- Generation of sustainable revenues, which are those generated from activities that the Investment Manager regards as supporting the enhancement of the UN SDGs, EU Taxonomy objectives or other climate related activities.

Further information can be found in HSBC’s Responsible Investing Methodologies document. This is available on: [www.assetmanagement.hsbc.com/about-us/responsible-investing](http://www.assetmanagement.hsbc.com/about-us/responsible-investing), by selecting your location and then choosing Policies and Disclosures.

- **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 Fund will be assessed against the principle of do no significant harm (“DNSH”) to ensure they do not significantly harm any environmental or social objective. This includes taking into account principal adverse impacts (“PAIs”) as further described below.

In addition, companies earning 50% or more of their revenue from adult entertainment, gambling, alcohol, and those identified as involved in severe controversies by a third-

**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.

party research provider, will not pass the DNSH principle. The DNSH principle applies only to the investments in the Fund deemed sustainable.

**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 Commission Delegated Regulation (EU) 2022/1288, are used to assess whether the sustainable investments of the Fund are significantly harming any relevant environmental or social objective.

To support the DNSH assessment, the Investment Manager has established quantitative criteria across the 14 PAIs listed in the table below.

<b>Mandatory PAIs</b>		
Greenhouse gas (GHG) emissions	PAI 1	GHG emissions
Greenhouse gas (GHG) emissions	PAI 2	Carbon footprint
Greenhouse gas (GHG) emissions	PAI 3	GHG intensity of investee companies
Greenhouse gas (GHG) emissions	PAI 4	Exposure to companies active in the fossil fuel sector
Greenhouse gas (GHG) emissions	PAI 5	Share of non-renewable energy consumption and production
Greenhouse gas (GHG) emissions	PAI 6	Energy consumption intensity per high impact climate sector
Biodiversity	PAI 7	Activities negatively affecting biodiversity-sensitive areas
Water	PAI 8	Emissions to water
Water	PAI 9	Hazardous waste and radioactive waste ratio
Social and employee matters	PAI 10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
Social and employee matters	PAI 11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
Social and employee matters	PAI 12	Unadjusted gender pay gap
Social and employee matters	PAI 13	Board gender diversity
Social and employee matters	PAI 14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

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 may still be held within the Fund but will not count toward the portion of ‘sustainable investments’ within the Fund.

Further information on the mandatory principal adverse impact indicators, as well as the data sources and limitations, can be found in HSBC’s User Guide on Principal Adverse Indicators. This is available on: [www.assetmanagement.hsbc.com/about-us/responsible-investing](http://www.assetmanagement.hsbc.com/about-us/responsible-investing), by selecting your location and then choosing Policies and Disclosures.

### **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 Manager may use a combination of third party research and its own ESG due diligence to monitor sustainable investments for involvement in controversies which include potential breaches of UNGC principles. As part of this monitoring, there is assessment against international standards including the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and UN Guiding Principles on Business and Human Rights.

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, sustainable investment data inputs into the Index methodology (e.g. ESG scores, carbon data) implicitly capture mandatory PAI metrics used in the construction of the Index. As a result, the Index will show a more positive exposure to PAI metrics vs the Parent Index.

The performance of these PAIs will be included in the Fund's year-end report and accounts.

- 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 Index seeks 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 achieves 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.
3. on a quarterly basis, removing companies considered to be non-compliant with one or more of the UNGC principles.

**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:

1. on an annual basis in September, removing stocks based on sustainability exclusionary criteria. The following types of companies are removed from the Index on an annual basis due to the sustainability exclusionary criteria, some criteria may apply thresholds:

- 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; and
- f. companies considered to have breached one or more of the UNGC principles (widely accepted sustainability principles covering human rights, labour, environment and anti-corruption);
- 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;

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 . The Index also aims to limit industry divergence against the Parent Index by maintaining maximum stock weights of 10% and minimum stock weights of 0.5 bps ; and

3. on a quarterly basis, removing companies considered to be non-compliant with one or more of the UNGC principles.

Further information on the Index methodology is available from the Index Provider's website detailed in the "Where can the methodology used for the calculation of the designated index be found?" section of this document.

- **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 a committed minimum rate to reduce the scope of investments.

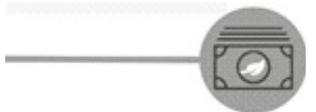
- **What is the policy to assess good governance practices of the investee companies?**

The Index methodology incorporates the FTSE Russell ESG scores. The FTSE Russell ESG Ratings model consists of pillars such as "Tax Transparency", "Corporate governance" and "Labor standards", among others, which enable the assessment of investee companies for good governance.

Further information is available on the Index provider's website.

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

In addition to the above consideration in the Index construction, 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.



**Asset allocation** describes the share of investments in specific assets.

### What is the asset allocation planned for this financial product?

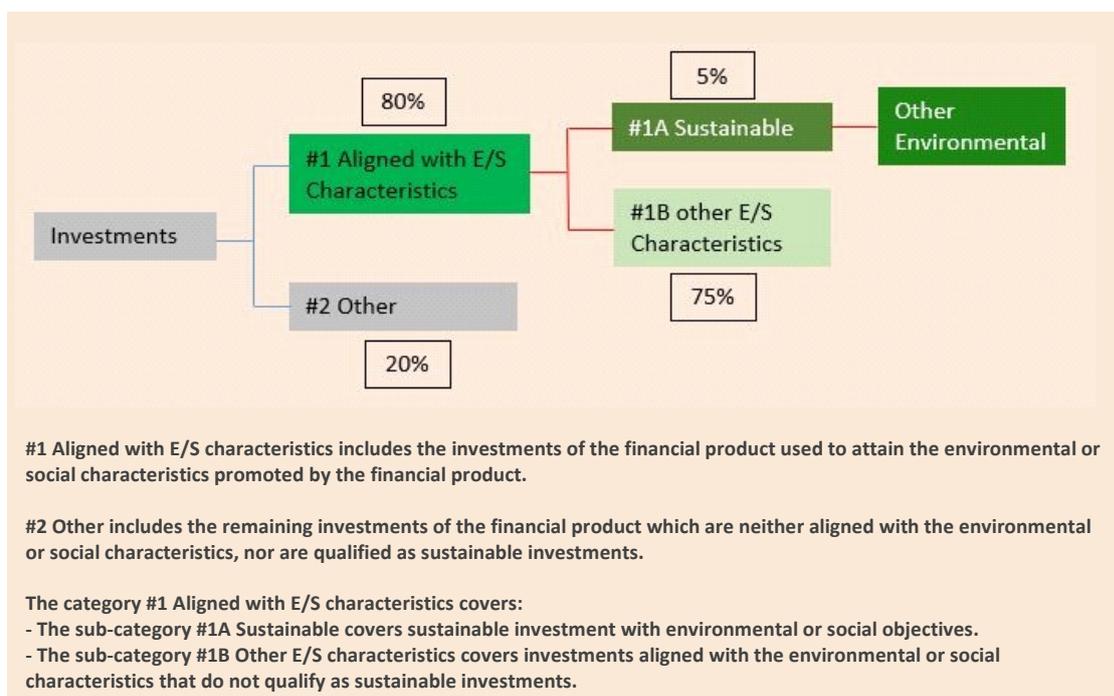
In seeking to achieve its investment objective, the Fund will aim to invest in the constituents of the Index in generally the same proportions in which they are included in the Index. As such, it is expected that at least 80% of the Fund's assets will be invested in either securities within the Index or in securities that meet the ESG criteria of the Index ("#1 Aligned with E/S characteristics"). The Fund may invest up to 20% of its assets in other investments ("#2 Other").

At each index rebalance, the portfolio of the Fund will be rebalanced in line with the Index so that at least 80% of the Fund's assets will be aligned with the ESG criteria of the Index (this includes 5% of the Fund's assets that are qualified as #1A 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 Fund will not use derivatives to attain the environmental or social characteristics of the Fund.



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

The Fund does not 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 ?<sup>1</sup>**

yes

in fossil gas

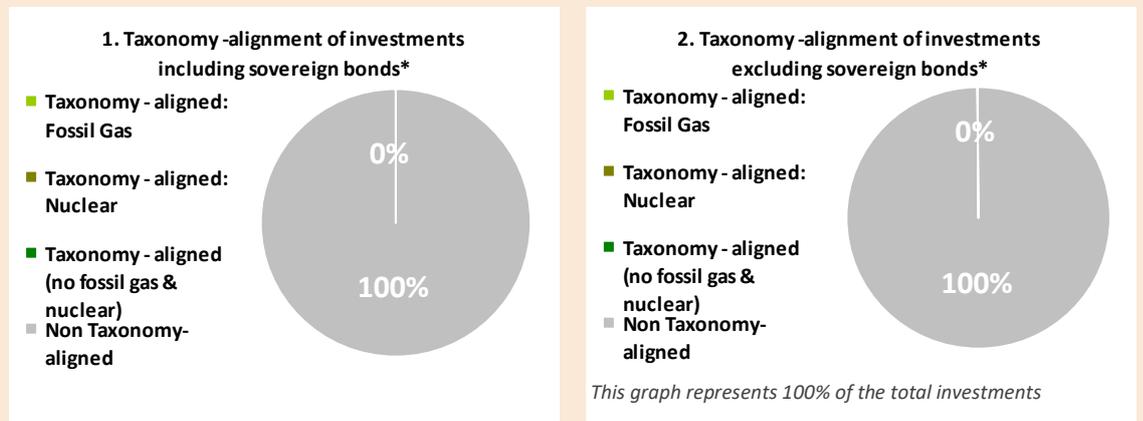
In nuclear energy

No

<sup>1</sup> 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.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

**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.

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

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?

The Fund will invest at least 5% in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



## What is the minimum share of socially sustainable investments?

The Fund does not 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?

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 be used for liquidity, 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 FTSE Emerging ESG Low Carbon Select 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?**

On an annual basis, the Index provider applies sustainable exclusionary criteria and weights 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 United Nations Global Compact (UNGC) exclusionary criteria are applied to the Index on a quarterly basis (i.e. on each rebalancing date).

- **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 FTSE Emerging ESG Low Carbon Select Index, while minimising as far as possible the tracking error between the Fund’s performance and that of the Index. In seeking to achieve its investment objective, the Fund will aim to invest in the constituents of the Index in generally the same proportions in which they are included in the Index.

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

The Index is a subset of the FTSE Emerging Index and aims to measure the performance of companies in emerging markets as defined by the Index provider.

As further detailed above, on an annual basis, the Index provider applies sustainable exclusionary criteria and weights 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 United Nations Global Compact (UNGC) exclusionary criteria are applied to the Index on a quarterly basis (i.e. on each rebalancing date).

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

The Index methodology may be amended from time to time by the Index provider. Information on the Index methodology is available on <https://www.ftserussell.com/>.



## Where can I find more product specific information online?

More product-specific information on this and all other HSBC ETF funds can be found on the website. Go to: [www.assetmanagement.hsbc.com/investment-expertise/etf](http://www.assetmanagement.hsbc.com/investment-expertise/etf) and select your country/location from the list. Please select ‘Funds’ from the main navigation page, where

you can use the search or filter functions to find your particular fund.

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