

## Sustainable investment objective

**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.

### Does this financial product have a sustainable investment objective?

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: 90%**

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 \_\_\_% 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 is the sustainable investment objective of this financial product?

The sub-fund aims to make a positive environmental, social and governance (“ESG”) effect, by investing in equities and equity equivalent securities issued by companies that contribute to United Nations Sustainable Development Goals (“**Contributing Companies**” and “**SDGs**”), while also aiming to provide long-term total return. The sub-fund qualifies under Article 9 of SFDR.

The sustainable investment objectives promoted by this sub-fund are:

1. Investment into a portfolio of **companies that contribute to Contributing Companies and SDGs**, including, but not limited to, Climate Action, Affordable and Clean Energy, Clean Water and Sanitation, Good Health and Well Being and Reduced Inequalities.
2. The **identification and analysis of a company’s environmental and social factors**, including corporate governance practices which form an integral part of the investment decision making process.
3. **Consideration of lower carbon intensity investments** compared to the 100% MSCI AC World Index TRI, the (“**Reference Benchmark**”).
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. Excluding activities covered by HSBC Asset Management’s Responsible Investment Policies (the “**HSBC Excluded Activities**”) and the Paris-aligned Benchmark exclusions (the “**PAB Excluded Activities**”) (together referred to as the “**Excluded Activities**”) as listed below.

The attainment of the sustainable investment objective is measured using the sustainability indicators below, some of which are measured against the Reference Benchmark for the sub-fund. However, this benchmark has not been designated for the purpose of achieving the sustainable investment objective promoted by the sub-fund.

- ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

Sustainability indicators measure the attainment of the sustainable investment objective and are therefore a key consideration in the Investment Adviser’s investment decision making process, which comprise of:

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

	<b>Sustainable Investment Objective</b>	<b>Sustainability indicator</b>
1.	Consideration of SDGs that the Contributing Companies contribute to include, particularly: Climate Action, Affordable and Clean Energy, Clean Water and Sanitation, Good Health and Well Being and Reduced Inequalities	Alignment of the sub-funds’ assets with the SDGs.
2.	Identification and analysis of a company’s environmental and social factors	The sub-fund aims to have a higher ESG score, calculated as a weighted average of the ESG scores given to the companies in which the sub-fund has invested, than the weighted average of the constituents of the Reference Benchmark.
3.	Consideration of lower carbon intensity investments	A lower carbon intensity relative to the Reference Benchmark for the following:  Greenhouse gas intensity of investee companies (Scope 1 & Scope 2).
4.	Responsible business practice in line with UNGC and OECD principles	All investments are assessed against the ten principles of the UNGC and the OECD. Companies that are identified as having violated one of the ten principles of the UNGC or OECD guidelines are systematically excluded, unless they have gone through an ESG due diligence assessment, undertaken by HSBC, and are determined not to be in breach of the principles or guidelines.
5.	Excluded Activities	Exclusion of companies that are not in compliance with Excluded Activities.

***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The sustainable investments in the sub-fund will be assessed against the principle of ‘do no significant harm’ (“**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**”).

**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.

***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 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.

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.

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

The Investment Adviser uses data from a third-party research provider to monitor sustainable investments for involvement in controversies which include potential breaches of UNGC principles. As part of this monitoring, there is an assessment against international standards including the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and UN Guiding Principles on Business and Human Rights.

Companies that are identified as being in potential violation of UNGC principles are systematically excluded, unless they have gone through an ESG due diligence assessment, undertaken by HSBC, and are determined not to be in breach of the principles.

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, HSBC Asset Management considers PAIs at group level as part of its stewardship process and companies that are identified for severe violations or worst in class performers on certain PAIs may be subject to further dialogue and ESG due diligence. Certain PAIs will also be considered through exclusions - including for example controversial weapons and UNGC violations. Potential UNGC violations are identified by a third-party controversies-based research service.

The sub-fund will specifically consider the following PAIs:

- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Violation of UNGC and OECD principles
- Share of investment involved in controversial weapons

The performance of these PAIs will be included in the Company’s annual report. Further information can also be found in HSBC’s User Guide on Principal Adverse Impacts available on the website at: [www.assetmanagement.hsbc.com/about-us/responsible-investing](http://www.assetmanagement.hsbc.com/about-us/responsible-investing) - select your location and then choose Policies and Disclosures.

No

## What investment strategy does this financial product follow?

The sub-fund aims to make a positive environmental, social and governance (“ESG”) contribution, by investing in equities and equity equivalent securities issued by Contributing Companies that contribute to SDGs, while also aiming to provide long-term total return.

The SDGs that the Contributing Companies contribute to include, but are not limited to, Climate Action, Affordable and Clean Energy, Clean Water and Sanitation, Good Health and Well Being and Reduced Inequalities. The sub-fund qualifies under Article 9 of SFDR.

The sub-fund aims to have a higher ESG score, calculated as a weighted average of the ESG scores given to the companies in which the sub-fund has invested, than the weighted average of the constituents of the Reference Benchmark.

The sub-fund aims to have a lower carbon intensity relative to the Reference Benchmark.

The Investment Adviser analyses the sub-fund’s ESG metrics as the fundamental consideration when determining the sub-fund’s potential investments. The sub-fund’s investment principles (“**Investment Principles**”), which are used together with sustainability analysis and fundamental qualitative company analysis to determine the sub-fund’s investments, may include but are not limited to:

- Engagement with Contributing Companies regarding their ESG standards.
- Engagement with Contributing Companies regarding their ESG standards at various stages of their ESG transition.
- companies following good ESG practices which include, but are not limited to, companies with efficient electricity and water usage and companies with sound business ethics and transparency.
- including companies following good ESG practices resulting in low and/or decreasing carbon intensity.

This ESG analysis is proprietary to HSBC using data supplied by non-financial rating agencies and internal research. All the companies that the sub-fund invests in will be subject to this ESG analysis and fundamental qualitative company analysis and where required additional company specific ESG metrics will be used to demonstrate alignment with the SDG/SDGs. The result of this analysis must confirm that the relevant company meets the Investment Adviser’s sustainable investment criteria.

The sub-fund includes the identification and analysis of a company’s environmental and social factors and corporate governance practices as an integral part of the investment decision making process.

Investment Principles, environmental and social factors, corporate governance practices, lower carbon intensity, Excluded Activities and the need for ESG due diligence may be identified and analysed by using, but not exclusively, HSBC’s proprietary ESG Materiality Framework and scores, fundamental qualitative research and corporate engagement. When assessing companies’ ESG scores and/or metrics, carbon intensities or their involvement in Excluded Activities, the Investment Adviser may rely on expertise, research and information provided by financial and non-financial data providers.

The sub-fund is actively managed and the investment strategy is implemented on a continuous basis through compliance and monitoring of the binding elements as listed below.

**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 the sustainable investment objective?**

The binding elements of the investment strategy used to select the investments to attain the sustainable investment objectives are:

- The sub-fund will invest a minimum 90% of its net assets in sustainable investments aligned with its sustainable investment objective.
- Investment into a portfolio of equities and equity equivalent securities issued by Contributing Companies that contribute to SDGs; Particularly those in relation to Climate Action, Affordable and Clean Energy, Clean Water and Sanitation, Good Health and Well Being and Reduced Inequalities.
- The sub-fund will include the identification and analysis of companies' environmental and social factors, including corporate governance practices within the investment process. The Investment Adviser will consider the ESG scores given to the companies in which the sub-fund invests.
- The Investment Adviser will consider the carbon intensity of companies in which the sub-fund invests.
- The above limit includes units or shares of UCITS and/or other Eligible UCIs (including other sub-funds of HSBC Global Investment Funds). Where a sustainable investment is an investment in another financial product, such as a UCITS fund, the Investment Adviser will look through the underlying investments of that financial product to ensure that the investment qualifies as a sustainable investment under Article 2(17) SFDR and to assess the proportion of sustainable investments accurately.
- Companies considered for inclusion within the sub-fund's portfolio will be subject to Excluded Activities including, but are not limited to:

HSBC Excluded Activities	Details
Banned Weapons	<p>The sub-fund will exclude companies HSBC considers to have verified or strongly indicated involvement in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of weapons banned by certain international conventions.</p> <p>Where HSBC has identified potential involvement, those companies may be subject to ESG due diligence checks to determine whether those companies should be excluded from a sub-fund's portfolio.</p> <p>Banned weapons include anti-personnel mines, biological weapons, blinding laser weapons, chemical weapons, cluster munitions &amp; non-detectable fragments.</p>
Controversial Weapons	<p>The sub-fund will not invest in companies HSBC considers to be directly involved in the production of controversial weapons or their key components. Controversial weapons include depleted uranium ammunition and depleted uranium armour, incendiary weapons, nuclear weapons and white phosphorus weapons.</p> <p>Where HSBC has identified potential involvement, those companies may be subject to ESG due diligence checks to determine whether those companies should be excluded from a sub-fund's portfolio.</p> <p>HSBC may continue to invest in companies with immaterial involvement. HSBC defines immaterial involvement as being companies where less than 5% of revenues is derived from the production of controversial weapons or its key components.</p>
Thermal Coal 1 (Expanders)	<p>The sub-fund will not participate in initial public offerings ("IPOs") or primary fixed income financing by companies HSBC considers to be engaged in the expansion of thermal coal production.</p>

Thermal Coal 2 (Revenue threshold)	The sub-fund will not invest in companies HSBC considers having more than 2.5% revenue generated from thermal coal power generation or extraction and which, in the opinion of HSBC, do not have a credible transition plan.
Arctic Oil & Gas	The sub-fund will not invest in companies HSBC considers to have more than 10% of their revenues generated from oil & gas extraction in the Arctic region and which, in the opinion of HSBC, do not have a credible transition plan.
Oil Sands	The sub-fund will not invest in companies HSBC considers to have more than 10% of their revenues generated from oil sands extraction and which, in the opinion of HSBC, do not have a credible transition plan.
Shale Oil	The sub-fund will not invest in companies HSBC considers to have more than 35% of their revenues generated from the extraction of Shale Oil and which, in the opinion of HSBC, do not have a credible transition plan.
Tobacco	The sub-fund will not invest in companies HSBC considers to be directly involved in the production of tobacco.
UNGC	The sub-fund will not invest in companies HSBC considers to be non-compliant with United Nations Global Compact (UNGC) Principles. Where instances of potential violations of UNGC principles are identified, companies may be subject to proprietary ESG due diligence checks to determine their suitability for inclusion in a sub-fund's portfolio.

In addition, HSBC apply the Paris Aligned Benchmark exclusions regarding investments in issuers for this sub-fund:

<b>Additional PAB Excluded Activities</b>	<b>Details</b>
Controversial weapons	The sub-fund will not invest in companies involved in any activities related to controversial weapons, meaning controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation.
Tobacco	The sub-fund will not invest in companies involved in the cultivation and production of tobacco.
UNGC and OECD	The sub-fund will not invest in companies in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.
Hard coal and lignite	The sub-fund will not invest in companies that derive 1% or more of revenue from exploration, mining extraction, distribution or refining of hard coal and lignite.
Oil fuels	The sub-fund will not invest in companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels.
Gaseous fuels	The sub-fund will not invest in companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels.
Electricity generation	The sub-fund will not invest in companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO <sub>2</sub> e/kWh.

### **Good governance**

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

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

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.

HSBC's Stewardship team meets with 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 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 and the minimum share of sustainable investments?**

The sub-fund will make a minimum of sustainable investments with an environmental objective of 90% (#1A Sustainable). (#2 Not Sustainable) includes 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.



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.

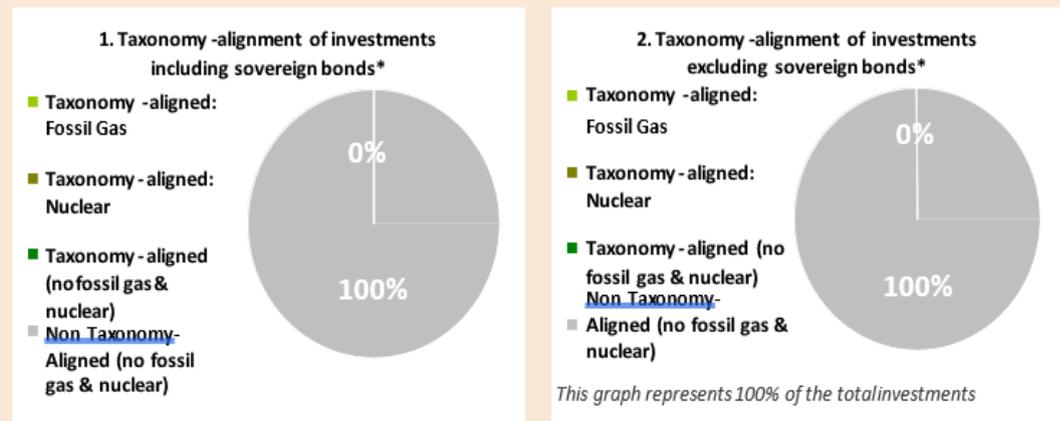
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**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.

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)022/1214.

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.

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

The Sub-Fund may invest in transitional and enabling activities but does not commit to a minimum share of investments.



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 sub-fund invests at least 90% in sustainable investments, with an environmental objective that is not aligned with the EU Taxonomy. HSBC do not commit to having EU Taxonomy aligned investments due to the lack of coverage and data available.



**What is the minimum share of sustainable investments with a social objective?**

There is no commitment to a minimum share of socially sustainable investments.



## What investments are included under “#2 Not Sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The sub-fund may invest in money market funds or liquid assets (ancillary liquid assets, bank deposits and money market instruments) for liquidity management purposes. Financial derivative instruments may also be used for efficient portfolio management. These financial instruments may not qualify as sustainable investments. In some instance, investments may be included under #2 Not Sustainable due to corporate actions and/or non-availability of data.

Liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) and financial derivatives instruments are not considered to be aligned with sustainable investment objective within the sub-fund and do not have any minimum environmental or social safeguards applied. However, money market funds which meet the requirements of Article 8 SFDR are deemed to have minimum environmental or social safeguards.



## Is a specific index designated as a reference benchmark to meet the sustainable investment objective? No.

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable objective?***  
Not applicable for this sub-fund.
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***  
Not applicable for this sub-fund.
- ***How does the designated index differ from a relevant broad market index?***  
Not applicable for this sub-fund.
- ***Where can the methodology used for the calculation of the designated index be found?***  
Not applicable for this sub-fund.



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

More product-specific information can be found on the website:

[www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com)

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