

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 MSCI World Small Cap ESG UCITS ETF

Legal Entity Identifier: 2138004YMBEWQ8NGOY60

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 18.76% 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 MSCI World Small Cap SRI ESG Leaders Select Index (the "Index"), the Fund promoted the following environmental and/or social characteristics:

- An improvement of the ESG rating against that of the MSCI World Index (the "Parent Index").

The Fund sought to achieve the promotion of this characteristic 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 selected companies in order 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.

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

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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	7.25	6.06

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

Broad Market Index - MSCI World Index

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

Indicator	Period Ending	Fund	Broad Market Index
ESG Score	31 December 2024	7.25	6.06
	31 December 2023	7.14	5.93
	31 December 2022	6.90	5.63

Broad Market Index - MSCI World Index

The Fund recalculated figures for 2022 Reporting Year with figures for ESG Score - 6.91 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?***

The Index was re-balanced periodically and was constructed from the Parent Index by 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):

- controversial weapons;

- conventional weapons/civilian firearms;
- nuclear weapons;
- adult entertainment;
- genetically modified organisms;
- alcohol;
- gambling;
- nuclear power;
- fossil fuel reserves ownership;
- fossil fuel extraction;
- thermal coal power; and
- tobacco.

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 objective.

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

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.

The mandatory PAI indicators were used in the assessment of business activities of the initial universe of securities. Revenue data, business involvement and other data sources were considered when assessing each security using minimum thresholds or blanket exclusions on activities identified in relation to these indicators. The Index was constructed using MSCI proprietary data on each security's business involvement. The Business Involvement Screening Research (BISR) highlighted Involvement Screening Research (BISR) highlighted each security's involvement or adherence to Global sanctions, Controversies and global norms (PAI 10, 11), Carbon and Sustainable Impact (Positive screening) (PAI 1,2,3). As per the Index methodology, securities involved in Thermal coal mining and generation, Oil & Gas, were screened at a minimum threshold level and controversial weapons (PAI 14) were removed before the final index was calculated. In addition, a separate controversy screen was applied to the starting universe to remove any security in violation of UNGC principles (PAI 10).

No optional indicators were taken into account.

*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 MSCI ESG Controversies. The evaluation framework used in MSCI ESG Controversies was 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 covered the following pillars: Environment, Human Rights & Community, Labor rights & Supply chain, Customers and Governance. These pillars included indicators such as Human rights concerns, Collective bargaining & unions, Child labor and Anticompetitive practices, which were also issues that the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights covered. Further information on MSCI ESG Controversies can be found 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?

The Index was constructed using MSCI proprietary data on each security's business involvement. The Business Involvement Screening Research (BISR) highlighted each security's involvement or adherence to Global sanctions, Controversies and global norms (PAI 10, 11), Carbon and Sustainable Impact (Positive screening) (PAI 1,2,3). In addition, a separate controversy screen was applied to the starting universe to remove any security in violation of UNGC principles (PAI 10). In addition, securities involved in Thermal coal mining and generation, Oil & Gas, were screened at a minimum threshold level and controversial weapons (PAI 14) were removed before the final index was calculated.



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
Reinsurance Group of America, Incorporated	Financials	0.41%	United States of America
Flex Ltd	Information Technology	0.38%	United States of America
US Foods Holding Corp.	Consumer Staples	0.38%	United States of America
Comfort Systems USA, Inc.	Industrials	0.37%	United States of America
Saia, Inc.	Industrials	0.37%	United States of America
nVent Electric plc	Industrials	0.35%	United States of America
Tapestry, Inc.	Consumer Discretionary	0.35%	United States of America
TechnipFMC plc	Energy	0.35%	United Kingdom of Great Britain and Northern Ireland
TopBuild Corp.	Consumer Discretionary	0.35%	United States of America
East West Bancorp, Inc.	Financials	0.34%	United States of America
Guidewire Software, Inc.	Information Technology	0.34%	United States of America
Service Corporation International	Consumer Discretionary	0.34%	United States of America
BJ's Wholesale Club Holdings, Inc.	Consumer Staples	0.33%	United States of America
Floor & Decor Holdings, Inc. Class A	Consumer Discretionary	0.33%	United States of America
Jones Lang LaSalle Incorporated	Real Estate	0.33%	United States of America

Cash and derivatives were excluded

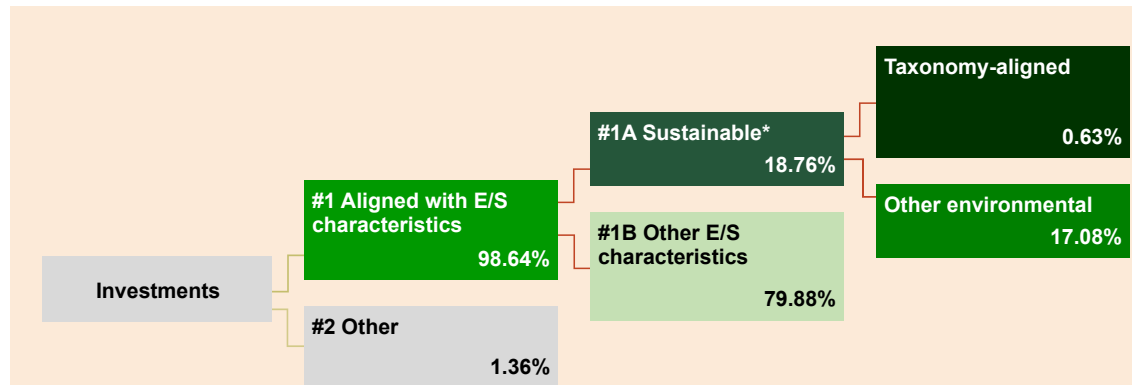


What was the proportion of sustainability-related investments?

18.76% 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
Industrials	19.20%
Financials	16.58%
Consumer Discretionary	12.98%
Information Technology	11.96%
Health Care	10.04%
Real Estate	8.48%
Materials	7.57%
Consumer Staples	4.44%
Communication Services	3.26%
Energy	2.87%
<i>Coal & Consumable Fuels</i>	<i>0.11%</i>
<i>Oil & Gas Equipment & Services</i>	<i>1.71%</i>
<i>Oil & Gas Refining & Marketing</i>	<i>0.25%</i>
<i>Oil & Gas Storage & Transportation</i>	<i>0.80%</i>
Utilities	1.68%
<i>Electric Utilities</i>	<i>0.12%</i>
<i>Gas</i>	<i>0.68%</i>
<i>Multi-Utilities</i>	<i>0.18%</i>
Cash & Derivatives	0.95%
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?

0.63% of the Fund's investments were deemed sustainable investments with an environmental objective 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.

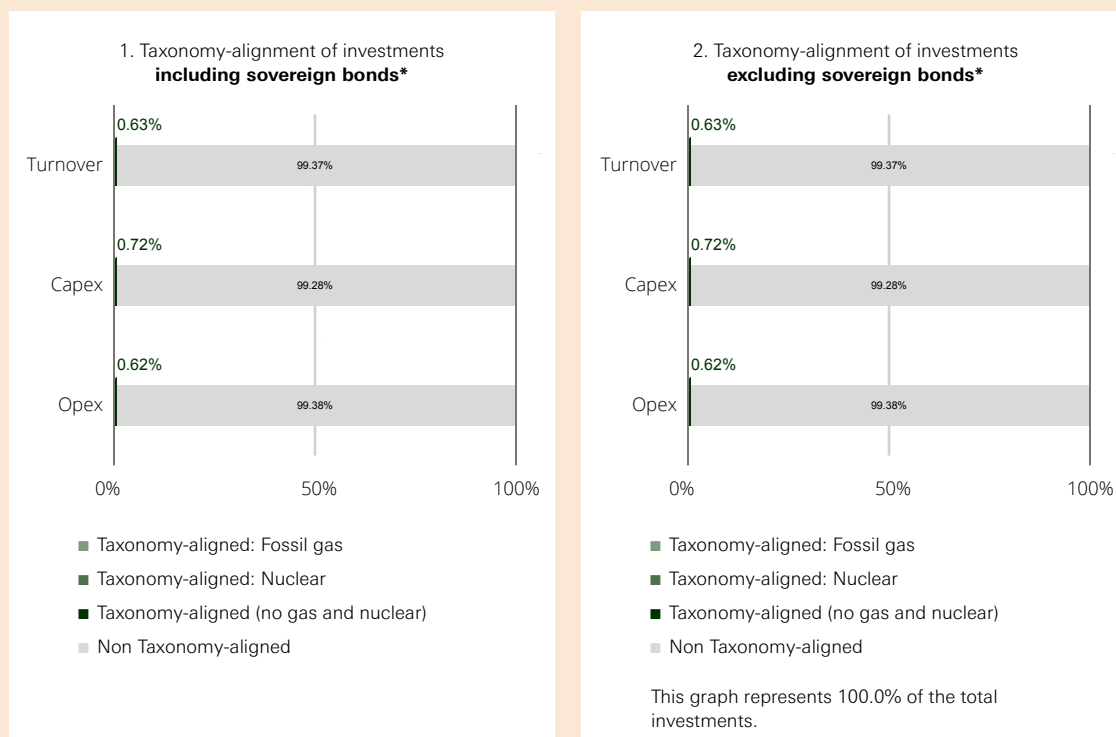
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.

- **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 0.31%.

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)	0.63%	0.15%	0.00%
Revenue - Non Taxonomy-aligned	99.37%	99.85%	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)	0.72%	0.25%	0.00%
CAPEX - Non Taxonomy-aligned	99.28%	99.75%	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)	0.62%	0.14%	0.00%
OPEX - Non Taxonomy-aligned	99.38%	99.86%	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 17.08%. 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 an improvement of the MSCI ESG rating against that of the Parent Index. The Index achieved 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 Index applies the MSCI ESG Leaders methodology (which is available on the Index provider's website) to achieve its ESG objective by only selecting companies that have the highest MSCI ESG Ratings, in order to increase exposure to those companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile, while seeking to minimise exclusions from their parent index.

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 an equity index based on the MSCI World Small Cap Index, which offered a representation of developed equity markets worldwide, as determined by the Index provider. The small-cap market coverage in the Index was derived from the Parent Index by applying the Index provider’s criteria on free-float adjustment, size & liquidity. The Index was constructed from the Parent Index by 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): Furthermore, the Index applied the MSCI ESG Leaders methodology (which is available on the Index provider’s website) to achieve its ESG objective. To achieve this, the Index provider applied the following steps:

- i. After application of exclusionary criteria, securities are then weighted and ranked on the basis of their ESG score (as determined by the MSCI ESG Leaders scoring system);
- ii. Securities are then selected in the following order until the target 50% coverage of the sectors included in the Parent Index is reached;
 - a. Firstly, securities in the top 35% cumulative free float-adjusted market capitalisation coverage of the ranked universe are selected, including the first security that increases the cumulative coverage above 35%;
 - b. then, ‘AAA’ and ‘AA’ rated securities in the top 50% cumulative free float-adjusted market capitalisation coverage of the ranked universe are selected, including the first security that increases the cumulative coverage above 50%;
 - c. then, current Index constituents in the top 65% cumulative free float-adjusted market capitalisation coverage of the ranked universe are selected, including the first security that increases the cumulative coverage above 65% if that security is a current Index constituent; and
 - d. lastly, the remaining eligible securities in the ranked universe.

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 invests in the constituents of the Index in generally the same proportions in which they were 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	7.25	7.24

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024
 .Reference Benchmark - MSCI World Small Cap SRI ESG Leaders Select Index

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

Indicator	Fund	Broad Market Index
ESG Score	7.25	6.06

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024.
 Broad Market Index - MSCI World Index