

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 Emerging Markets Islamic ESG UCITS ETF

Legal Entity Identifier: 213800JAZ1OUG85X6H43

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

<p><input checked="" type="radio"/> <input type="radio"/> Yes</p> <p><input type="checkbox"/> It made sustainable investments with an environmental objective: <u> </u>%</p> <p><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It made sustainable investments with a social objective: <u> </u>%</p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of 14.62% of sustainable investments</p> <p><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with a social objective</p> <p><input type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments</p>
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To what extent were the environmental and/or social characteristics promoted by this financial product met?

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

In replicating the performance of the MSCI EM (Emerging Market) Islamic ESG Universal Screened Select Index (the "Index"), the Fund promoted the following environmental and/or social characteristics:

- an improvement on the ESG rating against that of the MSCI Emerging Markets Islamic Index (the "Parent Index").

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 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 ESG and sustainability indicator scores were calculated as per HSBC Asset Management's proprietary methodology and third party ESG data providers. Consideration of individual principle adverse impacts ("PAIs") (indicated in the table below by their preceding number) can be identified from the Fund having an equal or lower score than the Index. The data used in the calculation of PAI values were sourced from data vendors. They 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.

The performance of the sustainability indicators the Fund used to measure the attainment of the environmental or social characteristics that it promoted can be seen in the table below. The Fund's ESG score has been managed to be greater than the Index (with a higher score than the Index representing stronger ESG credentials).

Indicator	Fund	Broad Market Index
ESG Score	6.14	5.36
4. Exposure to companies active in the fossil fuel sector	14.65%	15.65%
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	4.06%	7.30%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.01%	0.02%

Reference Period - 31 December 2023

Broad Market Index - MSCI Emerging Markets Islamic Index

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

This is the first year of reporting for this Fund and as such no comparisons to prior period can be evaluated.

● ***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 UNSDGs or sustainable themes (e.g. Circular Economy); and
3. Companies that were transitioning with credible progress. (e.g the transition to or use of renewable energy or other low-carbon alternatives).

The Fund replicated the performance of the Index and by doing so contributes to the below sustainable objective:

improving the ESG rating against that of the Parent Index through the

- removal of companies based on sustainability exclusionary criteria and weighting of companies to improve the exposure to companies with favourable ESG ratings.

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

Do no significant harm analysis is completed by the Index provider as part of the Index construction.

The Index is re-balanced periodically and removes stocks based on sustainability exclusionary criteria, including, but not limited to:

- Controversial weapons;
- Nuclear weapons;
- Civilian firearms;
- Tobacco
- Thermal Coal power;
- Thermal Coal mining;
- Oil Sands extraction;
- Oil Sands Reserves Ownership; and
- All companies that fail to comply with the United Nations Global Compact principles.

The methodology also considers the aggregate ESG score (as calculated by MSCI ESG Research) which is applied to all eligible securities post business activity screen and weighted accordingly. The Index increases the weightings of companies with robust ESG characteristics, including those that show improvement in the direction of their rating over the most recent 12 months, while reducing the weight of those companies who lag behind their industry peers in terms of ESG quality.

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.

By replicating the performance of the Index, the investments of the Fund do not cause significant harm to the environmental and/or social investment sustainable objective. Investment restrictions monitoring is an HSBC overlay process that screens for any investments that would cause significant harm to the objectives and which could result in divestment by the Investment Manager ahead of the Index re-balancing.

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

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. 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 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). The methodology also considered the aggregate ESG score (as calculated by MSCI ESG Research) which was applied to all eligible securities post business activity screen and weighted accordingly. The Index increased the weightings of companies with robust ESG characteristics, including those that showed improvement in the direction of their rating over the most recent 12 months, while reducing the weight of those companies who lagged behind their industry peers in terms of ESG quality.

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 the 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 is available on the Index provider's website.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific 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 business involvement. 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 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). The methodology also considered the aggregate ESG score (as calculated by MSCI ESG Research) which was applied to all eligible securities post business activity screen and weighted accordingly. The Index increased the weightings of companies with robust ESG characteristics, including those that showed improvement in the direction of their rating over the most recent 12 months, while reducing the weight of those companies who lagged behind their industry peers in terms of ESG quality.



What were the top investments of this financial product?

Large Investments	Sector	% Assets	* Country
Samsung Electronics Co., Ltd.	Information Technology	14.39%	Korea
Reliance Industries Limited	Energy	6.18%	India
SK hynix Inc.	Information Technology	2.88%	Korea
Al Rajhi Bank	Financials	2.55%	Saudi Arabia
Samsung Electronics Co Ltd Pfd Non-Voting	Information Technology	2.02%	Korea
Petroleo Brasileiro SA Pfd	Energy	1.83%	Brazil
Asian Paints Ltd.	Materials	1.80%	India
Petroleo Brasileiro SA	Energy	1.65%	Brazil
Emirates Telecommunications Group Company PJSC	Communication Services	1.41%	United Arab Emirates

Cash and derivatives were excluded

* The percentage of assets may vary from the Financial Statements, as the data sources differ.

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: 31/12/2023

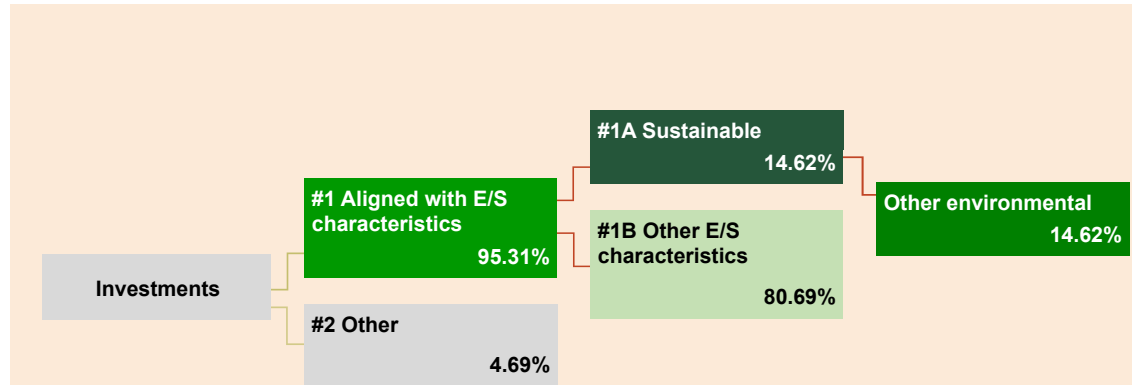


What was the proportion of sustainability-related investments?

14.62% of the portfolio was invested in sustainable assets.

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.

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 (of total Investments)
Information Technology	29.85%
Materials	16.08%
Energy	13.70%
<i>Oil & Gas Refining & Marketing</i>	6.33%
<i>Integrated Oil & Gas</i>	6.47%
<i>Oil & Gas Exploration & Production</i>	0.67%
<i>Oil & Gas Equipment & Services</i>	0.11%
<i>Oil & Gas Storage & Transportation</i>	0.13%
<i>Oil & Gas Drilling</i>	0.06%
Consumer Staples	7.19%
Health Care	7.55%
Financials	5.37%
Industrials	4.41%
Consumer Discretionary	5.25%
Utilities	3.21%
<i>Gas</i>	2.04%
<i>Electric Utilities</i>	1.05%
<i>Independent Power Producers & Energy Traders</i>	0.22%
Communication Services	2.72%
Real Estate	2.65%
Other	1.24%
Cash & Derivatives	0.78%
Total	100.0%



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

N/A - 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.

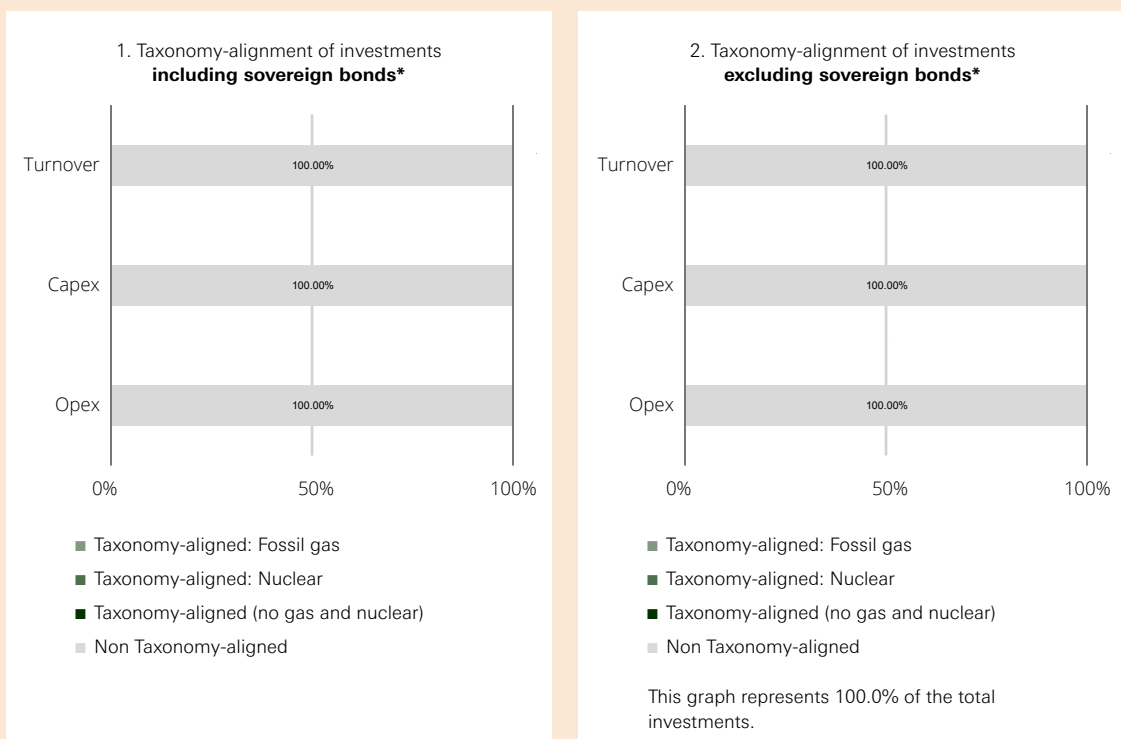
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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.

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. Due to the de minimis nature of the proportion of Sustainable Investments aligned with EU Taxonomy, it is not possible to ascertain alignment to the individual four EU Taxonomy criteria (contribute substantially to an objective, DNSH, meet minimum safeguards & complies with technical screening criteria).


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?

Not applicable.

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

 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?

14.62%.



What was the share of socially sustainable investments?

Not applicable. 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 Shariah-compliant instruments such as financial derivative instruments may have been used for liquidity and hedging purposes 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 certain characteristics;
2. The Index applied the MSCI ESG Universal Indexes Methodology in the construction of the Index 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 the Parent Index.

Furthermore, active ownership, through engagement and global proxy voting, was a key pillar of our approach to responsible investments. Our stewardship activity was focused on protecting and enhancing our clients' investments with us. We engaged with companies on a range of ESG issues and we had the following clear set of engagement objectives:

- Improve our understanding of company business and strategy;
- Monitor company performance
- Signal support or raise concerns about company management, performance or direction; and
- Promote good practice

Engagement issues ranged from corporate governance concerns such as the protection of minority shareholder rights, director elections and board structure to environmental issues, including climate change adaptation and mitigation and the low-carbon energy transition, to social issues including human capital management, inequality and data privacy. We had a dedicated stewardship team with engagement specialists. Engagement was also integral to the fundamental research process. Our analysts and portfolio managers engaged with issuers as part of the investment process and covered relevant ESG issues in their research and discussions.



We are fully transparent in our reporting of our engagement and voting activity, publishing our voting on a quarterly basis and summary information about our engagement activity annually.

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

The Fund's ESG score narrowly underperformed against the Reference Benchmark, alongside marginally lower Sustainability Indicator performance when compared to the Reference Benchmark.

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

The Index was an equity index based on the Parent Index and which reflected Shariah investment principles and included large- and mid-cap securities across 24 Emerging Markets (EM) countries, as determined by the Index provider.

The Index was constructed from the Parent Index by applying the following values- and climate-based exclusionary criteria (as defined by the Index provider in the Index methodology):

- Controversial weapons;
- Nuclear weapons;
- Civilian firearms;
- Tobacco;
- Thermal Coal power;
- Thermal Coal mining;
- Oil Sands extraction;
- Oil Sands Reserves Ownership; and
- All companies that fail to comply with the United Nations Global Compact principles.

Each of the exclusionary criteria may have applied thresholds which were defined by the Index provider and set out in the Index methodology and which may have been amended from time to time.

In addition to the application of the exclusionary criteria, the Index applied the MSCI ESG Universal Index methodology to achieve its ESG objective.

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

To achieve this, the Index provider applied the following steps to the Parent Index:

- (i) the Index provider excluded the securities with the weakest ESG profile from the Parent Index;
- (ii) the Index provider defined an ESG re-weighting factor that reflected an assessment of both the current ESG profile, based on the current MSCI ESG Rating, as well as the trend in that profile; and
- (iii) the Index provider re-weighted securities from the free-float market cap weights of the Parent Index using this combined ESG score to construct the Index. Further information on the Index provider's ESG re-weighting factors and the MSCI ESG Rating system can be found on the Index provider's website.

● ***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 aimed to invest in the constituents of the Index in generally the same proportions in which they were included in the Index.

The composition of the Index was rebalanced on a semi-annual basis and carried out according to the published rules governing the management of the Index as set out by MSCI Inc.

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

Indicator	Fund	Reference Benchmark
ESG Score	6.14	6.16
4. Exposure to companies active in the fossil fuel sector	14.65%	14.62%
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	4.06%	3.99%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.01%	0.00%

The data in this SFDR Periodic Report are as at 31 December 2023

Reference Benchmark - MSCI EM (Emerging Market) Islamic ESG Universal Screened Select Index

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

Indicator	Fund	Broad Market Index
ESG Score	6.14	5.36
4. Exposure to companies active in the fossil fuel sector	14.65%	15.65%
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	4.06%	7.30%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.01%	0.02%

Reference Period - 31 December 2023 Broad Market Index - MSCI Emerging Markets Islamic Index