

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_% 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?

By virtue of investing at least 85% of its net assets in the HSBC MSCI Emerging Markets Screened Value UCITS ETF (the "Master Fund"), the Sub-Fund promotes the same characteristics as the Master Fund, being:

- Better management of a broad range of environmental and social risks, and where applicable, positioning to meet demand for provision of goods and services that have a positive environmental or social contribution, collectively measured by MSCI ESG ratings. MSCI ESG ratings provide an opinion of companies' management of financially relevant ESG risks and opportunities. Each company is assessed on relevant environmental, social and governance themes, and where applicable, positioning to meet market demand for the provision of products and services that have a positive environmental or social contribution. The themes determined by MSCI are climate change, natural capital, pollution and waste, environmental opportunities, human capital, product liability, stakeholder opposition, social opportunities, corporate governance and corporate behaviour. The Fund will target this through an improvement of the MSCI ESG rating against that of the MSCI Emerging Markets Index (the "Parent Index") such that the Master Fund invests in companies with more favourable MSCI ESG ratings compared to the Parent Index.

The Master Fund seeks to achieve the promotion of these characteristics by replicating the performance of the MSCI Emerging Markets Value Select Screens Advanced Index (the "Master Fund Index"). The improvement of the MSCI ESG rating against the Parent Index is achieved by the Master Fund Index through the removal of companies from the Parent Index based on sustainability exclusionary criteria and United Nations Global Compact exclusionary

criteria and by weighting companies so as to improve the exposure of the Master Fund Index (and the Fund) to companies with more favourable MSCI ESG ratings compared to those in the Parent Index. The Sub-Fund does not use a reference benchmark to attain its environmental and/or social characteristics.

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 indicator is used to measure the attainment of the environmental and social characteristics promoted by the Sub-Fund, specifically measuring:

- MSCI ESG rating of the Sub-Fund, relative the Parent Index, whereby the MSCI ESG rating of the Sub-Fund is expected to be higher 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?**

Not applicable.

● **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?**

Not applicable.

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

Not applicable.

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

Not applicable.

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, the Master Fund Index is constructed using MSCI proprietary data on each securities business involvement. The Business Involvement Screening Research (“BISR”) highlights each securities 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 is applied to the starting universe to remove any security in violation of UNGC principles (PAI 10).

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.



In addition, securities involved in thermal coal mining and generation, and oil and gas and controversial weapons (PAI 14) are removed before the final index is calculated.

Furthermore, active ownership, through engagement and global proxy voting, is a key pillar of the Investment Manager's approach to responsible investments. The Investment Manager's stewardship activity is focused on protecting and enhancing its clients' investments with. The Investment Manager engages with companies on a range of ESG issues and it has 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 range 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.

The Investment Manager has a dedicated stewardship team with engagement specialists. Engagement is also integral to the fundamental research process. The Investment Manager's analysts and portfolio managers engage with issuers as part of the investment process and cover relevant ESG issues in their research and discussions. The Investment Manager is fully transparent in its reporting of its engagement and voting activity, publishing its voting on a quarterly basis and summary information about its engagement activity annually.

How PAI indicators were considered will be included in the Sub-Fund's year-end report and accounts.

Further information is available on request.

☐ No



What investment strategy does this financial product follow?

The Sub-Fund will aim to invest at least 85% of its assets in the Master Fund.

The investment objective of the Master Fund is to replicate the performance of the Master Fund Index, which provides investors the opportunity to gain specific exposure to equity securities with lower market valuations relative to their fundamental value (the "Value Factor") while integrating ESG metrics within an emerging markets (as determined by the Index Provider) equity index, while minimising as far as possible the tracking error between the Master Fund's performance and that of the Master Fund Index.

Investors should read this section in conjunction with the Master Fund's investment strategy (as set out in the supplement for the Master Fund under the heading "Investment Objective and Policies").

In investing at least 85% of assets in the Master Fund, the Fund promotes certain environmental, social and/or governance characteristics (as set out in the section titled "The Master Fund Index Description") and has been categorised as an Article 8 fund for the purpose of the SFDR.

The Master Fund Index seeks to achieve an improvement of the MSCI ESG rating against that of the Parent Index. The Master Fund Index achieves this in the following ways:

1. Excluding securities of companies with exposure (as defined by the Index Provider in the Master Fund Index methodology) to any of the following characteristics (each characteristic will apply thresholds, as defined by the Index Provider and set out in the Master Fund 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.

2. The Master Fund Index applies the MSCI ESG Target methodology (which is available on the Index Provider's website) to achieve its ESG objective by maximizing the exposure to the Value Factor less a penalty for the common factor and stock-specific risk characteristics of each potential constituent, as well as placing an upper bound on the predicted tracking error of the Master Fund Index, in order to maximize the exposure to the Value Factor along with 20% ESG score improvement of the Index relative to its Parent [market-cap weighted] Index

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:

The Master Fund Index is constructed from the Parent Index by excluding securities of companies with exposure (as defined by the Index Provider in the Master Fund Index methodology) to any of the following characteristics (each characteristic will apply thresholds, as defined by the Index Provider and set out in the Master Fund Index methodology and which may be amended from time to time):

The Master Fund Index is constructed from the Parent Index by applying the following values- and climate-based exclusionary criteria:

- 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.

Furthermore, the Master Fund Index applies the MSCI ESG Target methodology (which is available on the Index Provider's website) to achieve its ESG objective. To achieve this, the Index Provider applies the following steps:

At each quarterly Index review, the following optimization constraints are employed,

which aim to ensure investability while achieving improvement in ESG profile, subject to tracking error constraint relative to the Parent Index:

- The ex-ante tracking error of the Master Fund Index, relative to the Parent Index will be capped at 3%.
- The weighted-average industry-adjusted ESG score of the Master Fund Index portfolio will be at least 20% more than the weighted-average industry-adjusted ESG score of the Parent Index Portfolio.
- The maximum weight of a Master Fund Index constituent will be restricted to the lower of (i) the weight of the security in the Parent Index + 2% and (ii) ten times the weight of the security in the Parent Index. The minimum weight of an Index constituent will be restricted to the higher of (i) the (weight of the security in the Parent Index - 2% and (ii) zero.
- The exposure of the Master Fund Index to factors other than the Value Factor will be restricted to +/-0.25 standard deviations relative to the Parent Index. The sector weights of the Master Fund Index will not deviate more than +/- 5% from the sector weights of the Parent Index.
- For countries with weight greater than 2.5% in the Parent Index, the weight in the Index will not deviate more than +/-5% from the country weight in the Parent Index.
- For countries with weight less than 2.5% in the Parent Index, the weight in the Master Fund Index will be capped at 3 times their weight in the Parent Index.

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 Sub-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?**

MSCI captures good governance practices through its MSCI ESG Controversies and MSCI ESG Ratings models, both of which are incorporated into the Master Fund Index's methodology. MSCI ESG Controversies covers "Labor Rights and supply chain" and "Governance", among others, and MSCI ESG Ratings incorporates Corporate Governance, Corporate Behavior and Human Capital.

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. Controversies and reputational risks are assessed through enhanced due diligence as well as screening which are used to identify issuers that are considered to have low governance scores. Those companies will then be subjected to further review, action and/or engagement by the Investment Manager.

Good corporate governance has long been incorporated in HSBC's proprietary fundamental company research. HSBC's Stewardship team meets with companies regularly to improve its 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.

Good governance

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



Asset allocation

describes the share of investments in specific assets.

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.

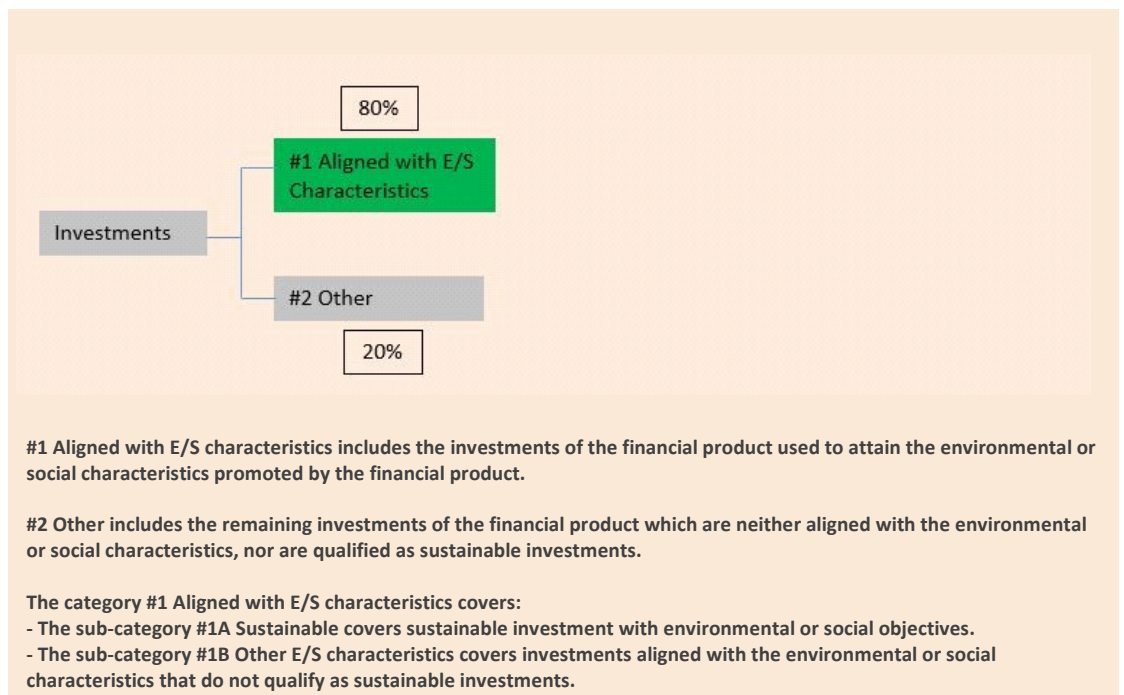
- operational expenditure

(OpEx) reflecting green operational activities of investee companies.

What is the asset allocation planned for this financial product?

In seeking to achieve its investment objective, the Fund will invest in the Master Fund. Through investing in the Master Fund, it is expected that at least 80% of the Fund's assets will be invested indirectly in either securities within the Master Fund Index or in securities that meet the ESG criteria of the Master Fund Index ("#1 Aligned with E/S characteristics"). The Fund may invest up to 20% of its assets in other investments ("#2 Other").

The Sub-Fund promotes environmental and/or social characteristics but does not aim to make sustainable investments.



How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

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



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

N/A. The Sub-Fund does not intend to 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 ?¹

☐ yes

☐ in fossil gas

☐ In nuclear energy

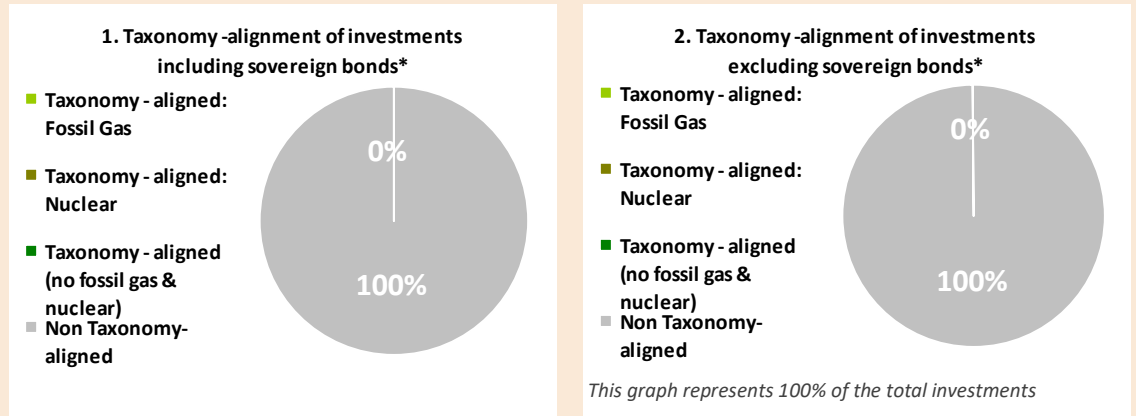
☒ No

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 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?

N/A. The Sub-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 Sub-Fund does not intend to commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



What is the minimum share of socially sustainable investments?

N/A. The Sub-Fund does not intend to 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 financial derivative instruments may be used for liquidity and hedging purposes 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?

Not applicable.

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?**
Not applicable.
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
Not applicable.
- **How does the designated index differ from a relevant broad market index?**
Not applicable.
- **Where can the methodology used for the calculation of the designated index be found?**
Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:
www.assetmanagement.hsbc.com