

Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, 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

Sustainable investment objective

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: 90%

☐ 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 investment objective of the Fund is to achieve regular income and capital growth while seeking to invest in bonds issued by select multilateral development banks the proceeds of which financially support sustainable economic development in developing countries.

The Fund seeks to achieve its sustainable investment objective by tracking the FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index (the "Index") which measures the performance of US Dollar denominated debt issued by select multilateral development banks that are supranational institutions with mission statements that state the intention to promote sustainable economic development in developing countries by: (i) financially supporting their sustainable development goals; or (ii) providing non-financial support for infrastructure development, such as policy advice or technical assistance.

The Index applies controversial conduct exclusions based on United Nations Global Compact (UNGC) Principles to the issuers. In addition, each issuer in the Index needs to publicly

disclose that they have safeguarding policies in place to mitigate and reduce environmental and social risks in the public domain arising from the projects they finance. Issuers that are non-compliant for UNGC violations or do not have safeguard policies are removed from the Index at the next monthly rebalance.

The Index has been designated as the Fund's reference benchmark for the purpose of attaining its sustainable investment objective.

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 the sustainable investment objective of this financial product?**

The sustainability indicators used to measure the attainment of the sustainable investment objective of the Fund are:

1. the exposure of the Fund to bonds issued by multilateral development banks with a mission statement to promote sustainable economic development in developing countries by financially supporting their sustainable development goals or by providing non-financial support for infrastructure development such as policy advice or technical assistance will be at least 90%;
2. the exposure of the Fund to issuers violating UNGC principles will be 0%; and
3. the exposure of the Fund to issuers who do not disclose the safeguard policies they have in place to mitigate and reduce environmental and social risks in the public domain will be 0%.

● **How do sustainable investments 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. By replicating the performance of the Index, the investments of the Fund do not cause significant harm to the sustainable investment objective.

The Index selects US dollar-denominated debt issued by multilateral development banks that are supranational institutions with mission statements to promote sustainable economic development in developing countries, by financially supporting their sustainable development goals, or by providing non-financial support for infrastructure development, such as policy advice or technical assistance. In addition, the Index applies screens to ensure that no issuer is violating UNGC principles and all issuers disclose they have safeguard policies in place to mitigate and reduce environmental and social risks in the public domain.

The Index is re-balanced periodically; The Investment Manager reviews the Index methodology, the do no significant harm-related data sets and constituents of the Index at the launch of the Fund and on an ongoing basis at each rebalance so as to ensure that the Fund's investments qualify as sustainable investments, that they adhere to the Investment Manager's internal ESG standards and are aligned with the Index methodology.

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?

Principal adverse impacts, namely PAI 16 (Investee companies subject to social violations), are taken into account in the Index construction process under which the each issuer needs to disclose they have safeguarding policies in place to mitigate and reduce environmental and social risks in the public domain arising from the projects they finance. This disclosure on the public websites will be reviewed on an annual basis in July of each year and taken into account at every rebalance.

Moreover, the Index must only contain multilateral development banks that are supranational institutions with mission statements that state the intent to promote sustainable economic development in developing countries, by financially supporting their sustainable development goals, or by providing non-financial support for infrastructure development, such as policy advice or technical assistance.

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

The Index excludes issuers in violation of the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises.



Does this financial product consider principal adverse impacts on sustainability factors?

- ☒ The principal adverse impacts are considered at each index rebalance based on the safeguard policies that issuers disclose they have in place to mitigate and reduce environmental and social risks in the public domain.

PAI 16 (Investee companies subject to social violations) is taken into account in the Index construction process under which the each issuer needs to disclose they have safeguarding policies in place to mitigate and reduce environmental and social risks in the public domain arising from the projects they finance. This disclosure on the public websites will be reviewed on an annual basis in July of each year and taken into account at every rebalance. Moreover, the Index must only contain multilateral development banks that are supranational institutions with mission statements that state the intent to promote sustainable economic development in developing countries, by financially supporting their sustainable development goals, or by providing non-financial support for infrastructure development, such as policy advice or technical assistance.

Additional information on how the Fund considered PAIs will be disclosed in the ICAV's annual report.

- ☐ No



What investment strategy does this financial product follow?

The investment objective of the Fund is to achieve regular income and capital growth while seeking to invest in bonds issued by select multilateral development banks the proceeds of which financially support sustainable economic development in developing countries. The Sub-Fund has a sustainable investment objective to invest in bonds the proceeds of which financially support sustainable economic development in developing countries and so has been classified as an Article 9 Fund under SFDR. The Sub-Fund achieves its sustainable investment objective by tracking the Index which has a methodology aligned with that sustainable objective and so the Index has been designated as the sub-Fund's reference benchmark for the purpose of attaining that sustainable objective.

The Sub-Fund will use Optimisation techniques which take into account tracking error, trading costs and availability of Index constituents when constructing the portfolio.

The bonds in the Index must be issued by multilateral development banks that are supranational institutions with mission statements that state the intent to promote sustainable economic development in developing countries, by financially supporting their sustainable development goals, or by providing non-financial support for infrastructure development, such as policy advice or technical assistance. To be eligible for inclusion in the Index, a multilateral development bank must have all of the G7 countries as members.

The list of multilateral development banks eligible for inclusion is reviewed annually in July. The index is calculated daily and currency of the Index is USD and returns are hedged to that currency.

The index applies controversial conduct exclusions based on UNGC to the multilateral

development banks. In addition, each multilateral development bank needs to disclose they have safeguard policies in place to mitigate and reduce environmental and social risks in the public domain arising from the projects they finance. This disclosure on the public websites will be reviewed on an annual basis in July of each year. Multilateral development banks that do not have safeguard policies are removed from the Index at the next monthly rebalance.

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 strategy are that:

1. the Fund will aim to track as closely as possible the Index and will invest in a portfolio of bonds in line with the Index. In this regard, the Index only selects multilateral development banks that are supranational institutions with mission statements that state the intent to promote sustainable economic development in developing countries, by financially supporting their sustainable development goals, or by providing non-financial support for infrastructure development, such as policy advice or technical assistance; and
2. the Fund will not invest in issuers that are non-compliant for UNGC violations or do not publicly disclose the safeguard policies they have .

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?**
The index is limited to investment only in multilateral development banks which are supranational institutions and not subject to good governance requirements in accordance with the clarification issued by the European Commission on 25 May 2022 that the good governance requirement under SFDR applies only to companies.



Asset allocation describes the share of investments in specific assets.

What is the asset allocation and the minimum share of sustainable investments?

A minimum of 90% of the Fund's net assets will be selected according to the binding elements of the investment strategy and so will attain the sustainable investment objective of the Fund. Up to 10% of the Fund's net assets will be invested in cash, financial derivative instruments and other instruments for liquidity and hedging.

Taxonomy-aligned activities are expressed as a share of:

- turnover

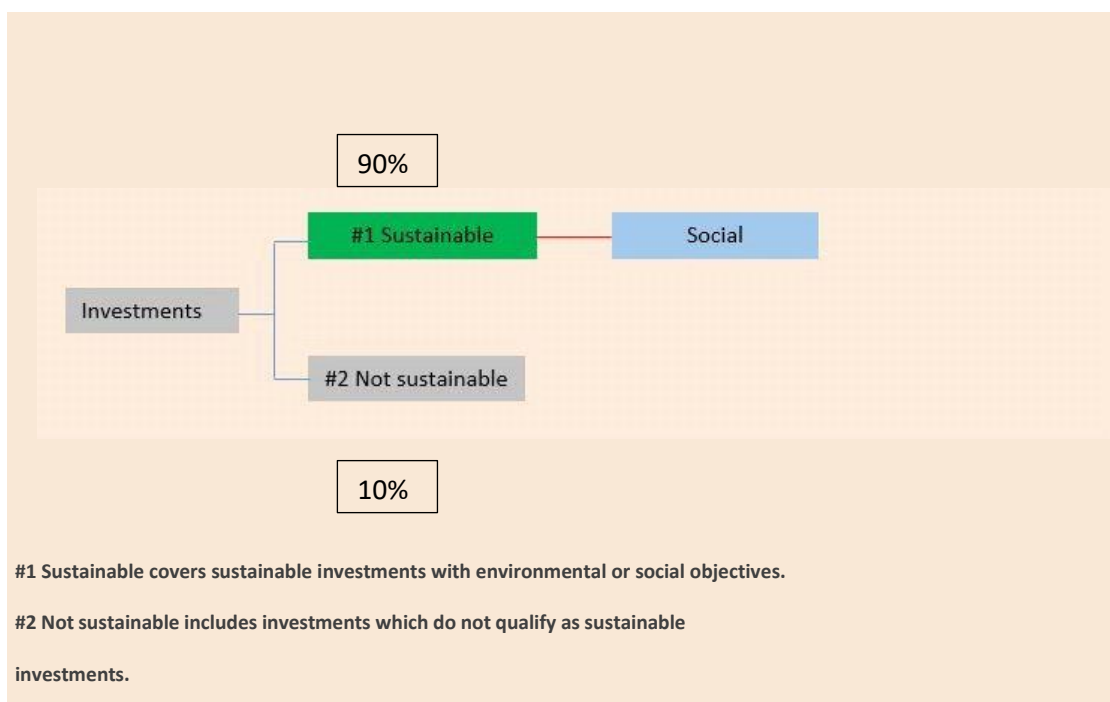
reflecting the share of revenue from green activities of investee companies

- capital expenditure

(CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- operational expenditure

(OpEx) reflecting green operational activities of investee companies.



- **How does the use of derivatives attain the sustainable investment objective?**
The Fund will not use derivatives to attain its sustainable investment objective.



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

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

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy ? ¹**

☐ yes

☐ in fossil gas

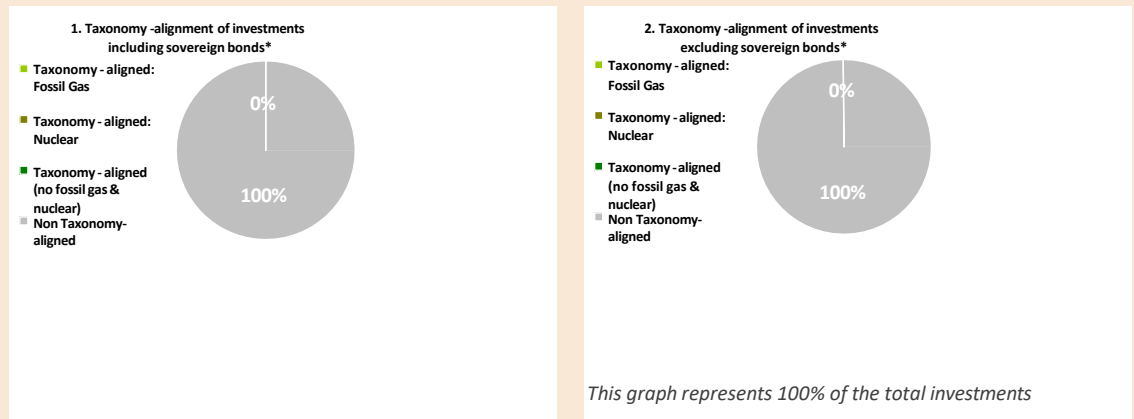
☐ In nuclear energy

☒ 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 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?

N/A. The Fund does not 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 sustainable investments with a social objective?

A minimum of 90% of the Fund’s investments will be sustainable investments with a social objective.



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

Other instruments such as cash, Eligible Collective Investment Schemes and/or financial derivative instruments may be used for hedging and liquidity management in respect of which there are no minimum environmental and/or social safeguards.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

The Fund achieves its investment objective by tracking the performance of the Index.

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 investment objective?**

The Index must only contain multilateral development banks that are supranational institutions with mission statements to promote sustainable economic development in developing countries, by financially supporting their sustainable development goals, or by providing non-financial support for infrastructure development, such as policy advice or technical assistance. To be eligible for inclusion, a multilateral development bank must have all of the G7 countries as members.

The Index applies controversial conduct exclusions based on UNGC Principles to the issuers. In addition, each issuer needs to disclose they have safeguarding policies in place to mitigate and reduce environmental and social risks in the public domain arising from the projects they finance. This disclosure on the public websites will be reviewed on an annual basis in July of each year.

The list of multilateral development banks eligible for inclusion is reviewed annually in July.

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

The Fund achieves its investment objective by tracking the performance of the Index.

The Index is rebalanced on a monthly basis to account for the eligibility criteria.

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

The Index measures the performance of US dollar-denominated debt issued by select multilateral development banks in the FTSE World Broad Investment-Grade Bond Index and includes issuers with a minimum credit quality of BBB- by S&P or Baa3 by Moody's. The market weight of the issuers is capped at 25%

The index must only contain multilateral development banks that are supranational institutions with mission statements to promote sustainable economic development in developing countries, by financially supporting their sustainable development goals, or by providing non-financial support for infrastructure development, such as policy advice or technical assistance. To be eligible for inclusion, a multilateral development bank must have all of the G7 countries as members.

Issuers that are non-compliant for UNGC violations or do not disclose the safeguard policies that they have in place in the public domain are removed from the Index.

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

<https://www.lseg.com/en/ftse-russell/indices/custom-methodologies>

The Index methodology may be amended from time to time by the Index Provider. Information on the Index methodology is available on the website above.

Where can I find more product specific information online?

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

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www.assetmanagement.hsbc.com

