

**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 Value ESG UCITS ETF

**Legal Entity Identifier:** 213800K3JLJ32C6MT947

## 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 32.94% 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 Emerging Markets Value SRI ESG Target Select Index (the "Index"), the Fund promoted the following environmental and/or social characteristics:

- an improvement of the MSCI ESG rating against that of the MSCI Emerging Markets 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 exclusionary criteria and improved the exposure to companies with favourable MSCI ESG ratings.

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

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

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 sustainability indicators were calculated by the Investment Manager and utilise 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	7.01	5.80

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

Broad Market Index - MSCI Emerging Markets Index

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

Indicator	Period Ending	Fund	Broad Market Index
ESG Score	31 December 2024	7.01	5.80
	31 December 2023	6.72	5.44
	31 December 2022	6.44	5.11

Broad Market Index - MSCI Emerging Markets Index

The Fund recalculated figures for 2022 Reporting Year with figures for ESG Score - 6.46 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?***

At each Index review date, companies with the activities and conduct listed below were excluded from the eligible universe, including, but not limited to:

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?*

The mandatory principal adverse impacts (“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 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). As per the Index methodology, securities involved in Thermal coal mining and generation, Oil & Gas, are screened at a minimum threshold level and controversial weapons (PAI 14) are removed before the final index is calculated. In addition a separate controversy screen is 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:*

**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 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 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 mandatory principal adverse impacts (“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.

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No optional indicators were taken into account.



## 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

<b>Largest Investments</b>	<b>Sector</b>	<b>% Assets</b>	<b>Country</b>
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	12.29%	Taiwan
China Construction Bank Corporation Class H	Financials	3.04%	China
Tencent Holdings Ltd.	Communication Services	2.58%	China
Industrial and Commercial Bank of China Limited Class H	Financials	2.54%	China
United Microelectronics Corp.	Information Technology	2.21%	Taiwan
Samsung Electronics Co., Ltd.	Information Technology	2.16%	Korea
ASE Technology Holding Co., Ltd.	Information Technology	1.93%	Taiwan
Agricultural Bank of China Limited Class H	Financials	1.83%	China
Infosys Limited	Information Technology	1.76%	India
Fomento Economico Mexicano SAB de CV Units Cons. Of 1 ShsB And 4 ShsD	Consumer Staples	1.71%	Mexico
Hindustan Unilever Limited	Consumer Staples	1.56%	India
Samsung Electronics Co Ltd Pfd Non-Voting	Information Technology	1.52%	Korea
Mahindra & Mahindra Ltd.	Consumer Discretionary	1.47%	India
Hindalco Industries Limited	Materials	1.45%	India
Hyundai Mobis Co., Ltd	Consumer Discretionary	1.40%	Korea

Cash and derivatives were excluded

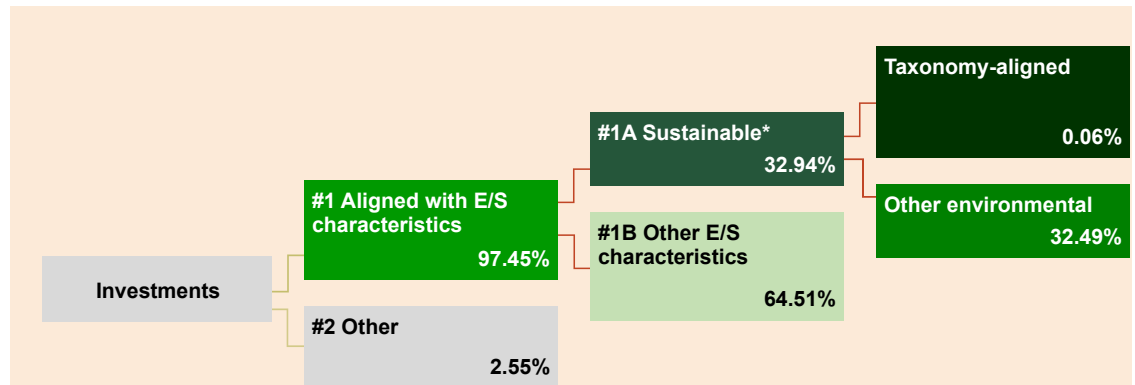


## What was the proportion of sustainability-related investments?

32.94% 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
Information Technology	28.86%
Financials	19.13%
Consumer Discretionary	14.90%
Communication Services	9.51%
Consumer Staples	7.96%
Health Care	7.37%
Materials	4.97%
Industrials	4.19%
Real Estate	1.48%
Cash & Derivatives	0.73%
Utilities	0.66%
<i>Electric Utilities</i>	<i>0.58%</i>
<i>Gas</i>	<i>0.06%</i>
Energy	0.25%
<i>Oil &amp; Gas Refining &amp; Marketing</i>	<i>0.25%</i>
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?

0.06% 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 Taxonomy<sup>1</sup>?

☐ Yes:
 ☐ In fossil gas
 ☐ In nuclear energy

☒ No

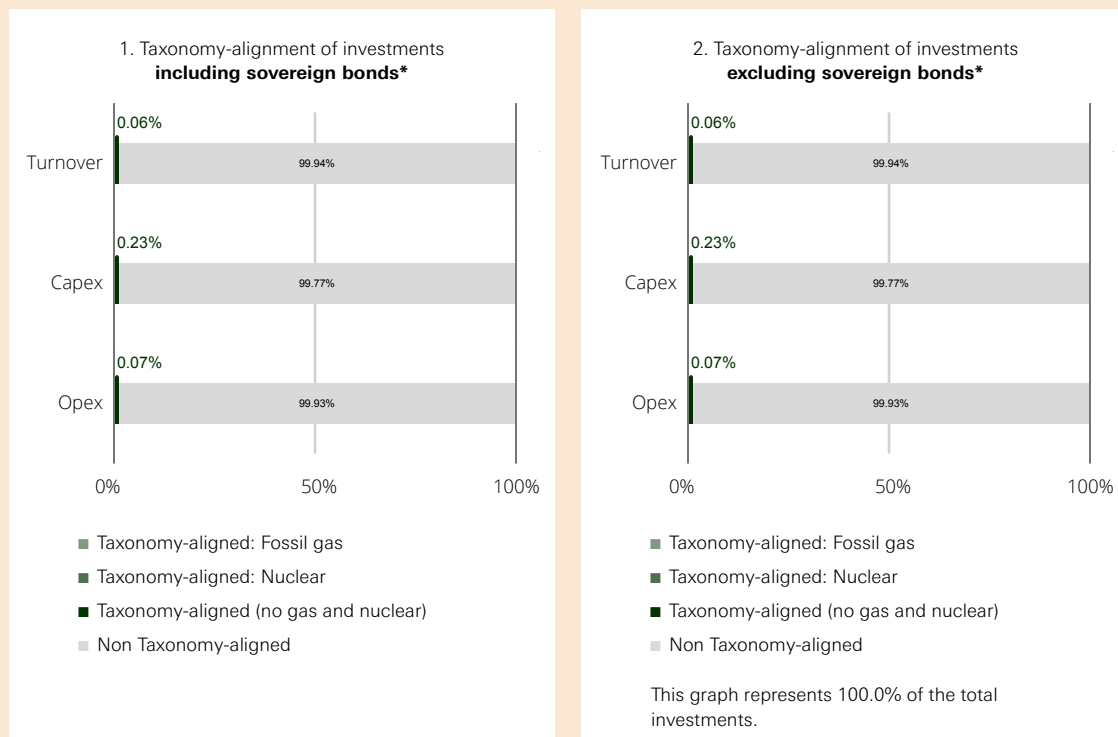
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for 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.

*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 0.01%.

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

● **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)	0.06%	0.00%	0.00%
Revenue - Non Taxonomy-aligned	99.94%	100.00%	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)	0.23%	0.00%	0.00%
CAPEX - Non Taxonomy-aligned	99.77%	100.00%	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)	0.07%	0.00%	0.00%
OPEX - Non Taxonomy-aligned	99.93%	100.00%	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 32.49%. Due to lack of coverage and data, the sub-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); and



2. The Index applied 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 target factor(s) 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 Index, in order to maximize the exposure to the target Factor along with 20% ESG score improvement of the Factor index relative to its parent market-cap weighted 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?***

The Index is an equity index based on the MSCI Emerging Markets Index (the "Parent Index"), which represented emerging markets equity markets worldwide, as determined by the Index provider.

The Index first excluded 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 aimed to maximise the exposure to the Value Factor along with a 20% ESG score improvement of the Index relative to the Parent Index. In order to maximise exposure to the Value Factor once the exclusionary criteria referred to above were applied, the Index provider used an optimisation technique to determine the remaining securities in the Index using a proprietary factor model which sought to maximise the performance of each security in terms of the Value Factor in relation to the overall market, while minimising the ex-ante tracking error relating to the Parent Index.

The proprietary factor model measured the exposure of each remaining security to the Value Factor using three value-specific variables (price-to-book value, price-to-forward earnings and enterprise value-to-cash flow from operations) and ranked the securities in such a way that Index comprised those securities providing maximum exposure to the Value Factor.

### ● ***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.

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

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

Indicator	Fund	Reference Benchmark
ESG Score	7.01	7.01

The data is based on the four-quarter average holdings of the financial year ending on 31 December 2024  
.Reference Benchmark - MSCI Emerging Markets Value SRI ESG Target Select Index

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

Indicator	Fund	Broad Market Index
ESG Score	7.01	5.80

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