HSBC GLOBAL LIQUIDITY FUND PLC – HSBC STERLING ESG LIQUIDITY FUND

The Fund promotes ESG characteristics, but does not commit to making any sustainable investments. However, the Investment Manager will review all SFDR mandatory Principal Adverse Impacts to assess the relevance to the sub-fund. HSBC's Responsible Investment Policy sets out the approach taken to identify and respond to principal adverse sustainability impacts and how HSBC considers ESG sustainability risks as these can adversely impact the securities the sub-funds invest in. HSBC uses third party screening providers to identify companies and governments with a poor track record in managing ESG risks and, where potential material risks are identified, HSBC also carry out further due diligence. Sustainability impacts, including the relevant Principal Adverse Impacts, identified by screening are a key consideration in the investment decision making process and, in turn, this also supports the advice given to clients.

The approach taken, as set out above, means that among other things the following points are scrutinised:
- companies' commitment to lower carbon transition, adoption of sound human rights principles and employees' fair treatment, implementation of rigorous supply chain management practices aiming, among other things, at alleviating child and forced labour. HSBC also pay a great attention to the robustness of corporate governance and political structures which include the level of board independence, respect of shareholders' rights, existence and implementation of rigorous anti-corruption and bribery policies as well as audit trails; and
- governments' commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance.

The Fund will promote the following environmental and social characteristics:

1. The Investment Manager seeks to identify issuers that are considered by the Investment Manager to be better at addressing ESG risks than other issuers in the investable universe, an approach often referred to as "best in class".
2. Responsible business practices in accordance with United Nations Global Compact (UNGC).
3. Minimum environmental standards through exclusion of business activities that are deemed harmful to the environment.
4. The Investment Manager seeks to engage with issuers to address identified shortcomings in how they manage ESG risks and ensure that issuers are aware that ESG performance is factored into decisions on whether their securities may be purchased by the Fund.
5. Excluding investment involved in controversial weapons.

Investment Strategy:

To achieve its objective, the Fund intends to invest in a diversified portfolio of short-term securities, instruments and obligations which are of high quality at the time of purchase and are eligible for investment under the Money Market Fund Regulation with an additional focus on the performance of the underlying issuers on a range of ESG metrics.

The Fund will use ESG integration, corporate engagement & shareholder action, norms-based screening, negative/exclusionary screening and best-in-class/positive screening.

Methodologies:

HSBC uses its own proprietary systematic investment process to measure how the environmental characteristics promoted by the Fund are met. HSBC will use data provided by a number or third parties. All data used will be verified by HSBC Asset Management's extensive research department.

• The Investment Manager seeks to identify issuers that are considered by the Investment Manager to be better at addressing ESG risks than other issuers in the investable universe, an approach often referred to as "best in class". Using data from a range of external vendors the Investment Manager determines an ESG score for each issuer in the investible universe of the Fund, consisting of E, S and G scores and weighted based on a proprietary model. The Investment Manager will then invest in the top 75% of that investible universe.

• The Fund will not invest in issuers that are considered non-compliant with the UNGC Principles. The Fund conducts enhanced due diligence on companies that are considered to be non-compliant with the UNGC Principles, or are considered to be high risk as determined by the HSBC's proprietary ESG ratings.

The Fund excludes investment in companies carrying out business activities that are deemed harmful to the environment. This means it will not invest in issuers with specified involvement in specific Excluded Activities, including, but are not limited to:

• The production of tobacco
• The production of nuclear armaments and other controversial weapons
• Issuers that derive material revenue (generally greater than 10%) from certain sectors such as thermal coal extraction.

The Investment Manager may rely on expertise, research and information provided by well-established financial data providers to identify companies exposed to these Excluded Activities.

HSBC's Responsible Investment Policy, our Engagement Policy and Stewardship Plan is available on our website www.assetmanagement.hsbc/responsible-investing/policies.