

Environmental and/or social characteristics

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.



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?

The environmental and/or social characteristics (“E/S characteristics”) promoted by this sub-fund are:

1. A minimum proportion of the sub-fund’s investments shall meet **minimum ESG standards**, i.e. the issuers that the sub-fund invests in are required to meet minimum ESG and E, and S and G score levels.
2. The **identification and analysis of an issuer’s environmental and social factors** including corporate governance practices, which form an integral part of the investment decision making process.
3. Consideration of **responsible business practices in accordance with United Nations Global Compact (“UNGC”) and OECD Guidelines for Multinational Enterprises (“OECD”) principles**. Where instances of potential violations of UNGC principles are identified, issuers will be subject to HSBC’s proprietary ESG due diligence checks to determine their suitability for inclusion in the sub-fund’s portfolio and, if deemed unsuitable, excluded.
4. Excluding activities covered by HSBC Asset Management’s Responsible Investment Policies the (“**Excluded Activities**”) as listed below.

The sub-fund is actively managed and is not constrained by a benchmark, there is no reference benchmark for this sub-fund's market and is therefore not designated for the purpose of attaining the E/S characteristics promoted by the sub-fund.

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?***

Sustainability indicators measure the attainment of each promoted E/S characteristic and are therefore a key consideration in the Investment Adviser's investment decision making process, which comprise of:

| | Environmental/social characteristic | Sustainability indicator |
|---|---|--|
| 1 | Minimum ESG standards | At least 51% of the sub-fund's investments shall meet minimum ESG standards, i.e. the issuers that the sub-fund invests in are required to meet minimum ESG and E, and S and G score levels. |
| 2 | Identification and analysis of an issuer's environmental and social factors | The sub-fund calculates an ESG score, calculated as a weighted average of the ESG scores given to the issuers in which the sub-fund has invested. |
| 3 | Responsible business practice in line with UNGC and OECD principles | All investments are assessed against the ten principles of the UNGC and the OECD. Issuers that are flagged as having violated one of the ten principles of the UNGC or OECD guidelines are systematically excluded, unless they have gone through an ESG due diligence assessment, undertaken by HSBC, and are determined not to be in breach of the principles or guidelines. |
| 4 | Excluded Activities | Exclusion of issuers that are not in compliance with Excluded Activities. |

- ***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 for this sub-fund.

- ***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?***

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.

Not applicable for this sub-fund.

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

Not applicable for this sub-fund.

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

Not applicable for this sub-fund.

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, HSBC Asset Management considers Principal Adverse Impacts (“PAIs”) at group level as part of its stewardship process and issuers that are flagged for severe violations or worst in class performers on certain PAIs may be subject to further dialogue and ESG due diligence. Certain PAIs will also be considered through exclusions - including for example controversial weapons and UNGC violations. Potential UNGC violations are identified by a third-party controversies-based research service.

The sub-fund will specifically consider the following PAIs:

- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Violation of UNGC and OECD principles
- Share of investment involved in controversial weapons
- Greenhouse gas intensity for sovereign issuers

The performance of these PAIs will be included in the Company's annual report.

Further information can also be found in HSBC's User Guide on Principal Adverse Impacts available on the website at: www.assetmanagement.hsbc.com/about-us/responsible-investing - select your location and then choose Policies and Disclosures.

No

What investment strategy does this financial product follow?

The sub-fund aims to provide long term total return by investing in a portfolio allocated across global bonds and other similar securities or instruments.

The asset classes that the sub-fund may invest in, include but are not limited to developed markets sovereigns, developed markets investment grade corporate securities, developed markets high yield corporate securities, Emerging Markets sovereigns and Emerging Markets corporate securities.

The sub-fund invests in normal market conditions primarily in Investment Grade and Non-Investment Grade fixed income securities which are issued or guaranteed by governments, government agencies or supranational bodies worldwide or issued by companies which are based or carry out the larger part of their business in either developed markets or Emerging Markets. These securities are denominated in developed market and Emerging Market currencies. The Investment Adviser may reduce the sub-fund's exposure to the aforementioned assets at any time and invest up to 49% of the sub-fund's net assets in cash, cash instruments and/or money market instruments. The sub-fund may invest up to 30% of its net assets in Asset Backed Securities and Mortgage-Backed Securities. The sub-fund may invest up to 10% of its net assets in onshore Chinese bonds issued by, amongst other, municipal and local governments, companies and policy bank.

The Total Return strategy aims to capture the majority of the upside in the global bond universe while limiting the downside risk. The Total Return strategy has a flexible allocation across the full spectrum of global bonds and currency markets. Returns are generated through duration management, yield curve positioning, currency positioning and the selection of individual securities within the investment universe. By seeking multiple sources of return, the Total Return strategy aims to provide over an investment cycle risk-adjusted returns above the investment universe of the sub-fund without reference to a benchmark index. However, the Total Return strategy does not imply there is any protection of capital or guarantee of a positive return over time. The sub-fund is subject to market risks at any time.

The sub-fund includes the identification and analysis of an issuer's environmental and social factors and corporate governance practices as an integral part of the investment decision making process.

The sub-fund will have a proportion of the investments that meet minimum ESG standards, with the issuers that the sub-fund invests in meeting minimum ESG and E, and S and G score levels. The required ESG standards are measured via a minimum ESG total score as well as minimum E, and S and G scores for each separate sub-component. These scores represent the management of ESG risks or opportunities that are relevant to the sector in which the issuer operates. The issuers that have very low scores are deemed to have poor management of ESG risks and opportunities and are therefore excluded from contributing to promotion of environmental and social factors and corporate governance practices of the sub-fund.

Notwithstanding the Excluded Activities as detailed below, the inclusion of an issuer in the sub-fund's investment universe is at the discretion of the Investment Adviser, following the completion of ESG due diligence. Issuers with improving environmental and social factors and corporate governance practices may be included.



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Environmental and social factors, corporate governance practices and Excluded Activities and the need for ESG due diligence may be identified and analysed by using, but not exclusively, HSBC’s proprietary ESG Materiality

Framework and scores, fundamental qualitative research and corporate engagement. When assessing issuers’ ESG scores or their involvement in Excluded Activities, the Investment Adviser may rely on expertise, research and information provided by financial and non-financial data providers.

The sub-fund is actively managed and the investment strategy is implemented on a continuous basis through compliance and monitoring of the binding elements as listed below.

- ***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 used to select the investments to attain each of the E/S characteristics are:

- The sub-fund commits to have a minimum of 51% of investments that are aligned with the E/S characteristics promoted by the sub-fund.
- The sub-fund will include the identification and analysis of issuers’ environmental and social factors, including corporate governance practices within the investment process. The Investment Adviser will consider the ESG scores given to the issuers in which the sub-fund invests.

Issuers considered for inclusion within the sub-fund’s portfolio will be subject to Excluded Activities including, but are not limited to:

| Excluded Activities | Details |
|------------------------------------|--|
| Banned Weapons | The sub-fund will not invest in issuers HSBC considers to be involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of Banned Weapons. |
| Controversial Weapons | The sub-fund will not invest in issuers HSBC considers to be involved in The production of controversial weapons or their key components. Controversial weapons include but are not limited to anti-personnel mines, depleted uranium weapons and white phosphorous when used for military purposes. |
| Thermal Coal 1 (Expanders) | The sub-fund will not participate in initial public offerings (“IPOs”) or primary fixed income financing by issuers HSBC considers to be engaged in the expansion of thermal coal production. |
| Thermal Coal 2 (Revenue threshold) | The sub-fund will not invest in issuers HSBC considers having more than 10% revenue generated from thermal coal power generation or extraction and which, in the opinion of HSBC, do not have a credible transition plan. |
| Tobacco | The sub-fund will not invest in issuers HSBC considers to be directly involved in the production of tobacco. |

| | |
|------|---|
| UNGC | The sub-fund will not invest in issuers that HSBC considers to be non-compliant with United Nations Global Compact (UNGC) Principles. Where instances of potential violations of UNGC principles are identified, issuers may be subject to proprietary ESG due diligence checks to determine their suitability for inclusion in a sub-fund's portfolio. |
|------|---|

- **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?**

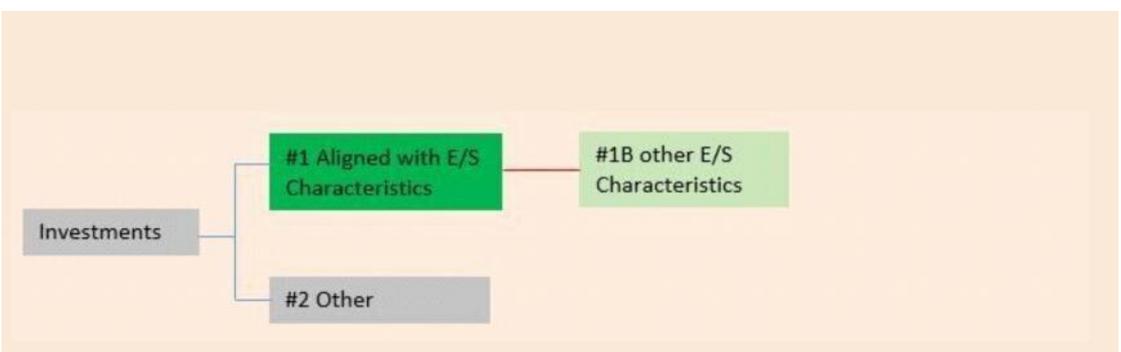
Investments in the sub-fund are assessed for minimum good governance practices through consideration of UNGC principles, additionally good governance practice of issuers is viewed through ESG and G pillar scores. Investments considered to be Sustainable Investments must pass an additional good governance screen before they can be designated as such.

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. UNGC violations are assessed through ESG due diligence as well as screening which are used to identify issuers that are considered to have poor governance. Issuers which meet the criteria of sustainable investment are assessed through minimum governance scores to ensure higher standards of governance and no association with severe controversy. Where relevant, those issuers will then be subjected to further review, action and/or engagement.

HSBC's Stewardship team meets with issuers regularly to improve HSBC's understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice. HSBC believes that good corporate governance ensures that issuers are managed in line with the long-term interests of their investors.

What is the asset allocation planned for this financial product?

The sub-fund does not commit to holding a minimum percentage of sustainable investments (#1A Sustainable). The sub-fund will have a minimum proportion of 51% of investments that are aligned with the E/S characteristics it promotes (#1 Aligned with E/S Characteristics). (#2 Other) includes liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) and financial derivatives instruments which may be used for efficient portfolio management.



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.

- ***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 E/S characteristics of the sub-fund.



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

Not applicable for this sub-fund.

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

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

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.

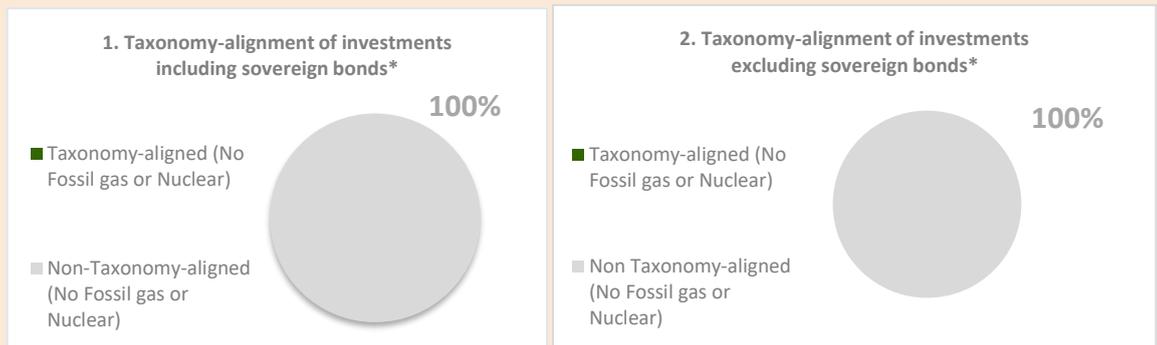
- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

Yes:

 In fossil gas In nuclear energy

 No

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.



This graph represents 100% of the total investments

* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

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.

- **What is the minimum share of investments in transitional and enabling activities?**

Not applicable for this sub-fund.



- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable for this sub-fund.



- **What is the minimum share of socially sustainable investments?**

Not applicable for this sub-fund.



- **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The sub-fund may invest in money market funds for liquidity management purposes, hold liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds), financial derivative instruments may also be used for efficient portfolio management. This may also include investments that are not aligned for other reasons such as corporate actions and non-availability of data. Liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) and financial derivatives instruments are not considered to be aligned with E/S characteristics within the sub-fund and do not have any minimum environmental or social safeguards applied. However, money market funds which meet the requirements of Article 8 SFDR are deemed to have minimum environmental or social safeguards.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



- **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?**

No, there is no reference benchmark for this sub-fund.

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



Where can I find more product specific information online?

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