

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

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

## 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 EU the 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 2% 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?

1. Active consideration of low carbon intensity investments compared to the Reference Benchmark.
2. Identification and analysis of a company's ESG Credentials which may include environmental and social factors including, but not limited to, physical risks of climate change and human capital management, that may have a material impact on a company's financial performance and valuation. It will also consider a company's corporate governance practices that protect minority investor interests and promote long term sustainable value creation.
3. Responsible business practices in accordance with UN Global Compact Principles for businesses and OECD Principles.
4. Minimum environmental standards through exclusion of business activities that are deemed harmful to the environment.
5. Active consideration of environmental issues through engagement and proxy voting.
6. Analysis of the share of investment involved in controversial weapons.

The sub-fund is actively managed and does not track a benchmark. The Reference Benchmark for the sub-fund is MSCI AC Asia ex Japan Small Cap. The sub-fund has an internal or external target to outperform the Reference Benchmark however, this is not designated for the purpose of attaining the environmental 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 are a key consideration in our investment decision making process.

The sub-fund also considers the Principal Adverse Impacts that are listed below:

- Greenhouse gas emissions (Scope 1 & Scope 2)
- Carbon footprint ( Scope 1 & Scope 2)
- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Exposure to companies active in the fossil fuel sector
- Share of energy consumption from non renewable sources
- Share of energy production from non renewable sources
- Violation of UNGC and OECD principles; and
- Share of investment involved in controversial weapons;

The level of Carbon Intensity of the Reference Benchmark will also be used to measure the sub-funds attainment of its environmental characteristics since the sub-fund aims to have a better than average Carbon Intensity score versus the Reference Benchmark.

The sub-fund also excludes investment in companies carrying out business activities that are deemed harmful to the environment. This means it will not invest in in equities issued by companies with specified involvement in specific excluded activities (“Excluded Activities”). Excluded Activities are detailed below.

- **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?**

The sustainable investments made by the sub-fund are aligned to its environmental characteristics.

The sub-fund includes the identification and analysis of a company’s ESG credentials as an integral part of the investment decision making process with the aim of reducing sustainability risk and enhancing returns.

- **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?**

Do no significant harm analysis is completed as part of HSBC's standard investment process for sustainable assets, which will include the consideration of Principal Adverse Impacts.

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

The Investment Adviser 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

**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.

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 specific Principal Adverse Impacts for this sub-fund are as set out above.

HSBC's Responsible Investment Policy is available on the website at:  
[www.assetmanagement/hsbc/about-us/responsible-investing/policies](http://www.assetmanagement/hsbc/about-us/responsible-investing/policies)

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

HSBC is committed to the application and promotion of global standards. Key areas of focus for HSBC's Responsible Investment Policy are the ten principles of the United Nations Global Compact (UNGC). These principles include non-financial risks such as human rights, labour, environment and anti-corruption. HSBC is also a signatory of the UN Principles of Responsible Investment. This provides the framework used in HSBC's approach to investment by identifying and managing sustainability risks. Companies in which the sub-fund invests will be expected to comply with the UNGC and related standards. Companies having clearly violated one, or with at least two presumed violations, of the ten principles of the UNGC are systematically excluded. The sub-fund conducts enhanced due diligence on companies that are considered to be non-compliant with the UN Global Compact Principles, or are considered to be high risk as determined by the HSBC's proprietary ESG ratings. Companies are also evaluated in accordance with international standards like the OECD Guidelines.

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.

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

- Yes, the approach taken to consider Principal Adverse Impacts means that, among other things, HSBC will scrutinise companies' commitment to lower-carbon transition, adoption of sound human rights principles and employees' fair treatment, and implementation of rigorous supply chain management practices such as those aiming to alleviate child and forced labour. HSBC also pays 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. 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 will also be taken into account. Investment in companies carrying out business activities that are deemed harmful to the environment are also excluded.



The sub-fund also considers the Principal Adverse Impacts that are listed below:

- Greenhouse gas emissions (Scope 1 & Scope 2)
- Carbon footprint (Scope 1 & Scope 2)
- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Exposure to companies active in the fossil fuel sector
- Share of energy consumption from non renewable sources
- Share of energy production from non renewable sources
- Violation of UNGC and OECD principles; and
- Share of investment involved in controversial weapons

Full details of how Principal Adverse Impacts have been considered in respect of the sub-fund will be included in the sub-fund's year-end report and accounts.

No



### **What investment strategy does this financial product follow?**

The sub-fund aims to provide long term capital growth by investing in a portfolio of Asian (excluding Japan) smaller company equities, while promoting ESG characteristics within the meaning of Article 8 of SFDR. This includes the identification and analysis of a company's ESG credentials (as set out above) as an integral part of the investment decision making process to reduce sustainability risk.

The ESG Credentials, Excluded Activities (as set out below) and the need for enhanced due diligence may be identified and analysed by using, but not exclusively, HSBC's proprietary ESG Materiality Framework and ratings, fundamental qualitative research and corporate engagement. The Investment Adviser may rely on expertise, research and information provided by financial and non-financial data providers.

Enhanced due diligence will be conducted on companies that are considered to be non-compliant with the UN Global Compact Principles, or are considered to be high risk as determined by HSBC's proprietary ESG ratings.

This investment strategy is implemented through HSBC's investment process on a continuous basis by way of ongoing review and compliance monitoring of the binding elements as set out 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 sub-fund aims to have a higher ESG rating, calculated as a weighted average of the ESG ratings given to the companies of the sub-fund's investments, than the weighted average of the constituents of MSCI Asia ex Japan Small Cap index. The sub-fund also aims to have a better than average Carbon Intensity score versus the Reference Benchmark

The sub-fund excludes investment in companies carrying out business activities that are deemed harmful to the environment. This means it will not invest in equities issued by companies with specified involvement in specific excluded activities ("Excluded Activities"). Excluded Activities and specified involvement are proprietary to HSBC and include, but are not limited to:

- Companies 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. This exclusion is in addition to HSBC's banned weapons policy which is available at: [www.assetmanagement.hsbc.com/about-us/responsible-investing/policies](http://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies)
- Companies involved in the production of tobacco.

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

- Companies with more than 10% revenue generated from thermal coal extraction and do not have a clearly defined, credible plan to reduce exposure to below 10%.
- Companies with more than 10% revenue generated from coal-fired power generation and do not have a clearly defined, credible plan to reduce exposure to below 10%.

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

In addition, enhanced due diligence will be conducted on companies that are considered to be non-compliant with the UN Global Compact Principles, or are considered to be high risk as determined by HSBC's proprietary ESG ratings.

- **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 an committed minimum rate to reduce the scope of investments.

However, the sub-fund will not invest in equities and equity equivalent securities of companies that are considered non-compliant with the United Nations Global Compact (UNGC) Principles or have material exposure, exceeding a revenue exposure threshold, to specific excluded activities ("Excluded Activities"). These Excluded Activities are proprietary to HSBC and may include, but are not limited to, companies involved in the production of controversial weapons or their key components, companies involved in the production of tobacco, thermal coal fired power generation, thermal coal extraction and may change over time.

- **What is the policy to assess good governance practices of the investee companies?**

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 companies that are considered to have low governance scores. Those companies will then be subjected to further review, action and/or engagement.

Good corporate governance has long been incorporated in HSBC's proprietary fundamental company research. HSBC's Stewardship team meets with companies regularly to improve our 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 companies are managed in line with the long-term interests of their investors.

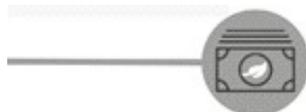
- **What is the asset allocation planned for this financial product?**

The sub-fund invests in normal market conditions a minimum of 90% of its net assets in equities and equity equivalent securities of companies which are domiciled in, based in, or carry out the larger part of their business activities in Asia (excluding Japan) including both developed markets and Emerging Markets. The sub-fund may also invest in eligible closed ended Real Estate Investment Trusts ("REITs").

The sub-fund will invest a minimum of 70% of its net assets in equities and equity equivalent securities of smaller companies, which are defined as those in the bottom 25% by market capitalisation of the Asia ex Japan universe, which is a combination of the MSCI AC Asia ex Japan and the MSCI AC Asia ex Japan Small Cap.

Notwithstanding the minimum limits set out above, the sub-fund may hold other investments including cash for the purposes of liquidity management and financial

**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.

derivative instruments. Financial derivative instruments may be used for hedging and cash flow management (for example, EQUITISATION).

The sub-fund will not use financial derivative instruments extensively for investment purposes. The financial derivative instruments the sub-fund is permitted to use include, but are not limited to, futures, warrants and foreign exchange forwards (including non-deliverable forwards). Financial derivative instruments may also be embedded in other instruments in which the sub-fund may invest. Financial derivative instruments may also be used for efficient portfolio management purposes.

The sub-fund 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 2% of sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

**- turnover**

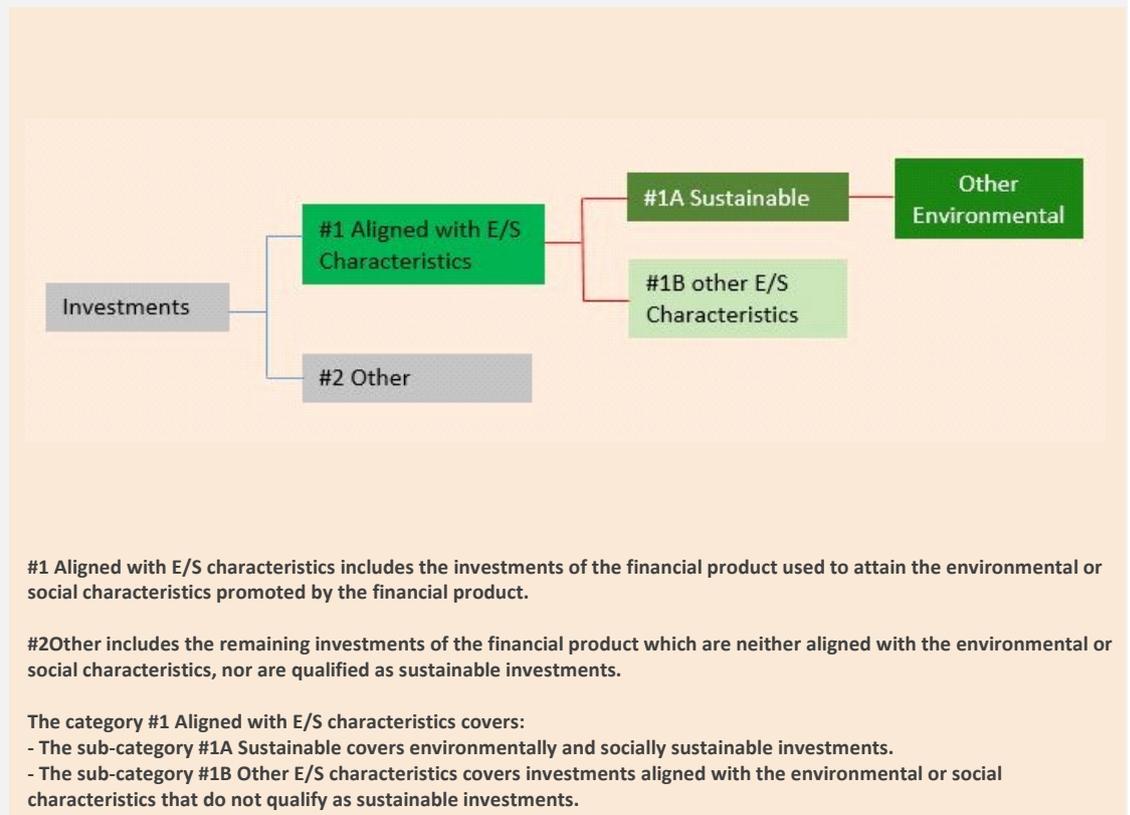
reflecting the share of revenue from green activities of investee companies

**- 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 environmental or social characteristics of the sub-fund.

**Enabling activities**

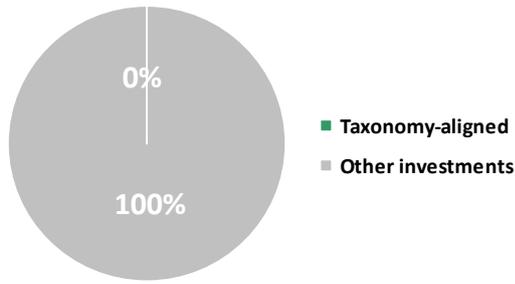
directly enable other activities to make a substantial contribution to an environmental objective.



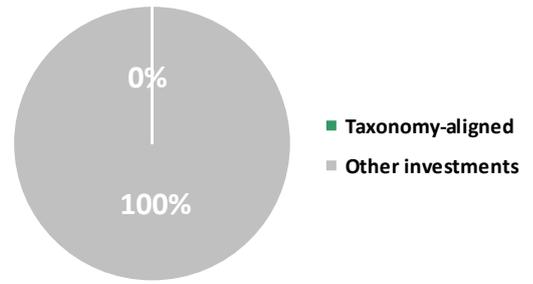
**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The sustainable investments within the sub-fund are not intending to be aligned with the EU Taxonomy, this is therefore assessed to be 0%. However, from time to time, the sub-fund may hold taxonomy aligned investments.

**1. Taxonomy -alignment of investments including sovereign bonds**



**2. Taxonomy -alignment of investments excluding sovereign bonds**



**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?**  
This is not applicable as 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

- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
The sub-fund 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 2% of sustainable investments. While the sub-fund does commit a minimum proportion of Sustainable Investments, it makes no commitment to EU Taxonomy alignment. Notwithstanding that investments are not taxonomy aligned, this does not mean that the investments held by the sub-fund are harmful to the environment or unsustainable.

- **What is the minimum share of socially sustainable investments?**  
The sub-fund does not commit to having a minimum share of socially sustainable investments, however, the Investment Adviser does look at the social characteristics, human and workforce rights, management behaviour and corporate social responsibility when assessing an issuer.

- **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**  
The sub-fund may hold cash and cash equivalents and financial derivative instruments may also be used as set out above including for the purposes of efficient portfolio management. The sub-fund may also hold investments that are not aligned for other reasons such as corporate actions and non-availability of data.



**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

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

N/A

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

N/A

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

N/A



**Where can I find more product specific information online?**

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

[www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com)