

Pre-contractual disclosures under SFDR L2 – HSBC Sterling Liquidity Fund

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

Product name: HSBC Sterling Liquidity Fund

Legal entity identifier: 213800C2S4OIQVL8J89

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.



Sustainability indicators measure how the environmental or social characteristics

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 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 promoted by this Fund are:

1. The identification and analysis of an issuer's environmental characteristics including, but not limited to, physical risks of climate change and human capital management.
2. Responsible business practices in accordance with United Nations Global Compact (UNGC).
3. 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.
4. Excluding activities covered by HSBC Asset Management's Responsible Investing Policies.

The Fund is actively managed and does not track a benchmark. The reference benchmark for the Fund is SONIA (Sterling Overnight Index Average). As the Fund is not constrained, in reference to the benchmark, it is not relevant for the purposes of the Fund's ESG characteristics.



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

promoted by the financial product are attained.

process.

The primary sustainability indicator used to measure the attainment of the environmental and social characteristics promoted by the Fund is to measure the Fund's ESG score relative to the median average ESG score of the investable universe using MSCI Industry Adjusted (IA) score. The Fund seeks to maintain an ESG score above the median average ESG score of the investable universe.

Sustainability impacts identified by screening are a key consideration in our investment decision making process.

The Principal Adverse Impacts considered by the Fund are:

- Violation of UNGC principles and OECD guidelines
- Share of investment involved in controversial weapons

The Fund also excludes investment in issuers carrying out business activities that are deemed harmful to certain environmental or social characteristics. This means that the Fund will not invest in securities of issuers with specified involvement in specific excluded activities ("Excluded Activities"), that are listed 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?***

This question is not applicable as the Fund does not commit to make sustainable investments as defined under SFDR. However, as a result of the investment process, the Fund may be invested in sustainable investments, which are aligned to the environmental and social characteristics promoted by the Fund.

The Investment Manager shall promote among other characteristics, environmental and social characteristics and invest in issuers following good governance practices.

- ***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?***

This question is not applicable for this particular Fund, however do no significant harm is completed as part of HSBC Asset Management's (HSBC) standard investment process for sustainable assets, which will include the consideration of Principal Adverse Impacts.

Where an investment which causes significant harm is identified, it cannot be considered a sustainable investment.

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

This question is not applicable, however the Investment Manager will follow HSBC's Responsible Investment Policy which 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 Funds invest in. HSBC uses third party data providers, such as Sustainalytics and MSCI to identify issuers and governments with a poor track record in managing ESG risks and, where potential material risks are identified, HSBC also carry out further ESG due diligence. Sustainability impacts identified by screening are a key consideration in the investment decision making process.

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 approach taken, as set out above, means that among other things the following points are scrutinised:

- issuers' 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.

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

This question is not applicable as the Fund does not commit to make sustainable investments as defined under SFDR. However, 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 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. Issuers in which the Fund invests will be expected to comply with the UNGC and related standards. Issuers having clearly violated one of the ten principles of the UNGC are systematically excluded, unless they have gone through an ESG due diligence assessment to determine their suitability for inclusion in a Fund's portfolio.

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, the approach taken to consider Principal Adverse Impacts means that, among other

things, HSBC will scrutinise issuers' 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.

No

What investment strategy does this financial product follow?

The investment objective of the Fund is to provide investors with security of capital and daily liquidity together with an investment return which is comparable to normal Sterling denominated money market interest rates.

To achieve this 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, and negative/exclusionary screening. The Fund conducts ESG due diligence on issuers considered to be high risk as determined by the HSBC's proprietary ESG ratings.

- ***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 environmental or social characteristics are:

- 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 construct a portfolio that aims to maintain an ESG score above the median average ESG score of the investible universe, as measured by MSCI IA score.

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

- **Banned Weapons** - the 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 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.



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

- **Thermal Coal (Expanders)** - the 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 (Revenue threshold)** – the Fund will not invest in issuers HSBC considers to have 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.
- **Arctic Oil & Gas** - the Fund will not invest in issuers HSBC considers to have more than 10% of their revenues generated from oil & gas extraction in the Arctic region and which, in the opinion of HSBC, do not have a credible transition plan.
- **Oil Sands** - the Fund will not invest in issuers HSBC considers to have more than 10% of their revenues generated from oil sands extraction and which, in the opinion of HSBC, do not have a credible transition plan.
- **Shale Oil** - the Fund will not invest in issuers HSBC considers to have more than 35% of their revenues generated from the extraction of Shale Oil and which, in the opinion of HSBC, do not have a credible transition plan.
- **Tobacco** – the Fund will not invest in issuers HSBC considers to be directly involved in the production of tobacco.
- **UNGC** - the 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 Fund’s portfolio.

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

Consideration will be given to the Fund's sustainability indicators on a continuous basis.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The 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?***

The Investment Manager will use a combination of its own proprietary scoring system, which is based partly on third party data and ESG scores assigned by third parties, to assign an ESG score of the Investment Manager to each approved issuer/company in the HSBC Sterling Liquidity Fund's investable universe. The ESG score measures the performance of an issuer’s/company’s business operations and governance based on select ESG criteria deemed to be material by the Investment Manager and third party research providers such as emissions, resource use, human and workforce rights, management behaviour and corporate social responsibility.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

What is the asset allocation planned for this financial product?



Asset allocation describes the share of investments in specific assets.

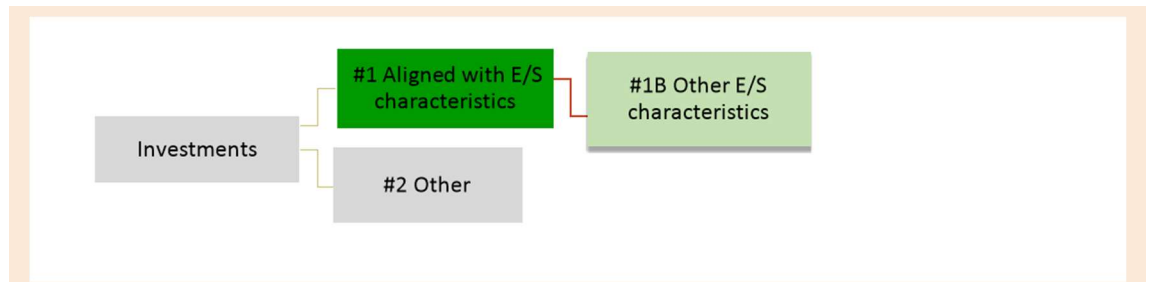
A minimum of 51% of the Fund's investments consist of short-term securities, instruments and obligations which are of high quality at the time of purchase and are eligible for investment under the Money Market Fund Regulation which are used to meet the promoted environmental and social characteristics of the investment strategy (#1 Aligned with E/S characteristics). (#2 Other) includes cash for liquidity management purposes.

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.



#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.

#1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

#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

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain the environmental characteristics promoted by the Fund.



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

While the Fund promotes environmental characteristics, the Fund will not target a minimum proportion of sustainable investments that qualify as environmentally sustainable under the Taxonomy Regulation. Therefore, the current proportion of environmentally sustainable investments in accordance with the Taxonomy Regulation that can be evidenced is 0% of the net assets of the Fund.

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

Yes:

fossil gas In nuclear energy

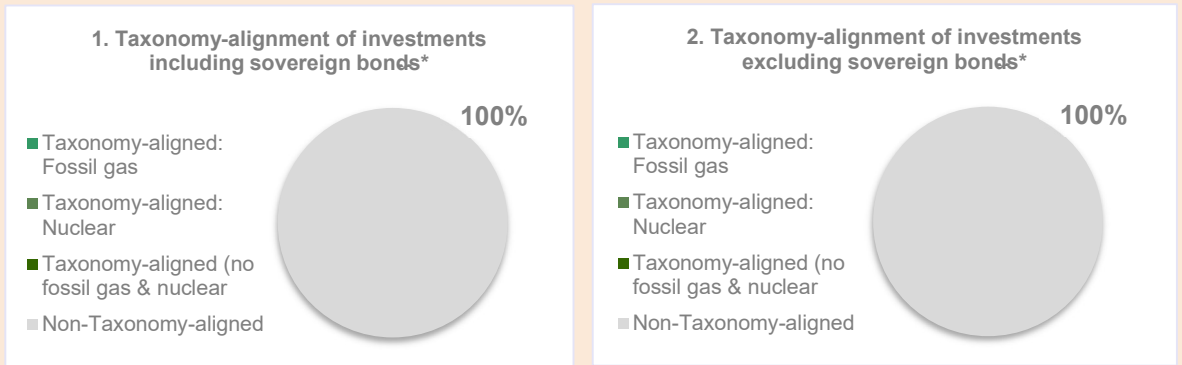
No

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.

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 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.

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

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?**

Not applicable as the Fund does not commit to having a minimum share of sustainable investments with an environmental objective.

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

The Fund does not commit to having a minimum share of socially sustainable investments, however, the Investment Manager 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 Fund may hold cash which does not have any minimum environmental or social safeguards applied. The 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?***
Not applicable.
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***
Not applicable.
- ***How does the designated index differ from a relevant broad market index?***
Not applicable.
- ***Where can the methodology used for the calculation of the designated index be found?***
Not applicable.

Where can I find more product specific information online?

More product-specific information on this and all other HSBC Global Liquidity Funds can be found on the website. Go to: www.assetmanagement.hsbc.com/investment-expertise/liquidity and select your country/location from the list. Please select 'Funds' from the main navigation page, where you can use the search or filter functions to find your particular Fund.

This Pre-Contractual Disclosure document should be read in conjunction with the Prospectus and may be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Prospectus. To the extent there is any inconsistency between the documentation in English and in any other language, the English language documentation will take president, except to the extent required by the law of any jurisdiction where the fund is marketed for investment.

