

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 5% 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?

In replicating the performance of the Euronext ESG Biodiversity Screened World USD Index (the "Index"), the Fund promotes the following environmental and/or social characteristics:

- Biodiversity; and
- ESG

The Fund seeks to achieve the promotion of these characteristics by replicating the performance of the Index which considers, amongst other things, the impact of a company's activities on biodiversity (the Corporate Biodiversity Footprint score), together with a number of ESG related criteria.

The Index has been designated as a reference benchmark for the purpose of attaining the environmental and/or social characteristics promoted by the 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?

The sustainability indicator is the HSBC Asset Management's proprietary ESG ratings system which is used to measure the attainment of the ESG characteristics promoted by the Index and therefore the Fund, specifically measuring:

- ESG score relative to the Euronext World Index (the "Parent Index"); and
- Biodiversity score relative to the Parent Index.

● 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 this Fund are aligned to the environmental and/or

social characteristics which it promotes, as set out in this annex.

The Fund replicates the performance of the Index, the focus of which is to exclude companies which are deemed to have the worst impact on biodiversity, within their sector and remove companies with the worst 25% ESG Risk score rating against that of the Parent Index.

By replicating the performance of the Index, the investments of the Fund contribute to these sustainable objectives.

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.

● **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?**

No significant harm analysis is completed by the Index provider as part of the Index construction.

The Index is re-balanced periodically; prior to the re-balance of the Index the indicators referred to below are incorporated in the assessment of the business activities.

By replicating the performance of the Index, the investments of the Fund do not cause significant harm to the environmental and/or social investment sustainable objectives.

Investment restrictions monitoring is an HSBC overlay process that screens for any investments that would cause significant harm to the objectives and which could result in divestment by the Investment manager ahead of index re-balancing.

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

The mandatory indicators have been used in the assessment of business activities of the initial universe of securities prior to the construction of the Index.

Revenue data, business involvement and other data sources have been considered when assessing each security using minimum thresholds or blanket exclusions on activities identified in relation to these indicators.

The Index is constructed using data on each securities business involvement. The data is aligned to quantified environmental pressures: Climate Change, Land use, Air pollution and Water pollution. This along with mean species abundance, as a measure of biodiversity, creates a Corporate Biodiversity Footprint ("CBF") score. The Index removes securities that have a high CBF score (being the worse) thus removing companies with the greatest impact on a number of adverse impact factors. The CBF score aligns to PAI 1, 2, 3, 4, 5, 6, 7 and 8. In addition to the CBF score, a separate controversy screen is applied to the starting universe to remove any security in violation of UNGC principles, PAI 10 & 11. The Index also screens out securities with controversies specifically related to environmental impact, removal of securities with 4 & 5 scores (most severe) in relation to E 2.2 Environmental Supply chain incidents, E 1.12 Operations and E 3.2 Product and services incidents (PAI, 7, 8). Additional screens covering controversial and conventional weapons (PAI 14), Pesticide production, Thermal coal mining and generation, Oil & Gas, are also applied before the final Index is calculated. The Index is reviewed quarterly and assessed using 3rd party data to ensure the business activity screens are being adhered to.

Further information on the Fund's CBF score is available on request.

No optional indicators are taken into account.

Furthermore, active ownership, through engagement and global proxy voting, is a key pillar of our approach to responsible investments. Our stewardship activity is focused on protecting and enhancing our clients' investments with us. We engage with

companies on a range of ESG issues and we have the following clear set of engagement objectives:

- Improve our understanding of company business and strategy
- Monitor company performance
- Signal support or raise concerns about company management, performance or direction
- Promote good practice

Engagement issues range from corporate governance concerns such as the protection of minority shareholder rights, director elections and board structure to environmental issues, including climate change adaptation and mitigation and the low-carbon energy transition, to social issues including human capital management, inequality and data privacy.

We have a dedicated stewardship team with engagement specialists. Engagement is also integral to the fundamental research process. Our analysts and portfolio managers engage with issuers as part of the investment process and cover relevant ESG issues in their research and discussions.

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

As per the below, through the Index's norms based screening, Global Standard Screening, a broad range of international norms and standards are covered, including: UNGC, UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines for Multinational Enterprises and Related Conventions.

Further information on benchmark, data and standards used can be found on the Index provider's website.

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 Index is constructed using data on each security business involvement. The data is aligned to quantified environmental pressures: Climate Change, Land use, Air pollution and Water pollution.

This along with mean species abundance, as a measure of biodiversity, creates a Corporate Biodiversity Footprint (CBF) score.

The Index removes securities that have a high CBF score (being the worse) thus removing companies with the greatest impact on a number of adverse impact factors. The CBF score considers PAI 1, 2, 3, 4, 5, 6, 7 and 8. In addition to the CBF score a separate controversy screen is applied to the starting universe to remove any security in violation of UN Global Compact ("UNGC") principles, PAI 10 & 11. The Index also screens out securities with controversies specifically related to environmental impact, removal of securities with 4 & 5 scores (most severe) in relation to E 2.2 Environmental Supply chain incidents, E 1.12 Operations and E 3.2 Product and services incidents (PAI, 7, 8).

Additional screens covering controversial and conventional weapons (PAI 14), Emissions to water (PAI 8), Thermal coal mining and generation, Oil & Gas, are also applied before the final Index is calculated.

The Index is reviewed quarterly and assessed using 3rd party data to ensure the business activity screens are being adhered to.

Information on the Fund's CBF score is available on request.

Further information relating to Iceberg Data Lab's Corporate Biodiversity Footprint score and the ESG Risk score (provided by Sustainalytics) is available on request.

Furthermore active ownership, through engagement and global proxy voting, is a key pillar of our approach to responsible investments. Our stewardship activity is focused on protecting and enhancing our clients' investments with us. We engage with companies on a range of ESG issues and we have the following clear set of engagement objectives:

- Improve our understanding of company business and strategy
- Monitor company performance
- Signal support or raise concerns about company management, performance or direction
- Promote good practice

Engagement issues range from corporate governance concerns such as the protection of minority shareholder rights, director elections and board structure to environmental issues, including climate change adaptation and mitigation and the low-carbon energy transition, to social issues including human capital management, inequality and data privacy.

We have a dedicated stewardship team with engagement specialists. Engagement is also integral to the fundamental research process. Our analysts and portfolio managers engage with issuers as part of the investment process and cover relevant ESG issues in their research and discussions.

We are fully transparent in our reporting of our engagement and voting activity, publishing our voting on a quarterly basis and summary information about our engagement activity annually.

How PAI indicators were considered will be included in the Fund's year-end report and accounts.

Further information is available on request.

☐ No



What investment strategy does this financial product follow?

The Fund is passively managed. The investment objective of the Fund is to replicate the performance of the Index, while minimising as far as possible the tracking error between the Fund's performance and that of the Index. In replicating the performance of the Index, the Fund promotes certain environmental, social and/or governance characteristics and has been categorised as an Article 8 fund for the purpose of SFDR.

The Index is an equity index based on the Parent Index, which offers a representation of developed equity markets worldwide, as determined by the Index provider. The Index employs a scoring, ratings and exclusions based approach which considers, amongst other things, the impact of a company's activities on biodiversity (the Corporate Biodiversity Footprint score), together with a number of ESG related criteria. In excluding companies based on their Corporate Biodiversity Footprint score, the Index seeks to exclude companies which are deemed to have the worst impact on biodiversity within their sector (listed

below).

The remaining companies in the Parent Index after the application of the above exclusionary criteria are eligible for inclusion in the Index. The eligible companies are ranked by free float market capitalisation, with the 500 highest ranked companies being selected for the Index. In case less than 500 companies are eligible after the eligibility screenings, all remaining companies are selected for the Index.

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

● **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 are as follows:

The Index is constructed from the Parent Index (approximately 1500 stocks) by excluding securities of companies with any of the following characteristics:

- Companies with a free float market capitalisation of less than 2 billion Euro;
- Companies with Corporate Biodiversity Footprint scores of 5 or 6 (with 6 being the worst score), or unscored;
- Companies among the worst 25% ESG Risk score (from the starting universe);
- Companies identified as involved in:
 - the production and/or distribution of tobacco;
 - thermal coal extraction and/or electricity generation;
 - oil sands extraction;
 - shale energy extraction;
 - oil & gas exploration and/or production;
 - electricity generation from oil & gas;
 - nuclear power production;
 - production and/or distribution of civilian fire arms;
 - providing core weapons systems, or components/services that are considered tailor made and essential for banned and controversial weapons (including antipersonnel mines, blinding laser weapons, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, non-detectable fragments, and white phosphorus munitions);
 - animal testing;
 - pesticide production;
 - palm oil production and/or distribution;
 - whale meat production;
 - involvement in incidents which have a negative environmental impact;
 - owning or operating a gambling establishment or manufacturing specialised products exclusively for gambling or providing supporting products/services to gambling operations; and
 - the production or operation of adult entertainment establishments or in the distribution of adult entertainment materials; and
- Companies considered to have breached one or more of the UNGC principles (widely accepted sustainability principles covering human rights, labour, environment and anticorruption);

● **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.

The Index is constructed from the Parent Index (approximately 1500 stocks) by excluding securities of companies with the above characteristics (each criteria 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).

The remaining companies in the Parent Index after the application of the above

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

exclusionary criteria are eligible for inclusion in the Index. The eligible companies are ranked by free float market capitalisation, with the 500 highest ranked companies being selected for the Index.

In case less than 500 companies are eligible after the eligibility screenings, all remaining companies are selected for the Index.

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

The following governance factors are being considered as part of the Index's methodology:

- o ESG Risk score
- o United Nations Global Compact compliance assessment

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 issuers that are considered to have low governance scores. Those issuers 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 the Investment Manager has 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.

Further information is available on request.



Asset allocation
describes the share of
investments in specific
assets.

What is the asset allocation planned for this financial product?

In seeking to achieve its investment objective, the Fund will aim to invest in the constituents of the Index in generally the same proportions in which they are included in the Index. Cash and other instruments may be used for liquidity, hedging and efficient portfolio management.

The Fund promotes environmental and/or social characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 5% of sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- turnover

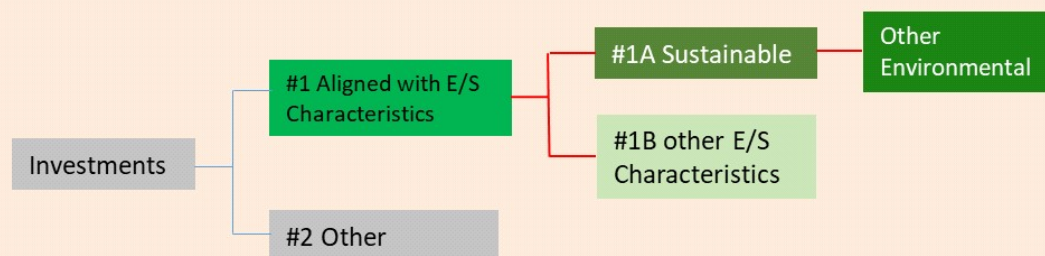
reflecting the share of revenue from green activities of investee companies

- 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.



#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.

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

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

Enabling activities

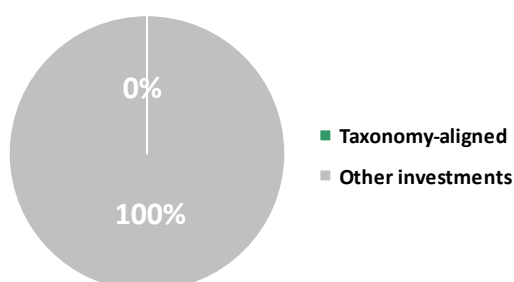
directly enable other activities to make a substantial contribution to an environmental objective.



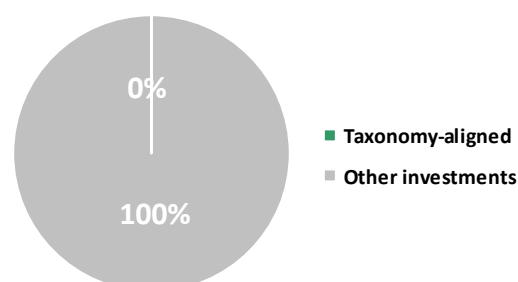
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A. The Fund does not intend to commit to a minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy.

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?**

N/A. 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



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

N/A. The Fund does not intend to commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



What is the minimum share of socially sustainable investments?

N/A. The Fund does not intend to commit to a minimum share of socially sustainable investments.



What investments are included under “#2 Other”, what is their purpose and are 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 be used for liquidity, hedging and efficient portfolio management in respect of which there are no minimum environmental and/or social safeguards.

There are no minimum environmental or social safeguards for these investments.



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?

Yes.

The Fund will aim to replicate the net total return performance of the Euronext ESG Biodiversity Screened World USD Index.

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?**

The Index employs a scoring, ratings and exclusions based approach which considers, amongst other things, the impact of a company's activities on biodiversity (the Corporate Biodiversity Footprint score), together with a number of ESG related criteria.

The composition of the Index is rebalanced on a quarterly basis and carried out according to the published rules governing the management of the Index as set out by Euronext Paris. Further information about the Index, its components, its rebalancing frequency and its performance can be found on the Index provider's website.

● **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

The investment objective of the Fund is to replicate the performance of the Index, while minimising as far as possible the tracking error between the Fund's performance and that of the Index. In seeking to achieve its investment objective, the Fund will aim to invest in the constituents of the Index in generally the same proportions in which they are included in the Index. The composition of the Index is rebalanced on a quarterly basis and carried out according to the published rules governing the management of the Index as set out by Euronext Paris. Further information about the Index, its components, its rebalancing frequency and its performance is available at: live.euronext.com.

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

The Index is an equity index based on the Euronext World Index, which offers a representation of developed equity markets worldwide, as determined by the Index provider. The Index employs a scoring, ratings and exclusions based approach which considers, amongst other things, the impact of a company's activities on biodiversity (the Corporate Biodiversity Footprint score), together with a number of ESG related criteria. In excluding companies based on their Corporate Biodiversity Footprint score, the Index seeks to exclude companies which are deemed to have the worst impact on biodiversity, within their sector.

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

The Index methodology may be amended from time to time by the Index provider. Information on the Index methodology is available on <https://live.euronext.com/>



Where can I find more product specific information online?

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

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www.assetmanagement.hsbc.com