

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 companies in which the financial product invests 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. This 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

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☒ Yes

☐ No

☒ It will have a minimum of sustainable investments with an environmental objective: 90%

☐ 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 have a minimum of sustainable investments with a social objective:_%

☐ It promotes Environmental and Social (E/S) characteristics, and while it does not have sustainable investment as its objective, it will have a minimum proportion of sustainable investments of _%

☐ 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 is the sustainable investment objective of this financial product?

The subfund invests in shares issued by European companies that provide the solutions necessary for the decarbonisation of players in the green transition. Portfolio companies are selected for their good environmental, social, and governance practices and their financial quality. Therefore, the fund contributes to the environmental objectives set out in Article 9 of the Taxonomy Regulation and, in particular, to the objectives of climate change mitigation and adaptation. In addition, the subfund will:

- Exclude issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational Enterprises.
- Exclude shares of companies involved in the production of controversial weapons or their components. Controversial weapons include, but are not limited to, anti-personnel mines, depleted uranium weapons, and white phosphorus when used for military purposes. This exclusion is in addition to the exclusion policy on weapons prohibited by international treaties.
- Exclude shares of companies in the Defence sector.
- Exclude shares of companies primarily involved in the exploration, production, and exploitation of fossil fuels.
- Exclude shares of companies engaged in thermal coal activities. Companies with more than 5% revenue generated from coal-fired power generation are partially excluded. Mining companies are completely excluded.

- Exclude shares of companies in the nuclear sector.
 - Exclude shares of companies involved in tobacco production.
 - Carefully consider environmental issues through voting and engagement activities.
- The subfund is actively managed and does not track a benchmark. The indicator used by the subfund to measure performance is the MSCI Europe GDP weighted. However, it has not been designated to determine whether the subfund attains the sustainable investment objective.

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 the sustainable investment objective of this financial product?***

One of the indicators used to monitor and measure the portfolio's environmental performance is the "avoided emissions" indicator. Avoided emissions correspond to future emissions of green technology compared with conventional technology that the subfund would replace during its life cycle. The subfund aims to have more avoided emissions than those of the MSCI Europe GDP weighted, the indicator used for information purposes to assess its performance.

The subfund takes the following principal adverse impacts into consideration:

- Greenhouse gas intensity of companies,
- Exposure to companies active in the fossil fuel sector,
- Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises,
- Exposure to controversial weapons.

In addition, the subfund will not invest in shares of companies or other securities equivalent to shares of companies exposed to certain activities ("excluded activities"). The excluded activities are set out below among the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective of the financial product.

● ***How do the sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The principle of "do no significant harm" to environmental or social objectives applies only to the underlying sustainable investments of the subfund. This principle is incorporated into the investment decision-making process, which includes consideration of principal adverse impacts.

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

HSBC Asset Management's "do no significant harm" (DNSH) assessment of issuers as part of its sustainable investment process includes consideration of principal adverse impacts (PAI). It involves a holistic analysis of the company's multiple sustainability impacts rather than focusing on a single factor. When an issuer is identified as potentially controversial, it cannot be considered a sustainable investment. All relevant PAIs are thus examined and integrated into the investment process according to an approach that combines exclusions (sectoral, the most severe ESG controversies, norms-based exclusions, etc.) with voting and shareholder engagement activities to instil and maintain a positive change dynamic within companies. Furthermore, a company will not qualify as sustainable if it does not comply with the principles of the United Nations Global Compact and its associated international standards, conventions, and treaties or if it is involved in weapons banned by international conventions. With the exception of these last two PAIs, we use proxies. In our view, the setting of exclusion thresholds (e.g. GHG emissions) for each PAI is not always relevant and could compromise the fact that many sectors and companies are in a transition strategy.

In addition, engagement is essential to ensure that companies with limited disclosure, particularly in emerging economies, are initially excluded from the definition of sustainable investment and allow us to be a catalyst for positive environmental or social change. For example, we use a 10% threshold on revenues from thermal coal mining (and coal-fired power generation) as an exclusion filter to indirectly address all PAIs related to greenhouse gas emissions. HSBC's sustainable investment methodology is available on the management company's website: www.assetmanagement.hsbc.fr/fr/retail-investors/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 applying and promoting international standards. The ten principles of the United Nations Global Compact are among the priorities of HSBC's Responsible Investment Policy. These principles include non-financial risks such as human rights, labour standards, the environment, and anti-corruption. HSBC is also a signatory to the United Nations Principles for Responsible Investment. They provide a framework for the identification and management of sustainability risks. In this subfund, companies with a proven violation of one of the 10 principles of the United Nations Global Compact or at least two alleged violations are systematically excluded. Companies are also assessed according to international standards such as the OECD Guidelines for Multinational Enterprises.



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

- ☒ Yes, the principal adverse impacts of investments are taken into consideration in the management of the subfund as follows:
 - For the selection of investments, the manager has chosen two environmental indicators: "Greenhouse Gas Intensity" and "Exposure to companies active in the fossil fuel sector". The subfund's consideration of these indicators stems from, in particular, the application of our coal phase-out policy as well as sectoral exclusions set out by the label guidelines. In addition, the manager favours, all other things being equal, companies that emit the least CO₂ within their sector or are working to reduce their carbon intensity.
 - Exclusion of issuers:
 - considered non-compliant with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises,
 - exposed to controversial weapons.
 - Lastly, the subfund takes into consideration the principal adverse impacts in its engagement approach, which incorporates several levers for action including 1) direct dialogue with companies about their consideration of environmental and social issues to ensure that they are able to face the future and maintain long-term financial viability, 2) the exercising of voting rights by which we express our support for positive development initiatives or, conversely, our disagreement when directors do not meet our expectations, and 3) a gradual escalation procedure with companies when the ESG risks or controversies to which they are exposed are not managed.

In practice, the Greenhouse Gas Intensity indicator is taken into consideration, in particular, through dialogue with companies to assess how their carbon neutrality transition plans take into account impacts on employees, supply chains, communities, and consumers.

Information on the principal adverse impacts taken into account by the subfund will be published in appendix 4 of its annual report

☐ No



What is the investment strategy of this financial product?

The first step is to define the universe of eligible securities. This phase focuses on analysing companies' activities to identify those that contribute directly or indirectly to the green transition. This involves identifying companies belonging to sustainable themes such as renewable energy, industry and energy efficiency, the circular economy (including waste management and pollution control in particular) and organic farming. This list of eco-sectors is neither exhaustive nor fixed. Securities are then classified on the basis of their green intensity. This green intensity is defined as the contribution of eligible activities relative to the company's total turnover (less than 10%, between 10% and 50% and more than 50% of turnover). This step is completed in collaboration with our fundamental research teams, which provide knowledge of the issuers through direct discussions with the companies and the use of external data providers. This step includes an assessment of activities that are contrary to the green transition.

The investment strategy of this subfund also uses the following approaches:

- ESG integration (inclusion of ESG criteria in financial analysis),
- Best-in-class approach (selecting the best companies in each sector based on environmental, social, and governance criteria),
- Exclusion of shares issued by companies involved in "excluded" activities. The excluded activities are set out below among the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective of the financial product.
- Engagement and voting activities (presence with the companies, through visits in the form of one-on-one meetings and by exercising HSBC's voting policy). Our engagement objective is to provide companies with the opportunity to explain their ESG approach and to monitor ESG issues.

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

● ***What are the constraints defined in the investment strategy in terms of selecting investments to attain the sustainable investment objective?***

The binding elements of the investment strategy are as follows:

- The subfund will not invest in shares issued by companies involved in "excluded" activities. Excluded activities are determined by the management company and include, but are not limited to:
 - Shares of companies involved in the production of controversial weapons or their components. Controversial weapons include, but are not limited to, anti-personnel mines, depleted uranium weapons, and white phosphorus when used for military purposes. This exclusion is in addition to the exclusion policy on weapons prohibited by international treaties.
 - Shares of companies in the defence sector.
 - Shares of companies primarily involved in the exploration, production, and exploitation of fossil fuels.
 - Shares of companies in the nuclear sector.
 - Shares of companies involved in the production of tobacco.
 - Shares of companies engaged in thermal coal activities.

Companies with more than 5% revenue generated from coal-fired power generation are partially excluded. Mining companies are completely excluded.

- Issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational Enterprises.

Expertise, research, and information provided by data providers may be used to identify companies exposed to excluded activities.

- The process of selecting securities includes, but is not limited to:
(1) defining the universe of eligible securities based on a thematic approach by analysing the activity of companies to identify those that contribute directly or indirectly to the green transition. The subfund's investment universe may be extended to securities that are not part of the eco-sectors mentioned above in the investment strategy section but are identified as contributing to the strategy's environmental objectives while complying with the exclusion rules mentioned above.
(2) selecting companies for their good ESG profile with an SRI filter. The companies identified above are all reviewed and selected according to ESG criteria and sustainability indicators adapted to the specific characteristics of the subfund. The selection of companies is based on a best-in-class approach. Each company is assessed and then classified. Each company is first given three scores (E score, S score, and G score) by MSCI ESG Research assessing the relevant aspects for the sector to which the rated company belongs.

These three scores are aggregated to form an ESG score that classifies the companies in one of 30 ESG sectors and then in one of the four quartiles within each sector. The selection of securities according to these ESG criteria is based on a proprietary ESG analysis model, supplied by data from non-financial rating agencies and internal research within our company. The SRI universe assessment is updated on a monthly basis.

The SRI filter consists of unlimited investment in securities in the top three quartiles. Securities in the bottom quartile are excluded. On this basis, the exclusion rate is more than 25% of assets on a fixed scope.

- The minimum non-financial analysis rate of 90% is applied to the subfund's eligible assets.
- The subfund uses the sustainability indicators set out above (in the section detailing the indicators used to measure the attainment of the sustainable investment objective of the financial product).

Good governance

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

● ***What is the policy to assess the good governance practices of companies in which the financial product invests?***

The quality of governance is assessed on the basis of criteria specified in the investment process that include, but are not limited to, business ethics, corporate culture and values, governance framework, and corruption. We determine the materiality of governance both on an absolute basis, focusing in particular on the governance framework, controversies, and compliance with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises, and on a relative basis by comparing the quality of the company's governance practices with that of its industry peers. Where significant and/or impactful governance risks are identified, companies are subject to enhanced due diligence, which at minimum requires management teams to perform additional analysis. Dialogue or engagement with the company is then monitored over time and archived. Lastly, we use our voting rights to express our support for positive development initiatives of companies or our disagreement if the directors do not meet our expectations.

In addition, issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational Enterprises are excluded.



Asset allocation

describes the proportion of investments in specific assets.

What are the asset allocation and the minimum proportion of sustainable investments?

With the aim of financing companies providing the solutions required to decarbonise economic entities and benefiting from green growth, the portfolio is constructed as follows:

- Definition of the universe of eligible securities according to the thematic approach by assessing the participation of these companies in activities consistent with the green transition or by identifying companies that have a proactive approach to the issues associated with this theme. The subfund's investment universe may be extended to securities that are not part of the eco-sectors mentioned above in the investment strategy section but are identified as contributing to the strategy's environmental objectives while complying with the exclusion rules mentioned above.
- Determination of the portfolio by selecting securities specific to the theme and based on Environmental, Social, and Governance (ESG) criteria and a fundamental financial analysis.

The various stages of the investment process allow the subfund to commit to a minimum of 90% of assets in sustainable investments with an environmental objective. The balance consists of cash and cash equivalents.

Taxonomy-aligned activities are expressed as a % of:

- revenue

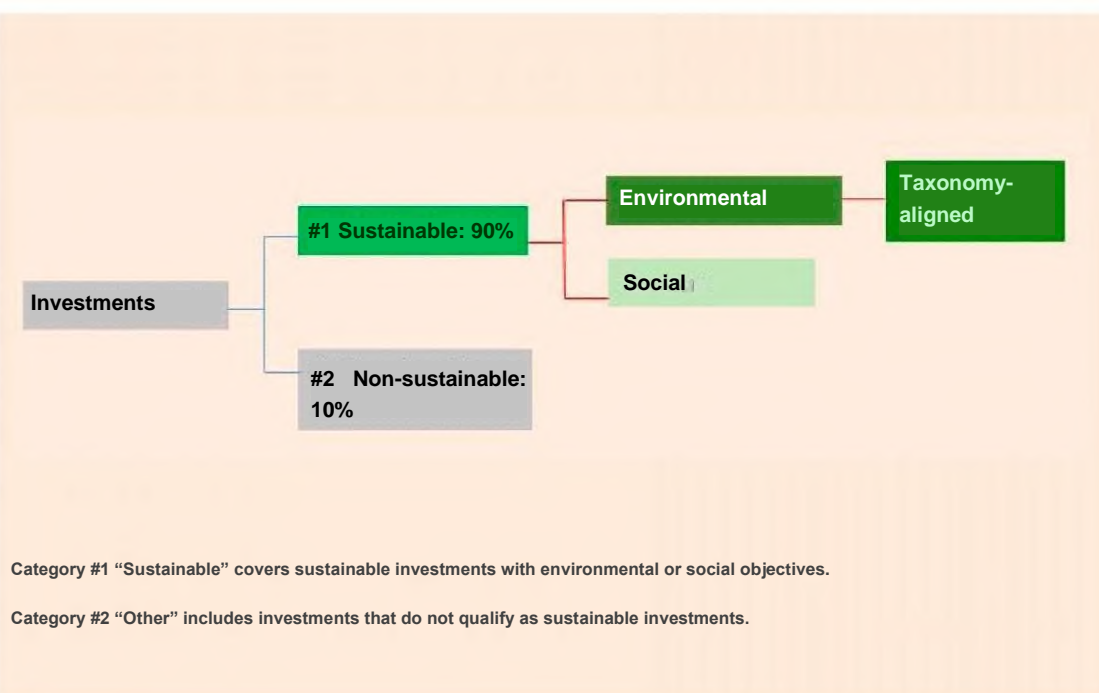
to reflect the proportion of income generated by the green activities of companies in which the product invests

- capital expenditure

(CapEx) to show the green investments made by investee companies, relevant for a transition to a green economy;

- operational expenditure

(OpEx) reflecting green operational activities of investee companies.



- *How does the use of derivatives make it possible to attain the sustainable investment objective?*

The subfund does not use derivatives.

To comply with the EU Taxonomy, the criteria applicable to natural gas include emission limits and switching to renewable sources of electricity or to low-carbon fuel by the end of 2035. The criteria that apply to nuclear energy include comprehensive rules concerning nuclear safety and managing nuclear waste.



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

The subfund does not commit to a minimum proportion of sustainable investments with an environmental objective aligned with the European Union's taxonomy. However, when assessing issuers, the subfund manager takes into consideration two environmental indicators: "Greenhouse Gas Intensity" and "Exposure to companies active in the fossil fuel sector". The subfund's consideration of these indicators stems from, in particular, the application of our coal phase-out policy as well as sectoral exclusions set out by the label guidelines. In addition, the manager favours companies with low CO2 emissions or companies working to reduce their carbon intensity.

Does the financial product invest in natural gas and/or nuclear energy generation activities that are compliant with the EU Taxonomy?

☐ Yes

☐ in natural gas

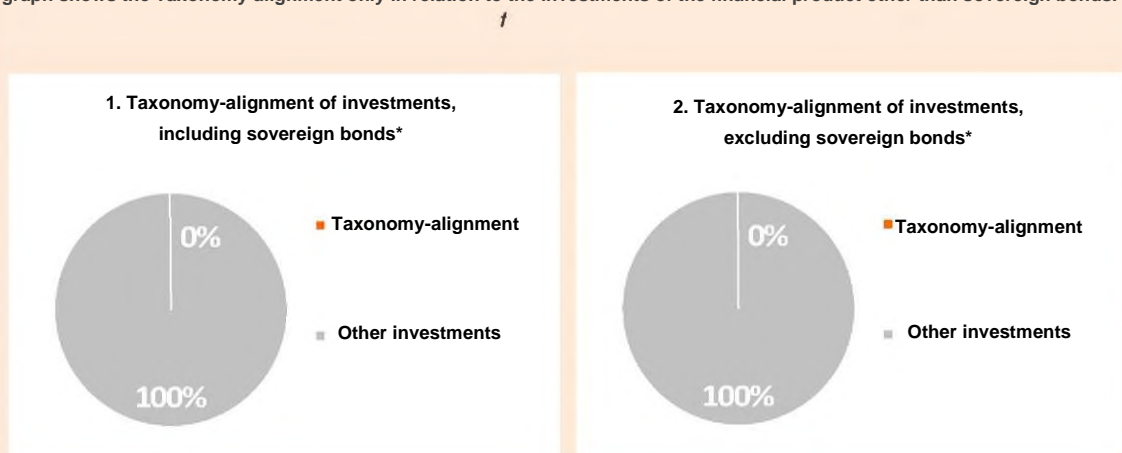
☐ in nuclear energy

☒ No

Enabling activities directly allow other activities to make a substantial contribution to one or more of the environmental objectives.

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 available.

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.



* 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?

This is not applicable as the subfund does not have a specific minimum share of transitional and enabling activities as defined by the Taxonomy Regulation.

The symbol  denotes 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?

The subfund's minimum share of sustainable investments with an environmental objective not aligned with the taxonomy is 100%. However, when assessing issuers, the subfund manager takes into consideration two environmental indicators: "Greenhouse Gas Intensity" and "Exposure to companies active in the fossil fuel sector". The subfund's consideration of these indicators stems from, in particular, the application of our coal phase-out policy as well as sectoral exclusions set out by the label guidelines. In addition, the manager favours companies with low CO2 emissions or companies working to reduce their carbon intensity.



What is the minimum proportion of sustainable investments with a social objective?

The subfund does not commit to having a minimum share of socially sustainable investments. However, when assessing issuers, the subfund manager does look at the social characteristics, respect for human rights and employee rights, management conduct, and corporate social responsibility of the companies.



What investments are included under category #2, "Non-sustainable", what is their purpose and are there any minimum environmental or social safeguards?

The subfund may hold up to 10% in cash and cash equivalents.



Is a specific index designated as a benchmark to determine whether the sustainable investment objective is attained?

No

Benchmarks

are indices to measure whether the financial product attains the sustainable investment objective.

- ***How does the benchmark consider sustainability factors in order to be constantly aligned with the sustainable investment objective?***

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 can be found on the website:
www.assetmanagement.hsbc.fr