

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not 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

Did this financial product have a sustainable investment objective?

☒ ☐ Yes

It made **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 made **sustainable investments** with a social objective: __%

☒ ☐ ☒ ☐ **No**

✓ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 2.32% 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 promoted E/S characteristics, but **did not make any sustainable investments**



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The characteristics promoted by this sub-fund were:

1. The sub-fund identified and analysed all companies or issuers for environmental characteristics including, but not limited to, physical risks of climate change and human capital management. Screening has been conducted for the underlying E, S (which reflect the individual items of the environmental and/or social characteristics promoted by the sub-fund) and G pillars (corporate governance practices that protect minority investor interests and promote long term sustainable value creation, compared to the reference benchmark selected by the sub-fund).
2. The sub-fund considered responsible business practices in accordance with UN Global Compact and OECD Principles for businesses.
3. The sub-fund excluded business activities that were deemed harmful to the environment.
4. The sub-fund actively considered environmental and social issues by engagement completed by our Engagement and Stewardship teams, which included proxy voting.
5. The sub-fund excluded investments involved in controversial weapons.

The ESG and sustainability indicator scores are calculated as per HSBC Asset Management's proprietary methodology and third party ESG data providers. Consideration of individual PAIs (indicated in the table below by their preceding number) can be identified from the sub-fund having a lower score than the Reference Benchmark. The data used in the calculation of PAI values are sourced from data vendors. They can be based on company disclosures, or estimated by the data vendors in the absence of company reports. Please note that it is not always possible to guarantee the accuracy, timeliness or completeness of data provided by third-party vendors.

The sub-fund aimed to have a higher ESG rating than the Reference Benchmark, calculated as a weighted average of the ESG ratings of the issuers of the sub-fund's investments, versus the weighted average of the ESG ratings of the Reference Benchmark constituents. The Reference Benchmark had not been designated for the purpose of attaining the environmental or social characteristics of the sub-fund.

The performance of the sustainability indicators the sub-fund used to measure the attainment of the environmental or social characteristics that it promoted can be seen in the table below. The sub-fund's ESG score has been managed to be greater than the reference benchmark selected by the sub-fund (with a higher score than the benchmark representing stronger ESG credentials).

● ***How did the sustainability indicators perform?***

Indicator	Sub-Fund	Reference Benchmark
ESG Score	6.18	6.08
E Pillar	6.41	6.05
S Pillar	6.17	6.33
G Pillar	5.61	5.70
3. GHG Intensity of investee companies - Tons of CO2 equivalents per million of Euros of revenue	68.67	260.15
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.77%	0.88%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00%	0.00%

The data in this SFDR Periodic Report are as at 31 March 2023

Reference Benchmark - Bloomberg US Aggregate

● ***...and compared to previous periods?***

This is the first SFDR Periodic report and as such there is no comparison.

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

The sustainable investments made by the sub-fund contributed to environmental and social objectives which included, amongst others.

1. The reduction of greenhouse gas (GHG) emissions and carbon footprint;
2. The transition to or use of renewable energy;
3. The promotion of human rights

The sub-fund aimed to identify and analyse a company's ESG credentials as an integral part of the investment decision making process through portfolio construction with the aim of reducing sustainability risk and enhancing returns. By considering the ESG Credentials of potential investments the Investment Adviser aimed to meet the objective of having an improved ESG score compared to the Reference Benchmark.

● ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

We can confirm that the do no significant harm analysis was completed as part of HSBC Asset Management's (HSBC) standard investment process for sustainable assets, which included the consideration of Principal Adverse Impacts.

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

The Investment Adviser reviewed all SFDR mandatory Principal Adverse Impacts to assess the relevance to the sub-fund. HSBC's Responsible Investment Policy set out the approach taken to identify and respond to principal adverse sustainability impacts and how HSBC considered ESG sustainability risks as these could adversely impact the securities the sub-funds invested in. HSBC used third party screening providers to identify companies and governments with a poor track record in managing ESG risks and, where any such material risks were identified, HSBC also carried out further due diligence. Sustainability impacts, including the relevant Principal Adverse Impacts, identified by screening were a key consideration in the investment decision making process.

The approach taken, as set out above, meant that among other things the following points were scrutinised:

- companies' commitment to lower carbon transition, adoption of sound human rights principles and employees' fair treatment, implementation of rigorous supply chain management practices aimed, among other things, at alleviating child and forced labour. HSBC also paid great attention to the robustness of corporate governance and political structures which included 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 were as set out above.

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

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.

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

HSBC was committed to the application and promotion of global standards. Key areas of focus for HSBC's Responsible Investment Policy were the ten principles of the United Nations Global Compact (UNGC). These principles included non-financial risks such as human rights, labour, environment and anti-corruption. HSBC was also a signatory of the UN Principles of Responsible Investment. This provided the framework used in HSBC's approach to investment by identifying and managing sustainability risks. Companies in which the sub-fund invested would 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 were systematically excluded. The sub-fund conducted enhanced due diligence on companies that were considered to be non-compliant with the UN Global Compact Principles, or were considered to be high risk as determined by HSBC's proprietary ESG ratings. Companies were 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 Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

The approach taken to consider Principal Adverse Impacts meant that, among other things, HSBC scrutinised 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 paid attention to the robustness of corporate governance and political structures which included 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 were also taken into account. As a result of such screening, HSBC did not invest in certain companies and issuers.



What were the top investments of this financial product?

Large Investments	Sector	% Assets	Country
Government Of The United States Of America 0.0% 18-apr-2023	Government	12.82%	United States of America
Government Of The United States Of America 3.5% 15-feb-2033	Government	5.07%	United States of America
Government Of The United States Of America 4.0% 29-feb-2028	Government	4.38%	United States of America

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31/03/2023

Government Of The United States Of America 2.625% 31-jul-2029	Government	4.36%	United States of America
Government Of The United States Of America 3.25% 15-may-2042	Government	4.23%	United States of America
Umbs Tba 30yr 2% April Delivery	Other	2.68%	United States of America
Umbs Tba 30yr 2.5% April Delivery	Other	2.50%	United States of America
Government Of The United States Of America 3.5% 31-jan-2028	Government	2.44%	United States of America
Government Of The United States Of America 4.0% 28-feb-2030	Government	2.20%	United States of America
Umbs Tba 15yr 2% April Delivery	Other	2.01%	United States of America
Umbs Tba 30yr 3% April Delivery	Other	1.62%	United States of America
Umbs Tba 30yr 3.5% April Delivery	Other	1.61%	United States of America
Umbs Tba 30yr 4.5% April Delivery	Other	1.57%	United States of America
Government National Mortgage Association @na @na	Other	1.53%	United States of America
Government Of The United States Of America 4.125% 31-oct-2027	Government	1.50%	United States of America

Cash and derivatives were excluded

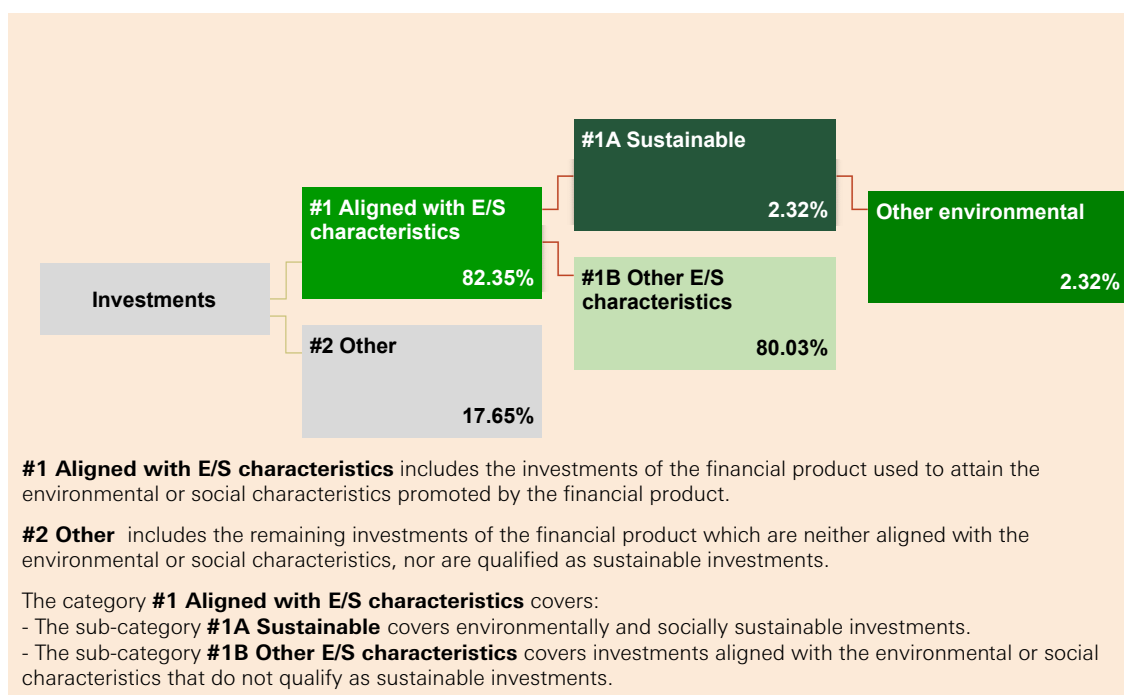


What was the proportion of sustainability-related investments?

2.32% of the portfolio was invested in sustainable assets.

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



In which economic sectors were the investments made?

Sector	% Assets
Government	43.02%
Other	35.95%
Financials	13.93%
Consumer Staples	1.46%
Industrials	1.45%
Information Technology	1.44%
Communication Services	1.31%
Real Estate	0.77%
Energy	0.60%
Health Care	0.07%
Consumer Discretionary	0.00%
Materials	0.00%
Total	100.00%

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

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

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.

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



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

N/A - the sub-fund did not make sustainable investments aligned with the EU Taxonomy.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?

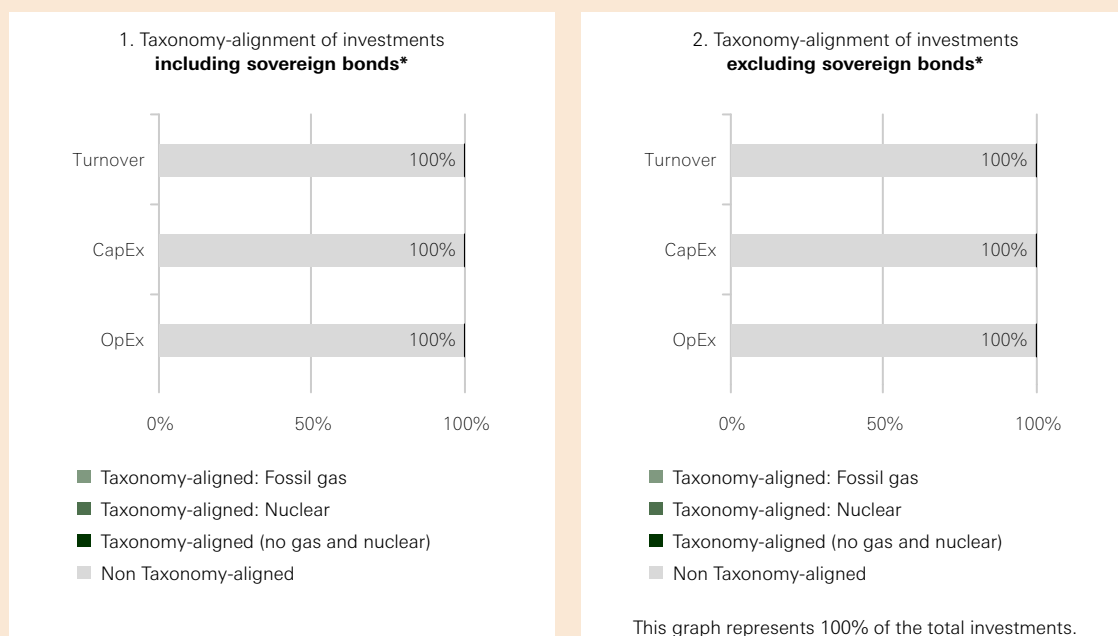
☐ Yes:

☐ In 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 no significant harm to 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.

The graphs below show in green the percentage of investments that were 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 was the share of investments made in transitional and enabling activities?

N/A - the sub-fund is not investing in transitional or enabling activities.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

As this was the first reporting period for the sub-fund, no comparison is required.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

2.32%



What was the share of socially sustainable investments?

N/A. The sub-fund did not invest in socially sustainable investments.



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The sub-fund may have held cash and cash equivalents and financial derivative instruments for the purposes of efficient portfolio management. The sub-fund may have held investments that were not aligned for other reasons such as corporate actions and non-availability of data.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The sub-fund invested for total return primarily in a diversified portfolio of Investment Grade rated fixed income (e.g. bonds) and other similar securities from around the world, denominated in US dollars, while promoting ESG characteristics within the meaning of Article 8 of SFDR.

Asset classes may have included but were not limited to developed markets sovereigns, developed markets investment grade corporate securities, developed markets high yield corporate securities and Emerging Markets securities. The sub-fund had however, sought to invest primarily in securities issued in developed markets.

The sub-fund included the identification and analysis of an issuer’s ESG credentials (“ESG Credentials”) as an integral part of the investment decision making process with the aim of reducing sustainability risk and enhancing returns. ESG Credentials may have included, but were not limited to:

- environmental and social factors, including but not limited to physical risks of climate change and human capital management, that may have had a material impact on a security issuer’s financial performance and valuation
- corporate governance practices that protected minority investor interests and promoted long term sustainable value creation.

ESG Credentials are proprietary to HSBC, subject to ongoing research and might have changed over time as new criteria are identified. Notwithstanding the Excluded Activities as detailed below, the inclusion of an issuer in the sub-fund’s investment universe was at the discretion of the Investment Adviser. Issuers with improved ESG Credentials may be included when their credentials are still limited.

The sub-fund was not invested in bonds issued by issuers with specified involvement in specific excluded activities.

ESG Credentials, Excluded Activities and the need for enhanced due diligence may have been identified and analysed by using, but not exclusively, HSBCs proprietary ESG Materiality Framework and ratings, sub-fundamental qualitative research and corporate engagement. The Investment Adviser may have relied on expertise, research and information provided by well-established financial data providers.

The sub-fund was actively managed and did not track a benchmark. The sub-fund had an internal or external target to outperform the Reference Benchmark, Bloomberg US Aggregate.



How did this financial product perform compared to the reference benchmark?

N/A

- *How does the reference benchmark differ from a broad market index?*

N/A

- *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*

N/A

- *How did this financial product perform compared with the reference benchmark?*

N/A

- *How did this financial product perform compared with the broad market index?*

N/A

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.