

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852).

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

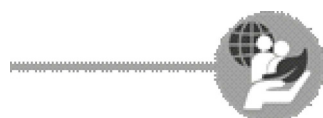
and while it does not have as its objective a sustainable investment, it will have a minimum proportion of _% of sustainable investments

☐ 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?

1. Identification and analysis of a company's environmental characteristics including, but not limited to, physical risks of climate change and human capital management.
2. Responsible business practices in accordance with UN Global Compact and OECD Principles for businesses.
3. Minimum environmental standards through exclusion of business activities that are deemed harmful to the environment.
4. Active consideration of environmental issues through engagement where HSBC Asset Management considers it appropriate to do so.
5. Analysis of the share of investment involved in controversial weapons.

The sub-fund aims to have a higher ESG rating than the Bloomberg US Aggregate (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 has not been designated for the purpose of attaining the environmental or social characteristics of the sub-fund.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Sustainability indicators are a key consideration in our investment decision making process.

The primary sustainability indicator is the use of HSBC Asset Management's Proprietary ESG ratings system, to measure the attainment of the ESG characteristics promoted by the sub-fund, which includes:

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- E, S and G Pillar Scores, relative to the benchmark or its sector
- ESG Score, relative to the benchmark or its sector

The sub-fund includes 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 include, but are not limited to:

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

ESG Credentials are proprietary to HSBC, subject to ongoing research and may change over time as new criteria are identified.

Principal Adverse Impacts are also considered by the sub-fund are:

- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Violation of UNGC and OECD principles
- Share of investment involved in controversial weapons

In addition, the sub-fund will not invest in securities of companies with specified involvement in specific 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?**

Not applicable for this sub-fund.

- **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?**

Not applicable for this sub-fund.

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

Not applicable for this sub-fund.

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

Not applicable for this sub-fund.

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 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 companies' commitment to lower-carbon transition, adoption of sound human rights principles and employees' fair treatment, and implementation of rigorous supply chain management practices such as those aiming to alleviate child and forced labour. HSBC also pays attention to the robustness of corporate governance and political structures which include the level of board independence, respect of shareholders' rights, existence and implementation of rigorous anti-corruption and bribery policies, as well as audit trails. Governments' commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance will also be taken into account.

Principal Adverse Impacts are also considered by the sub-fund are:

- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Violation of UNGC and OECD principles
- Share of investment involved in controversial weapons

How Principal Adverse Impacts were considered will be included in the sub-fund's year-end report and accounts.

☐ No



What investment strategy does this financial product follow?

The sub-fund invests 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.

It aims to do this with a higher ESG rating than the Bloomberg US Aggregate (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.

Asset classes may include but are 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 will however, seek to invest primarily in securities issued in developed markets.

The sub-fund may invest significantly (up to 50% of its net assets) in Asset Backed Securities ("ABS") and Mortgage Backed Securities ("MBS"), including those backed by the government of the United States of America.

The sub-fund includes 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 include, but are not limited to:

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

ESG Credentials are proprietary to HSBC, subject to ongoing research and may change 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 is at the discretion of

the Investment Adviser. Issuers with improving ESG Credentials may be included when their credentials are still limited.

The sub-fund will not invest in bonds issued by issuers with specified involvement in specific excluded activities ("Excluded Activities" as detailed below).

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

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

This investment strategy is implemented through HSBC's investment process on a continuous basis by way of ongoing review and compliance monitoring of the binding elements as set out below.

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 used to select the investments to attain each of the environmental or social characteristics are:

- The sub-fund aims 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 sub-fund includes 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 are set out above.
- Excluded Activities and specified involvement are proprietary to HSBC and include, but are not limited to:
 - Issuers 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.
 - Issuers involved in the production of tobacco.
 - Issuers with more than 10% revenue generated from thermal coal extraction and do not have a clearly defined, credible plan to reduce exposure to below 10%.
 - Issuers with more than 10% revenue generated from coal-fired power generation and do not have a clearly defined, credible plan to reduce exposure to below 10%.
- The sub-fund conducts enhanced due diligence on bond issuers that are considered to be non-compliant with the UN Global Compact Principles, or are considered to be high risk as determined by the HSBC's proprietary ESG ratings.

These exclusions are in addition to HSBC's banned weapons policy which is available at: www.assetmanagement.hsbc.com/about-us/responsible-investing/policies

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

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

The sub-fund does not have an committed minimum rate to reduce the scope of investments.

However, the sub-fund will not invest in equities and equity equivalent securities of companies that are considered non-compliant with the United Nations Global Compact (UNGC) Principles. However, in certain circumstances, HSBC may invest in companies or issuers that are in breach or suspected breach of UNGC violations if our engagement with the company or issuer shows that they are readily addressing the issue and have a valid action plan in place.

The sub-fund will also not invest in companies or issuers that have material exposure, exceeding a revenue exposure threshold, to specific excluded activities ("Excluded Activities"). These Excluded Activities are proprietary to HSBC and may include, but are not limited to, companies involved in the production of controversial weapons or their key components, companies involved in the production of tobacco, thermal coal fired power generation, thermal coal extraction and may change over time. Please note that the underlying companies and issuers that we invest in, may not have the same interpretation and standards as the HSBC Banned Weapons Policy or our Controversial Weapons definition.

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

Governance is assessed against criteria specified in the investment process which includes, among other things, business ethics, culture and values, corporate governance and bribery and corruption. Controversies and reputational risks are assessed through enhanced due diligence as well as screening which are used to identify companies that are considered to have low governance scores. Those companies will then be subjected to further review, action and/or engagement.

Good corporate governance has long been incorporated in HSBC's proprietary fundamental company research. HSBC's Stewardship team meets with companies regularly to improve our understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice. HSBC believes that good corporate governance ensures that companies are managed in line with the long-term interests of their investors.



Asset allocation
describes the share of
investments in specific
assets.

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

The sub-fund does not commit to holding a minimum percentage of sustainable investments (#1A Sustainable). The sub-fund will have a minimum proportion of 70% of investments that are aligned with the environmental or social characteristics promoted by the financial product (#1 Aligned with E/S Characteristics). (#2 Other) includes cash, cash equivalents and financial derivatives instruments which may be used for efficient portfolio management.

Taxonomy-aligned activities are expressed as a share of:

- turnover

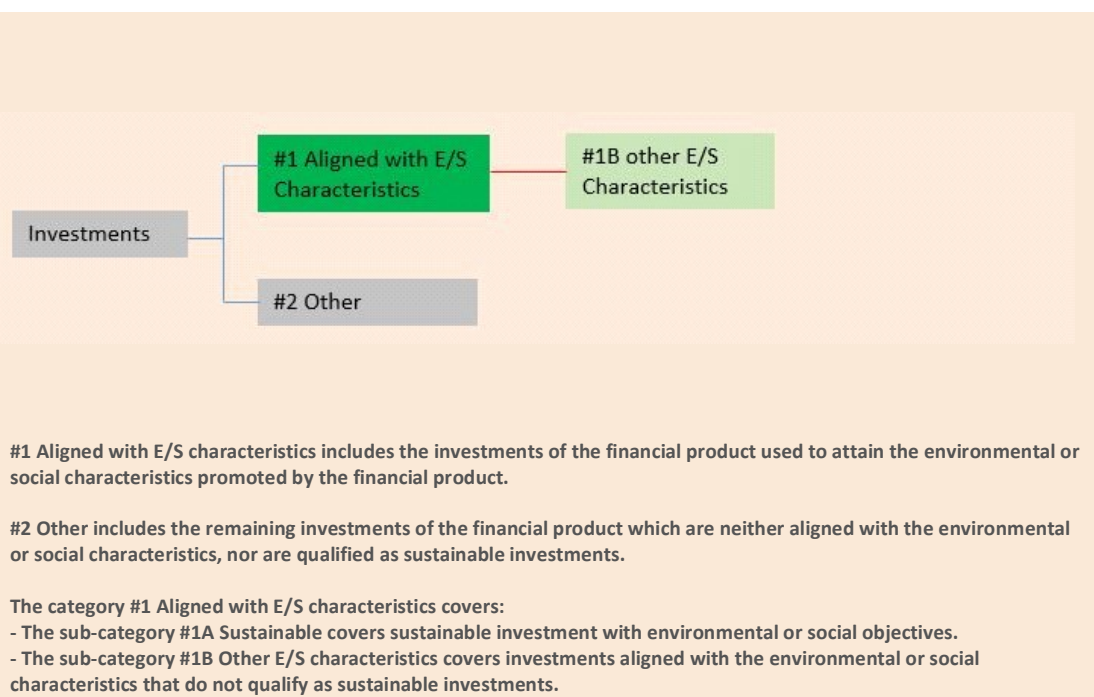
reflecting the share of revenue from green activities of investee companies

- capital expenditure

(CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- operational expenditure

(OpEx) reflecting green operational activities of investee companies.



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

The sub-fund will not use derivatives to attain the environmental or social characteristics of the sub-fund.



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

The sub-fund does not currently intend to invest in sustainable investments that are aligned with the EU Taxonomy and the minimum share of taxonomy-aligned investments (including transitional and enabling activities) is therefore assessed to be 0%.

● ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy ?¹***

☐ yes

☐ in fossil gas

☐ In nuclear energy

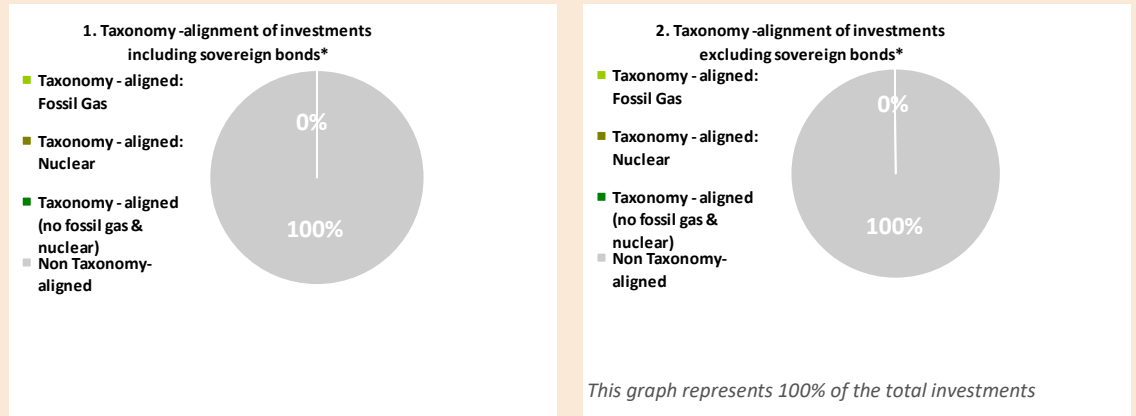
☒ No

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 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.

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.

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?

Not applicable for this sub-fund.

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 for this sub-fund.



What is the minimum share of socially sustainable investments?

Not applicable for this sub-fund.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The sub-fund may invest in money market funds for liquidity management purposes, hold cash and cash equivalents, financial derivative instruments may also be used for efficient portfolio management. This may also include investments that are not aligned for other reasons such as corporate actions and non-availability of data. Money market funds, cash, cash equivalents and financial derivatives instruments are not considered as sustainable or environmental investments within the sub-fund, therefore no minimum environmental or social safeguards are applied.



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 for this sub-fund.
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
Not applicable for this sub-fund.
- **How does the designated index differ from a relevant broad market index?**
Not applicable for this sub-fund.
- **Where can the methodology used for the calculation of the designated index be found?**
Not applicable for this sub-fund.



Where can I find more product specific information online?

More product-specific information can be found on the website:
www.assetmanagement.hsbc.co.uk