

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

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 0% 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 tracking the performance of the Bloomberg MSCI Global Treasury ESG Weighted Bond (USD unhedged) Index (the "Index"), the Fund promotes environmental and/or social characteristics by seeking to improve the MSCI ESG rating against that of the Bloomberg Global Aggregate Treasury Index (the "Parent Index").

The Fund seeks to achieve the promotion of these characteristics by tracking the performance of the Index which uses MSCI ESG sovereign scores to tilt country allocations above or below their market value weights in the Parent Index and excludes countries with a country score 5 and below in order to reduce exposure to countries with high exposure to and/or low management of ESG risks and to improve the exposure to countries with favourable ESG ratings.

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 that of the Fund, specifically measuring the ESG 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 the Fund are aligned to the environmental and/or

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

The Fund tracks the performance of the Index, which uses environmental, social and governance (ESG) sovereign scores to tilt country allocations above or below their market value weights in the Bloomberg Barclays Global Aggregate Treasuries Index. By tracking 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 indicators referred to below are incorporated in the assessment of the business activities.

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

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

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

The mandatory principal adverse impacts (“PAI”) indicators have been used in the assessment of business activities of the initial universe of securities. 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 Bloomberg (BBG) index is constructed using a combination of BBG and MSCI data. The MSCI proprietary data on each country provides a MSCI ESG Government Rating scores and rates countries on a seven-point scale from ‘AAA’ (best) to ‘CCC’ (worst). Ratings are derived from 0-10 scores on underlying factors in three pillars: Environmental, Social, and Governance. The model contains scores on all these sub-factors to provide granular insight on a country’s performance on the issues.

- 1) Environmental risks; Natural resources & Environmental externalities and vulnerability. These risk factors cover how countries effectively manage water use, land use and mineral resources (PAI 5) and impact on environmental externalities (PAI 7,8), it also includes energy resource management and conservation (PAI 1,2)
- 2) Social Risk; Human Capital and Economic environment.
- 3) Governance Risk; Financial governance & political governance. The risk factors include political rights and civil liberties, corruption control and stability and peace (PAI 10)

Included are a set of screening factors for each country which shows the profile of a country’s status with respect to various values and mission based issues and controversies, such as child or forced labour and armed conflicts, and whether the country is a party to international conventions related to endangered species, biological diversity, chemical and biological weapons (PAI 7, 14). The methodology uses the ESG Government rating score (as calculated by MSCI) to apply tilt factors to increase weight to those countries with more robust ESG characteristics.

No optional indicators are taken into account.

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

The Bloomberg (BBG) index is constructed using a combination of BBG and MSCI data. The MSCI proprietary data on each country provides a MSCI ESG Government Rating scores and rates countries on a seven-point scale from 'AAA' (best) to 'CCC' (worst). Ratings are derived from 0-10 scores on underlying factors in three pillars: Environmental, Social, and Governance. A number of UNGC principles are covered in the MSCI ESG Government score calculation, which include indicators such as political rights and civil liberties, corruption control and stability and peace (PAI1 10). Further information on MSCI ESG Government Ratings is available 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 Bloomberg (BBG) index is constructed using a combination of BBG and MSCI data. The MSCI proprietary data on each country provides a MSCI ESG Government Rating scores and rates countries on a seven-point scale from 'AAA' (best) to 'CCC' (worst). Ratings are derived from 0-10 scores on underlying factors in three pillars: Environmental, Social, and Governance. The model contains scores on all these sub-factors to provide granular insight on a country's performance on the issues. The risk factors include in the assessment of a country's MSCI ESG government rating score are:

- 1) Environmental risks; Natural resources & Environmental externalities and vulnerability. These risk factors cover how countries effectively manage water use, land use and mineral resources (PAI 5) and impact on environmental externalities (PAI 7,8), it also includes energy resource management and conservation (PAI 1,2)
 - 2) Social Risk; Human Capital and Economic environment.
 - 3) Governance Risk; Financial governance & political governance. The risk factors include political rights and civil liberties, corruption control and stability and peace (PAI 10)
- Included are a set of screening factors for each country which shows the profile of a country's status with respect to various values- and mission-based issues and controversies, such as child or forced labour and armed conflicts, and whether the country is a party to international conventions related to endangered species, biological diversity, chemical and biological weapons (PAI 7, 14). The methodology uses the ESG Government rating score (as calculated by MSCI) to apply tilt factors to increase weight to those countries with more robust ESG characteristics

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 and will aim to track the performance of the Index while minimising as far as possible the tracking error between the Fund's performance and that of the Index and promoting ESG characteristics within the meaning of Article 8 of SFDR.. The Fund will use optimisation techniques which take account of tracking error and trading costs when constructing a portfolio.

The Index measures the performance of investment grade, fixed-rate, taxable securities issued by government and government-related issuers using ESG sovereign scores to tilt country allocations above or below their market value weights in the Bloomberg Global Aggregate Treasury Index.

The Index achieves this in the following ways:

1. On a monthly basis, the Index uses fixed multipliers to adjust the weight of each eligible security in the Index above or below their market value weights in the Parent Index. Security weights are then normalized using these adjusted market values.

- **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 weight of each index eligible security is adjusted by a fixed multiplier which is determined by the market value weight the issuing country holds within the Parent Index, along with its ESG Sovereign Score (0-10) (based on data from MSCI ESG Research). Countries must have a country score over 5 before they can be included in the Index. The MSCI ESG Sovereign Scores are determined based on an assessment of a country's exposure to and management of ESG risks. Efficiency of resource utilisation, performance on socio-economic factors, financial management, corruption control, political stability and other factors define the parameters for measuring a country's ESG risk management.

- **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 an committed minimum rate to reduce the scope of investments.

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

The Bloomberg (BBG) index is constructed using a combination of BBG and MSCI data. One of the MSCI models the Index methodology incorporates is the MSCI ESG Government Ratings. MSCI ESG Government Ratings cover risk factors such as Financial and Political Governance (under the Governance Risk Pillar), as well as sub-factors, such as financial management, corruption control, and stability and peace. Further information on MSCI ESG Government Ratings is available on the Index provider's website.

What is the asset allocation planned for this financial product?

In seeking to achieve its investment objective, the Fund will use optimisation techniques which take account of tracking error and trading costs and availability of index constituents when constructing a portfolio. Consequently, the Fund may not hold each of the underlying Index constituents or hold Index constituents close to their Index weights. Furthermore, the Fund may hold securities which are not Index constituents but which are expected to provide similar performance and risk characteristics to certain Index constituents. Cash and other instruments may be

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

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



Asset allocation describes the share of investments in specific assets.

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 0% of sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- turnover

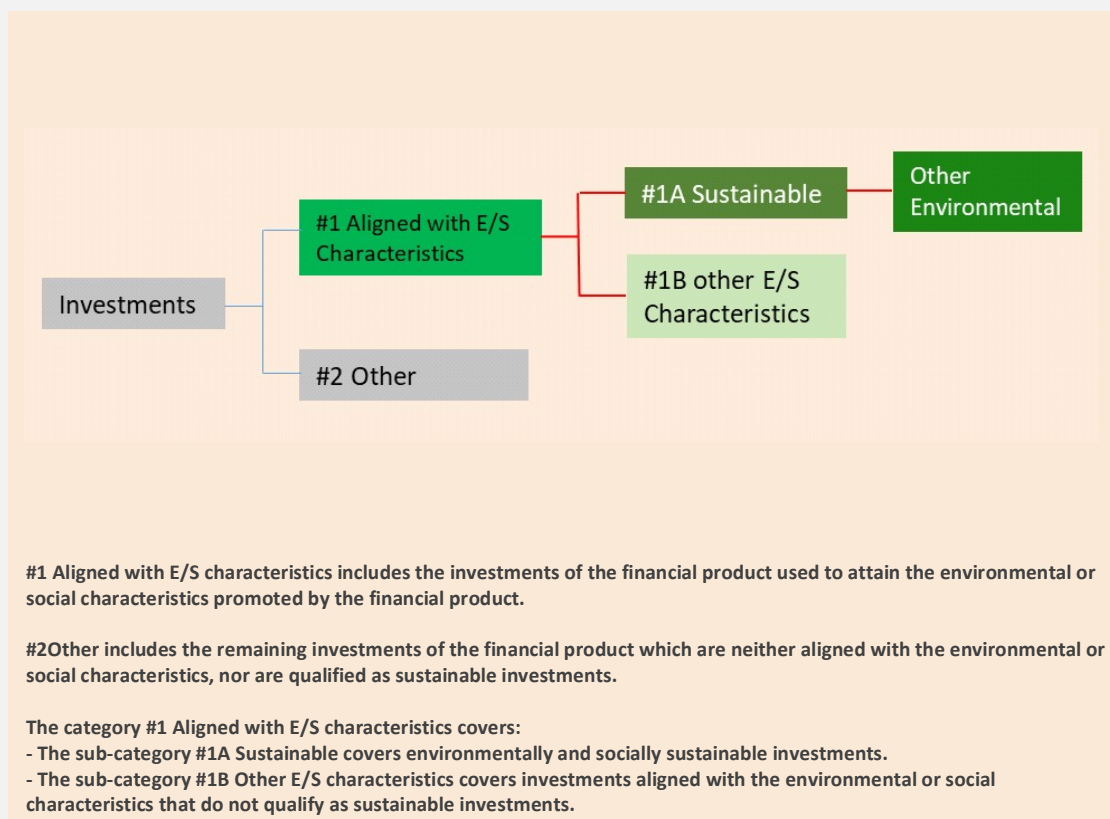
reflecting the share of revenue from green activities of investee companies

- 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.



● ***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

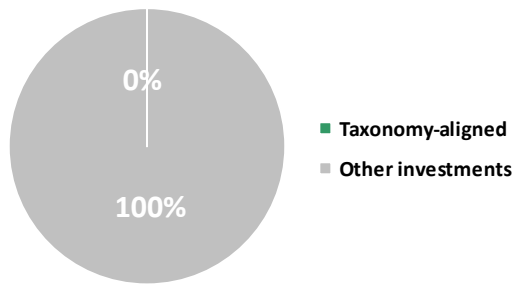
directly enable other activities to make a substantial contribution to an environmental objective.



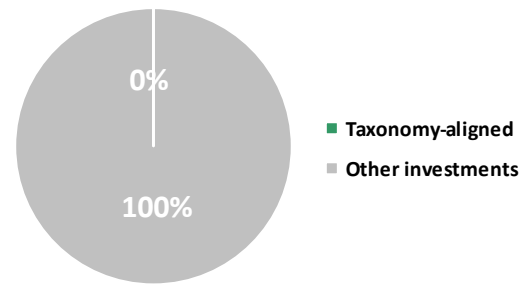
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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?**
Other instruments such as Eligible Collective Investment Schemes and/or financial derivative instruments may be used for hedging and efficient portfolio management in respect of which there are no minimum environmental and/or social safeguards.



- **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 investment objective of the Fund is to track the performance of the Bloomberg MSCI Global Treasury ESG Weighted Bond Index (total return hedged to USD).

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 weight of each index eligible security is adjusted by a fixed multiplier which is determined by the market value weight the issuing country holds within the Parent Index along with its ESG sovereign score (0-10) (based on data from MSCI ESG Research). Countries must have a country score over 5 before they are included in the Index. The ESG sovereign scores are determined based on an assessment of a country's exposure to and management of ESG risks. Efficiency of resource utilisation, performance on socio-economic factors, financial management, corruption control, political stability and other factors define the parameters for measuring a countries ESG risk management.

The Index will be rebalanced on a monthly basis in order to account for the eligibility criteria.

- **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 track the performance of the Bloomberg MSCI Global Treasury ESG Weighted Bond Index (total return hedged to USD), while minimising as far as possible the Tracking Error between the Fund's performance and that of the Index.

The Index will be rebalanced on a monthly basis in order to account for the eligibility criteria.

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

The Index measures the performance of investment grade, fixed-rate, taxable securities issued by government and government-related issuers using ESG sovereign scores to tilt country allocations above or below their market value weights in the Bloomberg Global Aggregate Treasury Index.

On a monthly basis, the Index uses fixed multipliers to adjust the weight of each eligible security in the Index above or below their market value weights in the Parent Index. Security weights are then normalized using these adjusted market values.

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

www.bloomberg.com/professional/product/indices/bloomberg-barclays-indices/#/ucits.

The Index methodology may be amended from time to time by the Index provider. Information on the Index methodology is available on the website above.



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