

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 2.00% 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 Bloomberg MSCI Global Aggregate SRI Carbon ESG-Weighted Select Index (the "Index"), the Sub-Fund promotes the following environmental and social characteristics:

- Better management of a broad range of environmental and social risks, and where applicable, positioning to meet demand for provision of goods and services that have a positive environmental or social contribution, collectively measured by MSCI ESG ratings. MSCI ESG ratings provide an opinion of companies' management of financially relevant ESG risks and opportunities. Each company is assessed on relevant environmental, social and governance themes, and where applicable, positioning to meet market demand for the provision of products and services that have a positive environmental or social contribution. The themes determined by MSCI are climate change, natural capital, pollution and waste, environmental opportunities, human capital, product liability, stakeholder opposition, social opportunities, corporate governance and corporate behaviour. The Sub-Fund will target this by excluding issuers based on sustainability exclusionary criteria and weighting issuers to improve the exposure to those with favourable MSCI ESG ratings; and

- Better management of a range of long term environmental, social and governance related issues that could impact the long-term sustainability of economies as measured by MSCI Government ESG scores. MSCI Government ESG scores provide an opinion of sovereign and sub-sovereign entities' exposure to and management of ESG risks. The ESG risk factors considered by MSCI ESG Government scores range across environmental, social and governance pillars and are determined by MSCI. The ESG risks considered relate to natural resources, climate change and natural hazards, human capital, economic environment,

financial governance and political governance. The Sub-Fund will target this by weighting issuers to improve the exposure to those with favourable MSCI Government ESG scores; and

- Support the transition to a low carbon economy by excluding issuers with carbon intensity above limits set by the index provider.

The Sub-Fund seeks to achieve the promotion of these characteristic by tracking the performance of the Index, of which certain sub-sectors use MSCI Government ESG scores to tilt country allocations above or below their market value weights in the Parent Index. Additionally, certain sub-sectors apply the following criteria: business involvement screens and a screen to remove companies involved in one or more very severe ongoing controversies, as defined by MSCI ESG controversies methodology, as well as best-in-class screening using MSCI's ESG rating, and applying a carbon intensity screen, before being weighted by a fixed multiplier according to its MSCI ESG rating.

The Index has been designated as a reference benchmark for the purpose of attaining the environmental and/or social characteristic promoted by the Sub-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 indicators used to measure the attainment of the environmental and/or social characteristics promoted by the Sub-Fund are:

- MSCI ESG score of the Sub-Fund, relative to the Parent Index, whereby the MSCI ESG rating of the Sub-Fund is expected to be higher than that of the Parent Index
- MSCI Government ESG score of the Sub-Fund, relative to the Parent Index, whereby the MSCI Government ESG rating of the Sub-Fund is expected to be higher than that of the Parent Index
- Carbon intensity of the Sub-Fund, relative to the Parent Index, whereby the carbon intensity of the Sub-Fund is expected to be lower than that of 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 Sub-Fund will contribute to one or more of the following environmental and/or social objectives:

- Transition to a lower carbon economy;
- Support research and financing of technology, resources and supply chain improvements relating to climate change mitigation and/or adaptation;
- Support the enhancement of the United Nations Sustainable Development Goals (“UN SDGs”); and
- Adopting the highest level of environmental and social practices, ranging from the approach to climate change mitigation to board gender diversity.
- Supporting environmentally and/or socially sustainable initiatives using the proceeds of bond issuance;

Investments may be considered sustainable if they make a positive contribution to an environment or social objective in accordance with the Investment Manager’s sustainable investment policy. A sustainable investment’s contribution to these objectives will be determined by meeting one or more of the following criteria:

- Classification as net zero aligned, or better, by the Investment Manager’s net zero investment framework;
- Best in class environmental and / or social scores, measured as investments scored within the top 10% of their respective universes;
- Generation of sustainable revenues, which are those generated from activities that the Investment Manager regards as supporting the enhancement of the UN SDGs, EU Taxonomy objectives or other climate related activities.

- Issuers whereby the proceeds of the bond issuance are determined to contribute to a sustainable objective by the Investment Manager's Green, Social and Sustainable bond framework. The issuances are required to have external assurance and meet certain reporting requirements to confirm the validity of the proceeds and their use.

Further information can be found in HSBC's Responsible Investing Methodologies document. This is available on: [www.assetmanagement.hsbc.com/about-us/responsible-investing](http://www.assetmanagement.hsbc.com/about-us/responsible-investing), by selecting your location and then choosing Policies and Disclosures.

**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?**

The sustainable investments in the Sub-Fund will be assessed against the principle of do no significant harm ("DNSH") to ensure they do not significantly harm any environmental or social objective. This includes taking into account principal adverse impacts ("PAIs") as further described below.

In addition, issuers earning 50% or more of their revenue from adult entertainment, gambling, alcohol, and those identified as involved in severe controversies by a third-party research provider, will not pass the DNSH principle. The DNSH principle applies only to the investments in the Sub-Fund deemed sustainable.

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

The mandatory PAIs, as defined in Table 1 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288, are used to assess whether the sustainable investments of the Fund are significantly harming any relevant environmental or social objective.

To support the DNSH assessment, the Investment Manager has established quantitative criteria across the 14 PAIs listed in the table below.

<b>Mandatory PAIs</b>		
Greenhouse gas (GHG) emissions	PAI 1	GHG emissions
Greenhouse gas (GHG) emissions	PAI 2	Carbon footprint
Greenhouse gas (GHG) emissions	PAI 3	GHG intensity of investee companies
Greenhouse gas (GHG) emissions	PAI 4	Exposure to companies active in the fossil fuel sector
Greenhouse gas (GHG) emissions	PAI 5	Share of non-renewable energy consumption and production
Greenhouse gas (GHG) emissions	PAI 6	Energy consumption intensity per high impact climate sector
Biodiversity	PAI 7	Activities negatively affecting biodiversity-sensitive areas
Water	PAI 8	Emissions to water
Water	PAI 9	Hazardous waste and radioactive waste ratio
Social and employee matters	PAI 10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
Social and employee matters	PAI 11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
Social and employee matters	PAI 12	Unadjusted gender pay gap

Social and employee matters	PAI 13	Board gender diversity
Social and employee matters	PAI 14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

In instances where data is either non-existent or not sufficient, either a qualitative review and/or a relevant proxy may be used as an alternative. Where a company is determined to cause or contribute to significant harm, it may still be held within the Fund but will not count toward the portion of ‘sustainable investments’ within the Fund.

Further information on the mandatory principal adverse impact indicators, as well as the data sources and limitations, can be found in HSBC’s User Guide on Principal Adverse Indicators. This is available on: [www.assetmanagement.hsbc.com/about-us/responsible-investing](http://www.assetmanagement.hsbc.com/about-us/responsible-investing), by selecting your location and then choosing Policies and Disclosures.

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

The Investment Manager may use a combination of third party research and its own ESG due diligence to monitor sustainable investments for involvement in controversies which include potential breaches of UNGC principles. As part of this monitoring, there is assessment against international standards including the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and UN Guiding Principles on Business and Human Rights.

HSBC Asset Management is also a signatory of the UN Principles of Responsible Investment.

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 eligible universe of constituents applies business involvement exclusions in the credit bucket on thermal coal extraction and generation (PAI 4). Tobacco and controversial weapons (PAI 14) are removed. Also excluded are companies involved in controversies related to the UNGC Principles and companies at risk of contributing to severe or systemic and/or systematic violations of international norms and standards relating to UNGC Principles 7, 8, 9 (PAI 10). The Index is also designed to reduce exposure to carbon intensity at scope 1 and 2 levels (PAI 1) and ultimately reduce fossil fuel exposure (PAI 2,4).

The performance of these PAIs 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 will aim to replicate the net total return performance of the Index. The Index measures the performance of Global Investment Grade debt from a number of local currency markets, across three groups of bonds. The currency of the Index is USD and returns are hedged to that currency. The Index is measured by total return and is rebalanced monthly.

**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 Sub-Fund may invest in the units or shares of CIS which mainly invest in securities included in the Index to gain indirect exposure to such securities.

The Index measures the performance of Global Investment Grade debt from a number of local currency markets, across three groups of bonds. The currency of the Index is USD and returns are hedged to that currency. The Index is measured by total return and is rebalanced monthly.

The Index groups each bond issuance into the following three sub-sectors:

1. Sub-sector 1: Treasuries, Sovereigns and Local Authorities;
2. Sub-sector 2: Corporates, Agencies, Supranational and Covered bonds; and
3. Sub-sector 3: MBS, ABS and CMBS

The Index is sub-sector neutral to the Parent Index and no screens or tilting is applied to the sub-sector 3.

The sub-sector 1 includes investment grade, fixed rate, securities issued by treasury, sovereign and local authority issuers from both developed and emerging markets issuers and uses a 'market size aware' ESG tilting approach to tilt country allocations above or below their market value weights on a monthly basis.

The weight of each Index-eligible constituent 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 MSCI ESG Government Score (0-10) and their country of risk size grouping. The ESG Government 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 countries' ESG risk management.

The sub-sector 2 of the Index removes securities based on sustainability exclusionary criteria, on a monthly basis, applying the following Business Involvement Screens:

- Adult Entertainment;
- Alcohol;
- Gambling;
- Tobacco;
- Controversial Weapons;
- Conventional Weapons;
- Civilian Firearms;
- Nuclear Weapons;
- Fossil Fuels;
- Nuclear Power;
- Thermal Coal Extraction, Generation & Distribution;

- Non-compliance with UN Global Compact Principles;
- Genetically Modified Organisms; and
- MSCI controversies score.

The above exclusions are aligned with the exclusions for EU Paris-aligned Benchmarks as detailed in Article 12(1)(a) – (g) of Commission Delegated Regulation (EU) 2020/1818.

The Index then applies a best-in-class screen to the sub-sector 2 using MSCI ESG ratings, excluding any

constituent with the following:

- issuers with an MSCI ESG rating of lower than BB; and
- issuers with an ESG Pillar Score of less than 2.

A carbon intensity screen is then applied to the sub-sector 2, and issuers with Scope 1 and 2 carbon intensity of 750mn t/USD million sales or higher are excluded.

The weights of the remaining eligible issuers in sub-sector 2 are adjusted by a fixed multiplier, based on their MSCI ESG rating.

Finally, 2% capping is applied at issuer level in sub-sector 2, and the Index is sub-sector neutral to the Parent index.

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

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

The following governance factors are also taken into account by the Index Provider in the methodology:

- compliance with UNGC Principles assessment; and
- severe ESG controversies.

Good governance is considered as part of the Index's methodology. The Index applies business involvement exclusions and also applies MSCI's ESG rating system to the sub-sector 2 of the Index. Severe ESG controversies are also removed from the Index, as determined by MSCI's ESG controversies score. The sub-sector 1 of the index incorporates MSCI's Government ESG scores. The MSCI Government ESG 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.

Further information is available on the Index Provider's website.

In addition to the above consideration in the Index construction, HSBC's Stewardship team meets with companies regularly to improve its understanding of their business and strategy, signal support or concerns the Investment Manager has with management actions and promote best practice. The Investment Managers 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.

#### 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.

## 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. As such, it is expected that at least 80% of the Fund's assets will be invested in either securities within the Index or in securities that meet the ESG criteria of the Index ("#1 Aligned with E/S characteristics"). The Fund may invest up to 20% of its assets in other investments ("#2 Other").

At each index rebalance, the portfolio of the Fund will be rebalanced in line with the Index so that at least 80% of the Fund's assets will be aligned with the ESG criteria of the Index (this includes 2% of the Fund's assets that are qualified as #1A sustainable investments).

Taxonomy-aligned activities are expressed as a share of:

### - turnover

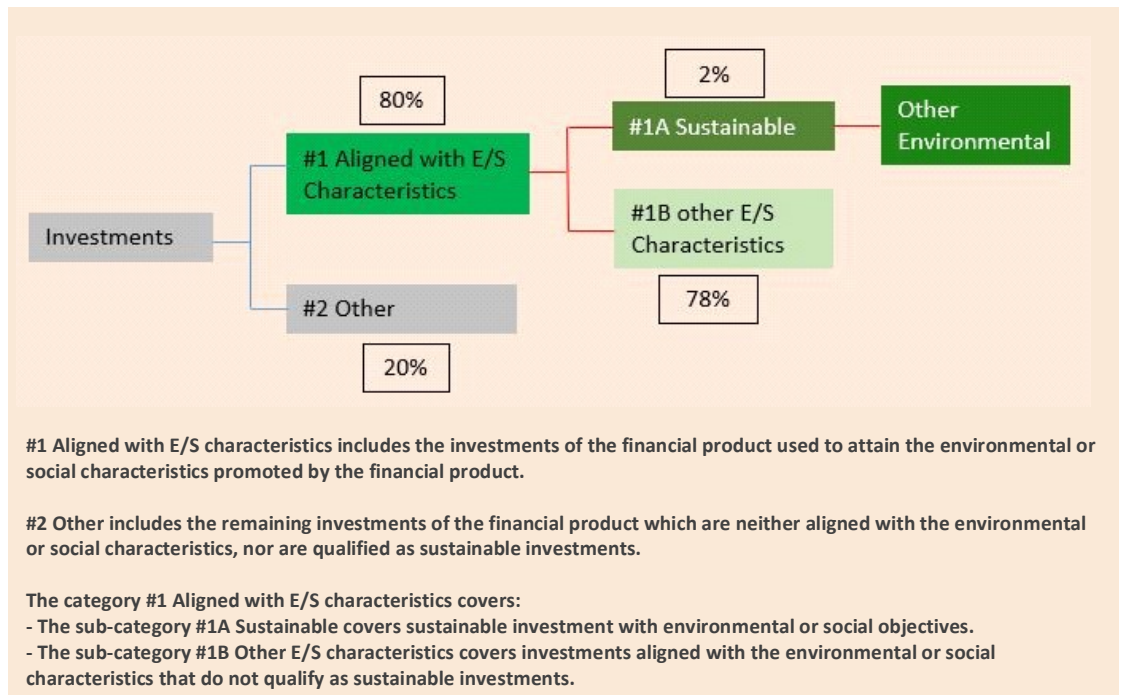
reflecting the share of revenue from green activities of investee companies

### - 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 Sub-Fund will not use derivatives to attain the environmental and/or social characteristic 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 commit to a minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy.

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

yes

in fossil gas

In nuclear energy

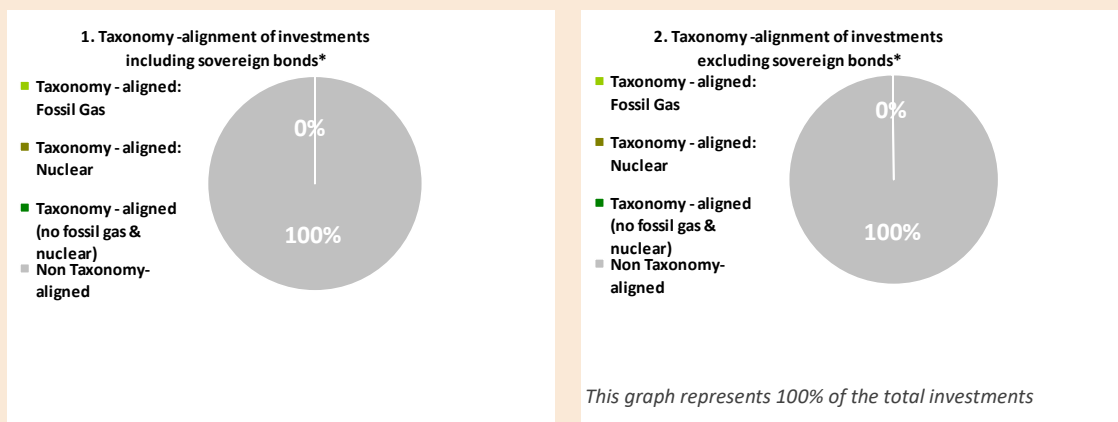
No

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?**

The Sub-Fund does not have a 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 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 Sub-Fund invests at least 2% in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

The Sub-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?

Bonds with a Credit Rating of Ba1 / BB+ / BB+ and below and which may be callable, cash and money market instruments including bills, commercial paper and certificates of deposits for ancillary liquidity purposes, and units or shares of CIS for may be used for hedging, EPM and cash management purposes in respect of which there are no minimum environmental and/or social safeguards. Securitized assets, such as Mortgage-Backed Securities, Asset-Backed Securities and Commercial Mortgage-Backed Securities may be held, 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 Sub-Fund is to track the performance of the Bloomberg MSCI Global Aggregate SRI Carbon ESG-Weighted Select 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 sub-sector 1 includes investment grade, fixed rate, securities issued by treasury, sovereign and local authority issuers from both developed and emerging markets issuers and uses a 'market size aware' ESG tilting approach to tilt country allocations above or below their market value weights on a monthly basis.

The weight of each Index-eligible constituent 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 MSCI Government ESG score (0-10) and their country of risk size grouping. The MSCI Government ESG 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 countries' ESG risk management.

The sub-sector 2 of the Index removes securities based on sustainability exclusionary criteria, on a monthly basis, applying the following Business Involvement Screens:

Adult Entertainment

- Gambling
- Tobacco
- Controversial Weapons
- Conventional Weapons
- Civilian Firearms

Nuclear Weapons

- Nuclear Power
- Fossil Fuels

Thermal Coal Extraction & Generation & Distribution

- Non-compliance with UNGC Principles.
- Genetically Modified Organisms
- MSCI controversies Score

The Index then applies a best-in-class screen to the sub-sector 2 using MSCI ESG ratings, excluding any constituent with the following:

- issuers with an MSCI ESG rating of lower than BB;
- issuers with an ESG Pillar Score of less than 2; and

A carbon intensity screen is then applied, and issuers with Scope 1 and 2 carbon intensity of 750mn t/USD million sales or higher are excluded.

The weights of the remaining eligible issuers in sub-sector 2 are adjusted by a fixed multiplier, based on their MSCI ESG rating.

Finally, 2% capping is applied at issuer level in sub-sector 2, and the Index is sub-sector neutral to the Parent index as described above.

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

In seeking to achieve its investment objective, the Sub-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 monthly basis and carried out according to the published rules governing the management of the Index as determined by Bloomberg.

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

The Index measures the performance of Global Investment Grade debt from a number of local currency markets, across three groups of bonds. The currency of the Index is USD and returns are hedged to that currency. The Index is measured by total return and rebalanced monthly.

The Index groups each bond issuance into the following three sub-sectors:

1. Sub-sector 1: Treasuries, Sovereigns and Local Authorities
2. Sub-sector 2: Corporates, Agencies, Supranational and Covered bonds
3. Sub-sector 3: MBS, ABS and CMBS

The Index then seeks to achieve a reduction in carbon emissions and an improvement of the MSCI ESG rating against that of the Parent Index through sub-sector 1 and sub-sector 2 of the Index. The Index is sub-sector-neutral to the Parent Index and no screens or tilting is applied to the sub-sector 3.

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

<https://www.bloomberg.com/professional/products/indices/fixed-income/>

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 on this and all other HSBC funds can be found on the website. Go to: [www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com) and select your type of investor and country/location. Please select 'Funds' from the main navigation page, where you can use the search or filter functions to find your particular fund.

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