Product Name: HSBC MSCI USA CLIMATE PARIS ALIGNED UCITS ETF

Legal Entity Identifier: 213800XER7TRPRTYJD97

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**	ü **No**
☐ It made **sustainable investments with an environmental objective:** _%	ü It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 37.3% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	ü with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** _%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

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

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

In replicating the performance of the MSCI USA Climate Paris Aligned Index (the “Index”), the Fund promoted the following environmental and/or social characteristics:

- Seeking to reduce exposure to transition and physical climate risks and pursuing opportunities arising from the transition to a lower-carbon economy while aligning with the Paris Agreement requirements;
- Incorporating the Task Force on Climate-related Financial Disclosures recommendations; and
- Exceeding the minimum standards of the EU Paris-Aligned Benchmark.

The Fund sought to achieve the promotion of these characteristics by replicating the performance of the Index which removed companies based on sustainability exclusionary criteria and United Nations Global Compact exclusionary criteria and which weighted companies in order to improve the exposure to companies with favourable ESG ratings.

During the reporting period the Index qualified as an EU Paris-Aligned Benchmark under Title III, Chapter 3a, of Regulation (EU) 2016/1011 and was designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Fund.

The Fund did not use derivatives to attain the environmental and/or social characteristics of the Fund.

How did the sustainability indicators perform?

Indicator	Fund	Broad Market Index
MSCI ESG Score	6.77	6.64
Carbon Emissions as measured as Carbon Intensity (CO_2e/USDmn revenue)	37.45	162.46

Broad Market Index - MSCI USA

...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 objectives of the sustainable Investments in the fund were, amongst others:

1. Companies with sustainable product and/or services or quantifiable projects (e.g. CAPEX, OPEX) linked to sustainable goals or outcomes
2. Companies that demonstrated qualitative alignment and/or convergence with UNSDGs or sustainable themes (e.g. Circular Economy)
3. Companies that were transitioning with credible progress. (e.g the transition to or use of renewable energy or other low-carbon alternatives)
4. Sustainable Bonds as defined by bonds with specific uses of proceeds aligned to supporting sustainability goals (e.g. Green Bonds, Social Bonds)

The Fund replicated the performance of the Index, the focus of which was seek to reduce exposure to transition and physical climate risks and pursuing opportunities arising from the transition to a lower-carbon economy while aligning with the Paris Agreement requirements; incorporate the Task Force on Climate-related Financial Disclosures recommendations; and exceed the minimum standards of the EU Paris-Aligned Benchmark.

By replicating the performance of the Index, the investments of the Fund contributed to these sustainable objectives.

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

Do no significant harm analysis was completed by the Index provider as part of the Index construction.

The Index was re-balanced periodically during the reporting period; prior to the re-balance of the Index the indicators referred to below were incorporated in the assessment of the business activities.

By replicating the performance of the Index, the investments of the Fund did not cause significant harm to the environmental and/or social investment sustainable objective.

Investment restrictions monitoring screened for any investments that caused significant harm to the objectives and which could have resulted in divestment by the Investment Manager ahead of the index re-balancing.

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

The mandatory principal adverse impacts (“PAI”) indicators were used in the assessment of business activities of the initial universe of securities. Revenue data, business involvement and other data sources were considered when assessing each security using minimum thresholds or blanket exclusions on activities identified in relation to these indicators.

The eligible universe was constructed once Thermal coal mining and generation, Oil & Gas, were screened at a minimum threshold level and controversial weapons (PAI 14) were removed. Securities that faced very severe and severe controversies pertaining to Environmental issues were also removed (PAI 7,8,9). Embedded in the ESG controversy score was an evaluation of UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact which removed securities having faced very severe controversies (PAI 10). The resulting eligible universe was then used to construct the Index using a sophisticated optimisation approach that reduced exposure to carbon intensity (PAI 1,2), reduced fossil fuel exposure (PAI 2,4) and increased exposure to securities with credible emission reduction targets (PAI 1,2,3,4,5). The optimisation also applies overweighting of companies providing sustainable/green solutions (PAI 7,8,9) and those providing green revenues.

No optional indicators were taken into account.

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

The index methodology incorporated the MSCI ESG Controversies. The evaluation framework used in MSCI ESG Controversies was designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UNGC Principles. Specifically, the MSCI ESG Controversies approach covered the following pillars: Environment, Human Rights & Community, Labor rights & Supply chain, Customers and Governance. These pillars included indicators such as Human rights concerns, Collective bargaining & unions, Child labor and Anticompetitive practices, which were also issues that the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights covered. Further information on MSCI ESG Controversies 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 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 Index was designed to meet and exceed the minimum standards of the EU Paris Aligned Benchmarks regulation. The eligible universe was constructed once Thermal coal mining and generation, Oil & Gas, were screened at a minimum threshold level and controversial weapons (PAI 14) were removed. Securities that faced very severe and severe controversies pertaining to Environmental issues were also removed (PAI 7,8,9). Embedded in the ESG controversy score was an evaluation of UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact which removed securities having faced very severe controversies (PAI 10). The resulting eligible universe was then used to construct the Index using a sophisticated optimisation approach that reduced exposure to carbon intensity (PAI 1,2), reduced fossil fuel exposure (PAI 2,4) and increased exposure to securities with credible emission reduction targets (PAI 1,2,3,4,5). The optimisation also applied overweighting of companies providing sustainable/green solutions (PAI 7,8,9) and those providing green revenues.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31/12/2022

What were the top investments of this financial product?

Large Investment	Sector	% Assets	Country
APPLE INC	Information Technology	7.02%	United States of America
MICROSOFT CORP	Information Technology	5.90%	United States of America
HONEYWELL INTERNATIONAL INC	Industrials	2.48%	United States of America
AMAZON.COM INC	Consumer Discretionary	2.30%	United States of America
UNITEDHEALTH GROUP INC	Health Care	1.65%	United States of America
TESLA INC	Consumer Discretionary	1.43%	United States of America
VISA INC-CLASS A SHARES	Information Technology	1.37%	United States of America
ALPHABET INC-CL C	Communication Services	1.35%	United States of America
NVIDIA CORP	Information Technology	1.33%	United States of America
ELI LILLY & CO	Health Care	1.31%	United States of America
JOHNSON & JOHNSON	Health Care	1.31%	United States of America
EDISON INTERNATIONAL	Utilities	1.26%	United States of America
PROLOGIS INC	Real Estate	1.24%	United States of America
MCDONALD'S CORP	Consumer Discretionary	1.18%	United States of America
XYLEM INC	Industrials	1.17%	United States of America

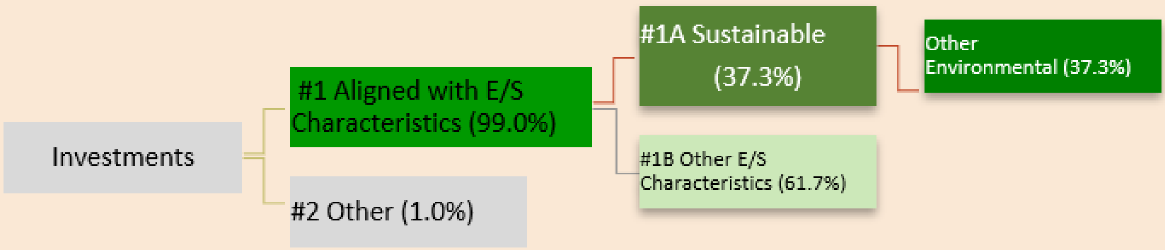
Cash and derivatives were excluded

What was the proportion of sustainability-related investments?

37.3% of the portfolio was invested in sustainable assets.

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?



Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The subcategory A Sustainable covers environmentally and socially sustainable investments.

The subcategory B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

Sector	% Assets
Information Technology	30.98%

Health Care	17.34%
Industrials	12.44%
Financials	11.01%
Consumer Discretionary	10.31%
Real Estate	6.96%
Communication Services	5.62%
Consumer Staples	2.47%
Materials	1.60%
Utilities	1.27%

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.

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.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the “greenness” of investee companies today.

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

N/A - the 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 Taxonomy[1]?

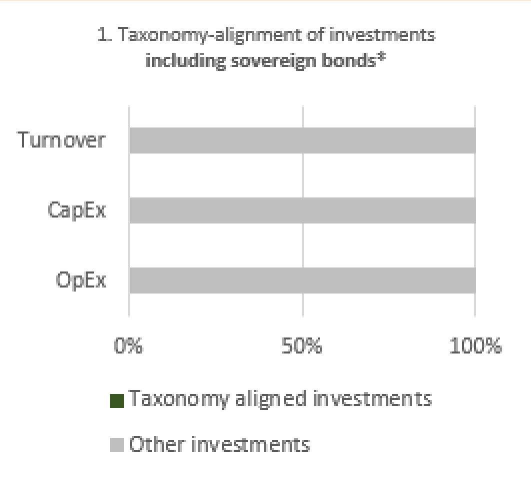
☐ Yes:

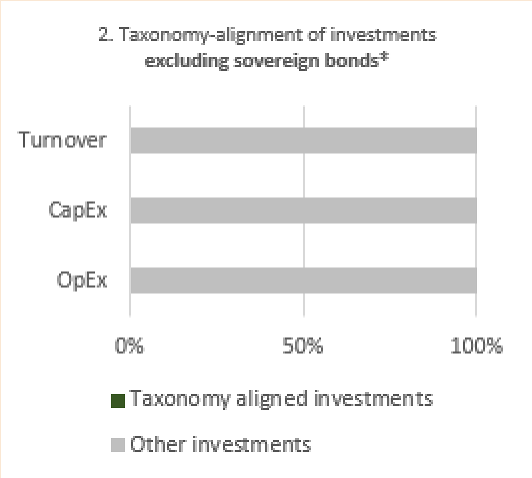
☐ In fossil gas ☐ In nuclear energy

ü 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.*

- **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.

What was the share of investments made in transitional and enabling activities?

N/A - the 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 is the first reporting period for the 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?

37.3%

What was the share of socially sustainable investments?

N/A. The 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?

Cash and other instruments such as American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts, Eligible Collective Investment Schemes and/or financial derivative instruments may have been used for liquidity, hedging and efficient portfolio management in respect of which there are no minimum environmental and/or social safeguards.

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

The Fund was passively managed and aimed to replicate the net total return performance of the Index.
The Index was designed to support investors seeking to reduce their exposure to transition and physical climate risks and who wish to pursue opportunities arising from the transition to a lower-carbon economy while aligning with the Paris Agreement requirements. The index incorporated the Task Force on Climate-related Financial Disclosures recommendations and was designed to exceed the minimum standards of the EU Paris-Aligned Benchmark.
The Index achieved this in the following ways:

1. Excluding securities of companies with exposure (as defined by the Index provider in the Index methodology) to any of the following characteristics (each characteristic will apply thresholds, as defined by the Index provider and set out in the Index methodology and which may be amended from time to time).
2. On each rebalancing date, the Index is constructed using an optimisation process (as detailed in the Index methodology) as detailed in the binding elements below.

Furthermore, active ownership, through engagement and global proxy voting, was a key pillar of our approach to responsible investments. Our stewardship activity was focused on protecting and enhancing our clients' investments with us. We engaged with companies on a range of ESG issues and we had the following clear set of engagement objectives:

- Improve our understanding of company business and strategy
- Monitor company performance
- Signal support or raise concerns about company management, performance or direction
- Promote good practice

Engagement issues ranged from corporate governance concerns such as the protection of minority shareholder rights, director elections and board structure to environmental issues, including climate change adaptation and mitigation and the low-carbon energy transition, to social issues including human capital management, inequality and data privacy.

We had a dedicated stewardship team with engagement specialists. Engagement was also integral to the fundamental research process. Our analysts and portfolio managers engaged with issuers as part of the investment process and covered relevant ESG issues in their research and discussions.

We were fully transparent in our reporting of our engagement and voting activity, publishing our voting on a quarterly basis and summary information about our engagement activity annually.

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

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

The investment objective of the Fund was to replicate the performance of the MSCI USA Climate Paris Aligned Index.

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

The Index is an equity index based on the MSCI USA Index, and includes large and mid-cap securities of the U.S. equity markets.

The Index is constructed from the Parent Index by excluding securities of companies with exposure (as defined by the Index provider in the Index methodology) to:

• controversial weapons;
• ESG controversies;
• tobacco;
• environmental harm;
• thermal coal mining;
• oil and gas; and
• power generation.

Furthermore, the Index incorporates the Task Force on Climate-related Financial Disclosures "TCFD" recommendations and is designed to exceed the minimum standards of the EU Paris-Aligned Benchmark.

On each rebalancing date, the Index is constructed using an optimisation process (as detailed in the Index methodology) to achieve the following aims:

• exceed the minimum technical requirements laid out in the draft EU Delegate Act ;
• align with the recommendations of the TCFD ;
• align with a 1.5°C climate scenario using the MSCI Climate Value-at-Risk and a "self-decarbonization" rate of 10% year on year;
• reduce the Index's exposure to physical risk arising from extreme weather events by at least 50%;
• shift index weight from "brown" to "green" using the MSCI Low Carbon transition score and by excluding categories of fossil-fuel-linked companies;
• increase the weight of companies which are exposed to climate transition opportunities and reduce the weight of companies which are exposed to climate transition risks;
• reduce the weight of companies assessed as high carbon emitters using scope 1, 2 and 3 emissions;
• increase the weight of companies with credible carbon reduction targets through the weighting scheme; and
• achieve a modest tracking error compared to the Parent Index and low turnover.

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?

In seeking to achieve its investment objective, the Fund invested in the constituents of the Index in generally the same proportions in which they were included in the Index. The composition of the Index was rebalanced on a semi-annual basis and carried out according to the published rules governing the management of the Index as set out by MSCI Inc.

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

Indicator	Fund	Reference Benchmark
MSCI ESG Score	6.77	6.77
Carbon Emissions as measured as Carbon Intensity (CO2e/USDmn revenue)	37.45	37.39

Reference Benchmark - MSCI USA Climate Paris Aligned Index

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

Indicator	Fund	Broad Market Index
MSCI ESG Score	6.77	6.64
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Broad Market Index - MSCI USA