

HSBC GLOBAL INVESTMENT FUNDS – ASIA EX JAPAN EQUITY SMALLER COMPANIES
Legal entity identifier: 21380036FEZ4XDRMY876

Environmental and/or social characteristics

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.



Does this financial product have a sustainable investment objective?

<input checked="" type="radio"/> <input type="radio"/> Yes	<input type="radio"/> <input checked="" type="radio"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____%	<input checked="" type="checkbox"/> 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% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

What environmental and/or social characteristics are promoted by this financial product?

The environmental and/or social characteristics promoted by this sub-fund are:

1. Active consideration of low carbon intensity investments compared to the reference benchmark.
2. Identification and analysis of a company's ESG Credentials which may include 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 company's financial performance and valuation. It will also consider a company's corporate governance practices that protect minority investor interests and promote long term sustainable value creation.
3. Responsible business practices in accordance with UN Global Compact Principles for businesses and OECD Principles.
4. Active consideration of environmental issues through engagement and proxy voting.
5. Excluding activities covered by HSBC Asset Management's Responsible Investment Policies the "Excluded Activities") as listed below.

The sub-fund is actively managed and does not track a benchmark. The Reference Benchmark for the sub-fund is the MSCI AC Asia ex Japan Small Cap. The sub-fund has an internal or external target to outperform the Reference Benchmark however, this is not designated for the purpose of attaining the environmental characteristics 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?***

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

The sub-fund also considers the Principal Adverse Impacts that are listed below:

- Greenhouse gas emissions (Scope 1 & Scope 2)
- Carbon footprint (Scope 1 & Scope 2)
- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Exposure to companies active in fossil fuel sector
- Violation of UNGC and OECD principles
- Share of investment involved in controversial weapons

The level of Carbon Intensity of the Reference Benchmark will also be used to measure the sub-funds attainment of its environmental characteristics since the sub-fund aims to have a better than average Carbon Intensity score versus the Reference Benchmark.

- ***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 are aligned to its environmental characteristics.

The sub-fund includes the identification and analysis of a company's ESG credentials as an integral part of the investment decision making process, to help assess risks and potential returns.

- ***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 principle of 'do no significant harm' to environmental or social objectives applies only to the underlying sustainable investments of the sub-fund. This principle is incorporated into the investment decision-making process, which includes consideration of principal adverse impacts.

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

The Investment Adviser will review all SFDR mandatory Principal Adverse Impacts to assess the relevance to the sub-fund. HSBC's Responsible Investment Policy sets out the approach taken to identify and respond to principal adverse sustainability impacts and how HSBC considers ESG sustainability risks as these can adversely impact the securities the sub-funds invest in. HSBC uses third party screening providers to identify companies and governments with a poor track record in managing ESG risks and, where potential material risks are identified, HSBC also carry out further ESG due diligence. Sustainability impacts, including the relevant Principal Adverse Impacts, identified by screening are a key consideration in the investment decision making process and, in turn, this also supports the advice given to clients.

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

- companies' commitment to lower carbon transition, adoption of sound human rights principles and employees' fair treatment, implementation of rigorous

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.

supply chain management practices aiming, among other things, at alleviating child and forced labour. HSBC also pay a great 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; and - governments' commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance.

The specific Principal Adverse Impacts for this sub-fund are as set out above.

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

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

HSBC is committed to the application and promotion of global standards. Key areas of focus for HSBC's Responsible Investment Policy are the ten principles of the United Nations Global Compact (UNGC). These principles include non-financial risks such as human rights, labour, environment and anti-corruption. HSBC is also a signatory of the UN Principles of Responsible Investment. This provides the framework used in HSBC's approach to investment by identifying and managing sustainability risks. Companies in which the sub-fund invests will be expected to comply with the UNGC and related standards. Companies having clearly violated one of the ten principles of the UNGC are systematically excluded, unless they have gone through an ESG due diligence assessment. Companies are also evaluated in accordance with international standards like the OECD Guidelines.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific 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. Investment in companies carrying out business in Excluded Activities are also excluded.

The sub-fund also considers the Principal Adverse Impacts that are listed below:

- Greenhouse gas emissions (Scope 1 & Scope 2)
- Carbon footprint (Scope 1 & Scope 2)
- Greenhouse gas intensity of investee companies (Scope 1 & Scope 2)
- Exposure to companies active in the fossil fuel sector
- Violation of UNGC and OECD principles; and
- Share of investment involved in controversial weapons

Full details of how Principal Adverse Impacts have been considered in respect of the sub-fund will be included in the Company's year-end report and accounts.

☐ No

What investment strategy does this financial product follow?

The sub-fund aims to provide long term capital growth by investing in a portfolio of Asian (excluding Japanese) smaller company equities, while promoting ESG characteristics within the meaning of Article 8 of SFDR. This includes the identification and analysis of a company's ESG credentials (as set out above) as an integral part of the investment decision making process to help assess risks and potential returns.

The sub-fund invests in normal market conditions a minimum of 90% of its net assets in equities and equity equivalent securities of companies which are domiciled in, based in, or carry out the larger part of their business activities in Asia (excluding Japan), including both developed markets and Emerging Markets. The sub-fund may also invest in eligible closed ended Real Estate Investment Trusts ("REITs").

The sub-fund includes the identification and analysis of a company's ESG credentials ("ESG Credentials") as an integral part of the investment decision making process, to help assess risks and potential 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 the company issuing a security's financial performance and valuation
- corporate governance practices that protect minority investor interests and promote long term sustainable value creation.

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



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 a company in the sub-fund's investment universe is at the discretion of the Investment Adviser. Companies with improving ESG Credentials may be included when their credentials are still limited.

ESG Credentials, Excluded Activities and the need for ESG due diligence may be identified and analysed by using, but not exclusively, HSBC's proprietary ESG Materiality

Framework and scores, fundamental qualitative research and corporate engagement. When assessing companies' ESG score or their involvement in Excluded Activities, the Investment Adviser may rely on expertise, research and information provided by financial and non-financial data providers.

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.

- ***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 score, calculated as a weighted average of the ESG scores given to the companies of the sub-fund's investments, than the weighted average of the constituents of MSCI Asia ex Japan Small Cap index. The sub-fund also aims to have a better than average Carbon Intensity score versus the Reference Benchmark.

Companies considered for inclusion within the sub-fund's portfolio will be subject to Excluded Activities including, but are not limited to:

- **Banned Weapons** - the sub-fund will not invest in companies HSBC considers to be involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of Banned Weapons.
- **Controversial Weapons** - the sub-fund will not invest in companies HSBC considers to be 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.
- **Thermal Coal (Expanders)** - the sub-fund will not participation in initial public offerings ("IPOs") or primary fixed income financing by companies HSBC considers to be engaged in the expansion of thermal coal production.
- **Thermal Coal (Revenue threshold)** - the sub-fund will not invest in companies HSBC considers to have more than 10% revenue generated from thermal coal power generation or extraction and which, in the opinion of HSBC, do not have a credible transition plan.
- **Tobacco** - the sub-fund will not invest in companies HSBC considers to be directly involved in the production of tobacco.

- **UNGC** - the sub-fund will not invest in companies that HSBC considers to be non-compliant with United Nations Global Compact (UNGC) Principles. Where instances of potential violations of UNGC principles are identified, companies may be subject to proprietary ESG due diligence checks to determine their suitability for inclusion in a sub-fund's portfolio.

The Investment Adviser may rely on expertise, research and information provided by well-established financial data providers to identify companies exposed to these Excluded Activities.

- Consideration will also be made on the products sustainability indicators on a continuous basis.

Further details of HSBC's Responsible Investment Policies can be found at: www.assetmanagement.hsbc.com/about-us/responsible-investing

- ***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?***

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 ESG 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.

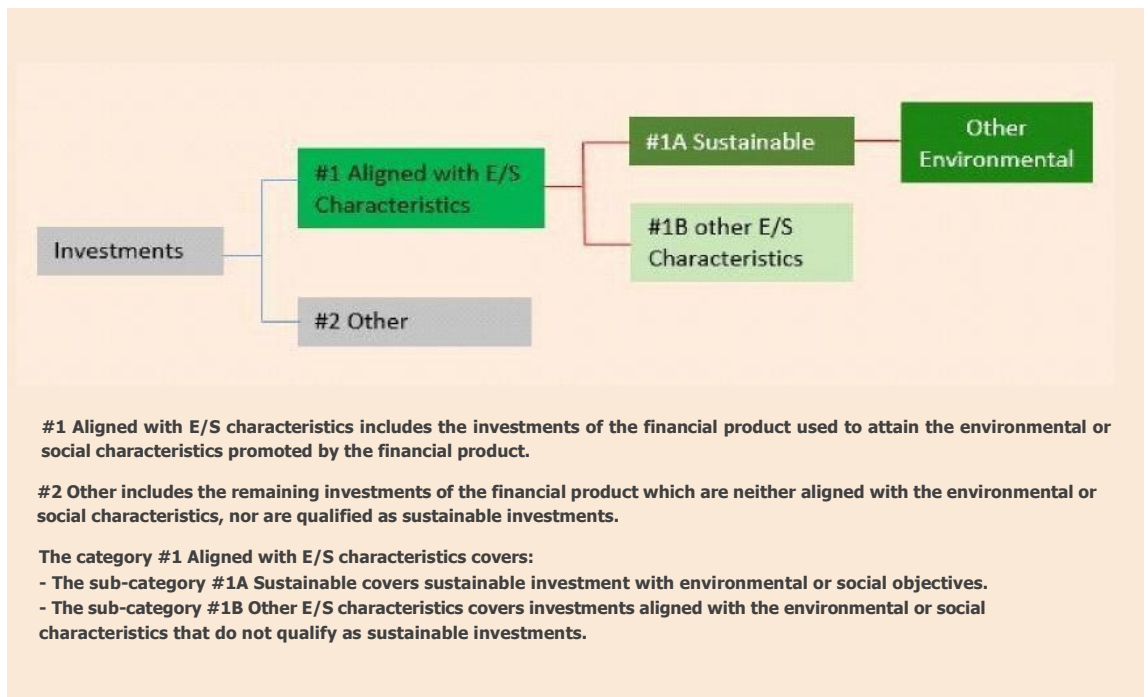
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

The sub-fund 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% of sustainable investments (#1A Sustainable). The sub-fund will have a minimum proportion of 51% 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 liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) 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 Taxonomy¹?

☐

Yes:

☐

In fossil gas

☐

In nuclear energy

☒

No

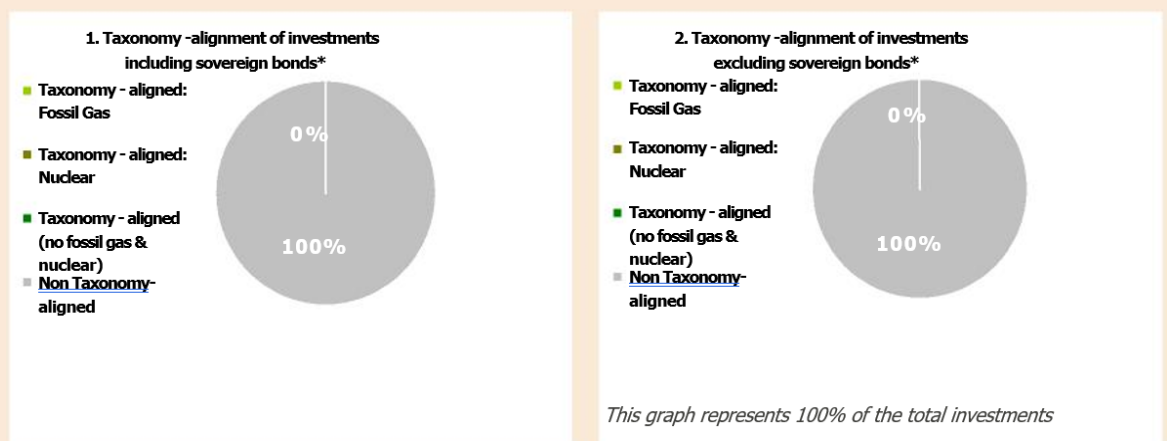
Enabling activities

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

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.

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.

- 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



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.

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.



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 liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds), 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.

Liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) and financial derivatives instruments do not have minimum environmental or social safeguards applied due to the nature of these instruments.



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.

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

Not applicable.

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

Not applicable.

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

Not applicable.



Where can I find more product specific information online?

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