

European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on February 19, 2018.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;

- Signatories are solely responsible for the answers to the questions, and should state this in their response.

Statement of Commitment

Complete/modify the below section accordingly

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of HSBC Global Asset Management. We have been involved in SRI since 2001 and welcome the European SRI Transparency Code.

This is our first statement of commitment and covers the period from 01.09.2021 to 31.08.2022. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Compliance with the Transparency Code

HSBC Global Asset Management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. HSBC Global Asset Management meets the full recommendations of the European SRI Transparency Code as of 17 September 2021.

(If the full recommendations are not met, please state if and when you hope to comply with the questions you cannot answer at this time).

Eurosif classification of Sustainable and Responsible Investment¹ strategies

Sustainability Themed Investment: investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

Best-in-Class Investment Selection: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

Norms-Based Screening: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

Exclusion of Holdings from Investment Universe: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This

¹ Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances². Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

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1. List of funds covered by the Code

Name of the fund(s): HSBC RIF Europe Equity Green Transition					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
<input checked="" type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration <input type="checkbox"/> Exclusions <input checked="" type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <input type="checkbox"/> Leading to exclusions <input type="checkbox"/> Leading to risk management analysis/engagement <input type="checkbox"/> Sustainability Themed	Passively managed <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking Actively managed <input type="checkbox"/> Shares in a euro area country <input checked="" type="checkbox"/> Shares in an EU country <input type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input checked="" type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input checked="" type="checkbox"/> Labour rights <input type="checkbox"/> Gambling <input type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input checked="" type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering <input type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> Global Compact <input checked="" type="checkbox"/> OECD Guidelines for MNCs <input type="checkbox"/> ILO Conventions	To be filled out with a number of AuM EUR 310.329.418,36 (31.08.2021)	<input checked="" type="checkbox"/> French SRI label <input checked="" type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input checked="" type="checkbox"/> Other Belgium Towards Sustainability	- KIID *1 - Prospectus *2 - Management report *3 - Financial and non-financial reporting *4 - Corporate presentations *5 - Other (please specify) *6

		<input checked="" type="checkbox"/> Other (please specify)			
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*1: <https://www.assetmanagement.hsbc.de/api/v1/download/document/fr0000982449/de/de/kiid>

*2: <https://www.assetmanagement.hsbc.de/api/v1/download/document/fr0000982449/de/de/pros>

*3: <https://www.assetmanagement.hsbc.de/de/institutional-investors/fund-centre>

*4: <https://www.assetmanagement.hsbc.de/de/institutional-investors/fund-centre>

*5: Available on request

*6: <https://www.assetmanagement.hsbc.de/api/v1/download/document/fr0000982449/de/de/factsheet>

2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant fund(s)

Management company: HSBC Global Asset Management (France)

Fund administrator: HSBC Global Asset Management (France)

Fund advisor: HSBC Global Asset Management (France)

Portfolio Manager: Benedicte Mougeot

This document was completed by HSBC Global Asset Management (Deutschland) GmbH.

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

We have a long track record of integrating SRI into our investments processes. HSBC Global Asset Management has long believed that Environmental, Social, and Governance (ESG) issues can have a material effect on companies. Issues including climate change, water scarcity and availability, deforestation, health and safety, executive pay, are generating risks and opportunities for companies which financial markets may not price appropriately.

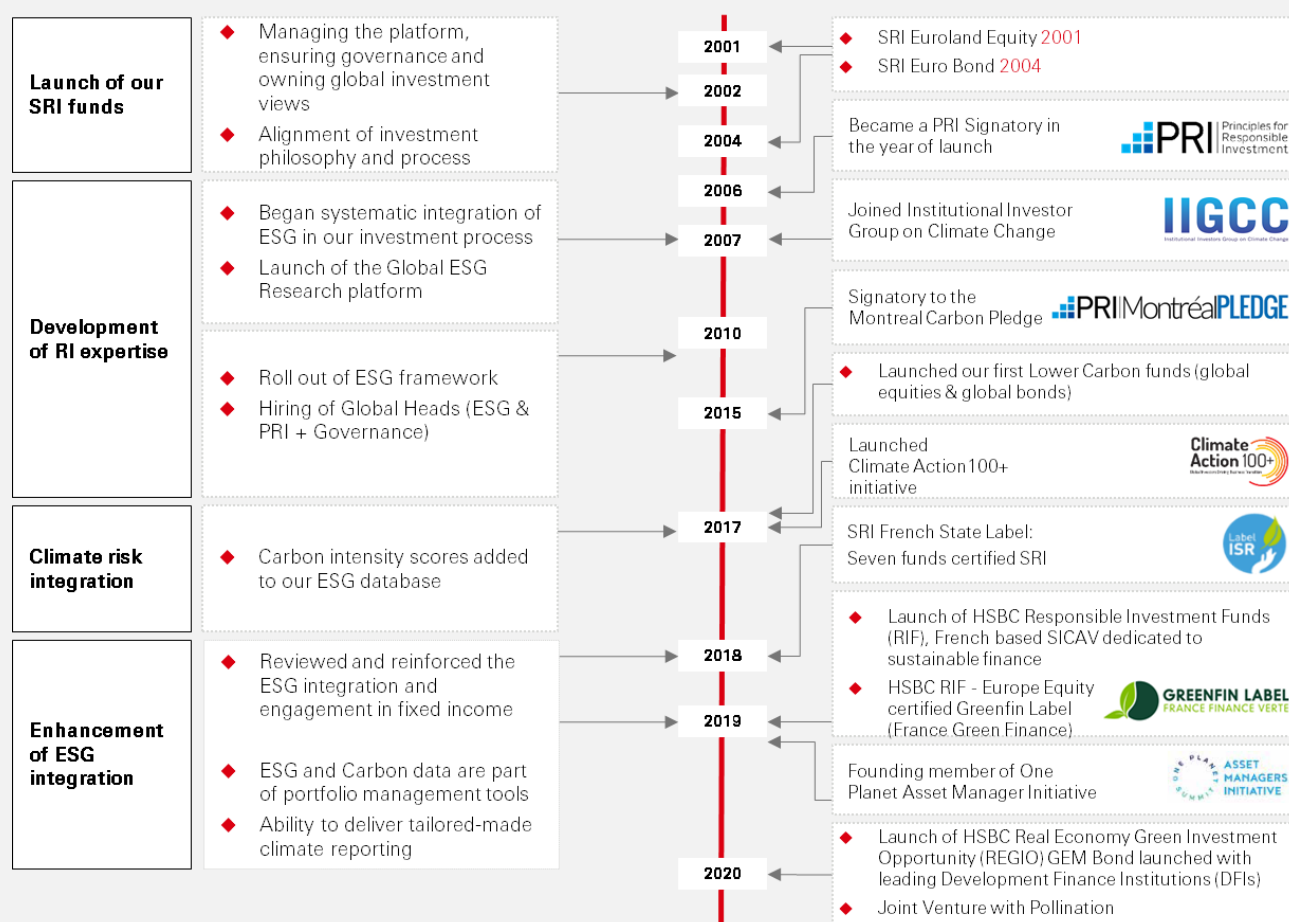
As owners of the businesses in which we invest for our clients, we have a responsibility to exercise active stewardship on their behalf. We meet with companies regularly to improve our understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice. We believe that good corporate governance ensures that companies are managed in line with the long-term interests of their investors. We also engage with carbon-intensive companies to encourage climate-resilient business strategies.

As early signatories to the Principles for Responsible Investment, we are committed to integrating ESG into our investment process. This applies to all equity strategies, whether large-cap, small or mid-cap and fixed income including corporate investment-grade, corporate high-yield and sovereign debt, applied to both developed and emerging markets. It also applies to multi-asset strategies at the fulfilment level.

While each fund has its own investment objective, we conduct both thorough financial analysis and comprehensive assessment of ESG risks and opportunities.

Please provide a hyperlink to any of the company's sustainable investment webpages.

<https://www.assetmanagement.hsbc.com/about-us/responsible-investing>



2.3. How does the company formalise its sustainable investment process?

Framework for Incorporating ESG factors into the Investment Process

We integrate the identification and analysis of ESG factors in our process to reduce risk and enhance returns for our clients. In order to do this effectively, we've implemented a multi-faceted framework which systematically incorporates ESG issues throughout the investment process. This ensures we take a holistic view of all companies we invest in on behalf of our clients and make informed and sustainable investment decisions.



"The materiality of ESG issues varies significantly from one sector to another. This is why we believe that, through developing bespoke sector-specific frameworks, we are better able to focus on the most relevant ESG issues for our investments and deliver better investment outcomes."

Xavier Desmadyrl
Head of ESG Research



RI normative screening

We do not knowingly invest in companies with exposure to banned weapons including anti-personnel mines, cluster munitions, biological weapons, chemical weapons, non-detectable fragments and blinding laser weapons. These exclusions apply to all strategies whether active, systematic or passive.



Proprietary ESG analysis

We start by identifying the most financially material E, S and G issues for each sector. Our proprietary scores are informed by our qualitative research and third party data.



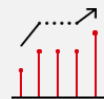
Deep fundamental research

Portfolio managers and analysts conduct a thorough assessment of the ESG risks and opportunities associated with their investments.



ESG reports and tools

Investment teams are supported by a number of tools developed by our dedicated ESG research team.



Active ownership

Portfolio managers, analysts and the stewardship team exercise close oversight of active holdings, including regular meetings with company management. Passive strategies benefit from a thematic engagement overlay performed by our stewardship team.



Enhanced due diligence

Higher risk issuers trigger our Enhanced Due Diligence (EDD) process. This could result in continued engagement with the issuer, restrictions on new purchases, or the divestment of an existing holding. It is an integral part of our investment process for both equities and fixed income.

ESG toolkit

ESG research team support analysts to incorporate ESG factors into their fundamental research.

ESG database: All investment teams have access to our internal ESG database combining a comprehensive third party research library with in-house ratings covering 17,000+ financial instruments. For each name under coverage, there is an executive summary of the company's ESG credentials including the risk level (High, Medium or Low) and carbon footprint.

ESG sector checklists: The ESG sector checklists summarise the most relevant ESG issues – those with the highest degree of potential financial materiality – and suggested engagement approaches. Sector specific checklists incorporate ESG trends, regulatory changes and applicable industry guidelines.

Thematic reports: The thematic reports help investment teams embed cross-sector themes in their investment thinking. For example, the following topics have been published.

- The impact of water intensity on the business model and financial returns of commodities companies.
- Impact of extreme working conditions in the technology and fast fashion sectors, and the risk of brand damage and/or production disruptions
- Impact investing strategies and how to align asset classes to the UN SDGs

HSBC Global Asset Management reflects sustainability in all of the products and services that we provide to clients globally by adherence to the Responsible Investment Policy (found [here](#)).

<https://www.global.assetmanagement.hsbc.com//media/files/attachments/common/engagement-policy-en.pdf>

A separate Responsible Investment Implementation Procedures document has been issued which details how sustainability risks and their principal adverse impacts are integrated into portfolio construction and investment decision making processes

Please provide a link to the sustainable investment policy.

Please provide a link to the voting rights policy.

Please provide a link to the engagement policy³.

³ Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES

<https://www.assetmanagement.hsbc.com/about-us/responsible-investing>

<https://www.global.assetmanagement.hsbc.com/-/media/files/attachments/common/global-voting-guidelines-en.pdf?la=en&hash=D4D95559AF70607674B88BACC904AD024BA34A5E>

<https://www.global.assetmanagement.hsbc.com/-/media/files/attachments/common/resource-documents/engagement-policy-en.pdf>

<https://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/resource-documents/montreal-carbon-pledge-report-2020.pdf>

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?⁴

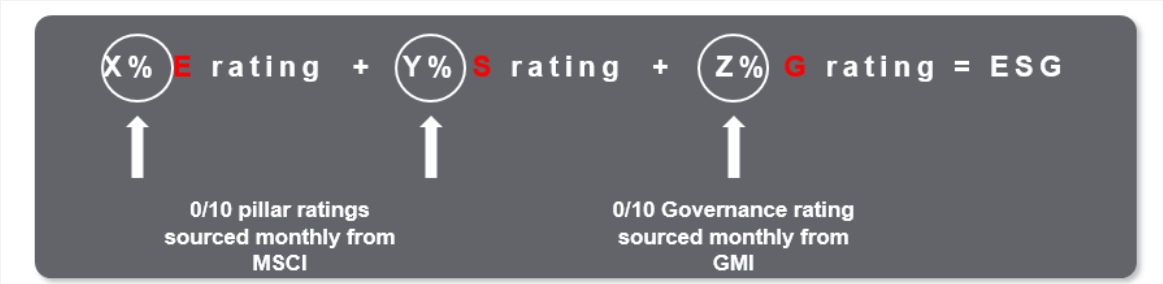
We believe that ESG risks and opportunities can affect the performance of investment portfolios across companies, sectors, regions and asset classes through time. Therefore, our analysts and portfolio managers identify and manage ESG risks and opportunities and consider ESG issues within our research and investment process where appropriate. We conduct this analysis using proprietary ESG databases and third-party input, to help us identify possible high-risk names when screening and rating issuers.

We have developed a proprietary approach to produce issuer ratings and rankings using third-party data and our own research for ESG assessments and ESG portfolio evaluations. Our tools provide these ratings as well as Executive Summaries for each issuer, covering: their ESG rating and rank (in percentile) within their industry sector; an absolute risk level based on a Global Compact compliance assessment (using Sustainalytics, ISS-ESG (formerly ISS Ethix and ISS Oekom)); and a relative risk level with commentaries on ESG issues (using MSCI's ESG Research) as defined below:

1. Absolute approach: this is a norms-based analysis of the company's compliance with UN Global Compact principles. UN Global Compact is a set of 10 global norms covering human rights, labour standards, the environment and anti-corruption.
2. Relative approach: it aims to rank issuers within their sector. To achieve this, we have developed a bespoke 30 sector segmentation derived from MSCI GICS. The design was a thorough and collaborative process including systematic reviews, inputs and comments from all of our equity and fixed income teams. Based on our assessment of materiality, the ESG weights are sector-specific.
3. The ESG rating calculation engine helps us calculate an aggregate 0 (worst) -10 (best) ESG rating for approximately 10,000 companies. The ratings are available on the primary proprietary front office tools used by portfolio managers across the equity and fixed income investment teams. These ratings are essential to integrating ESG considerations in our quantitative security assessment processes.

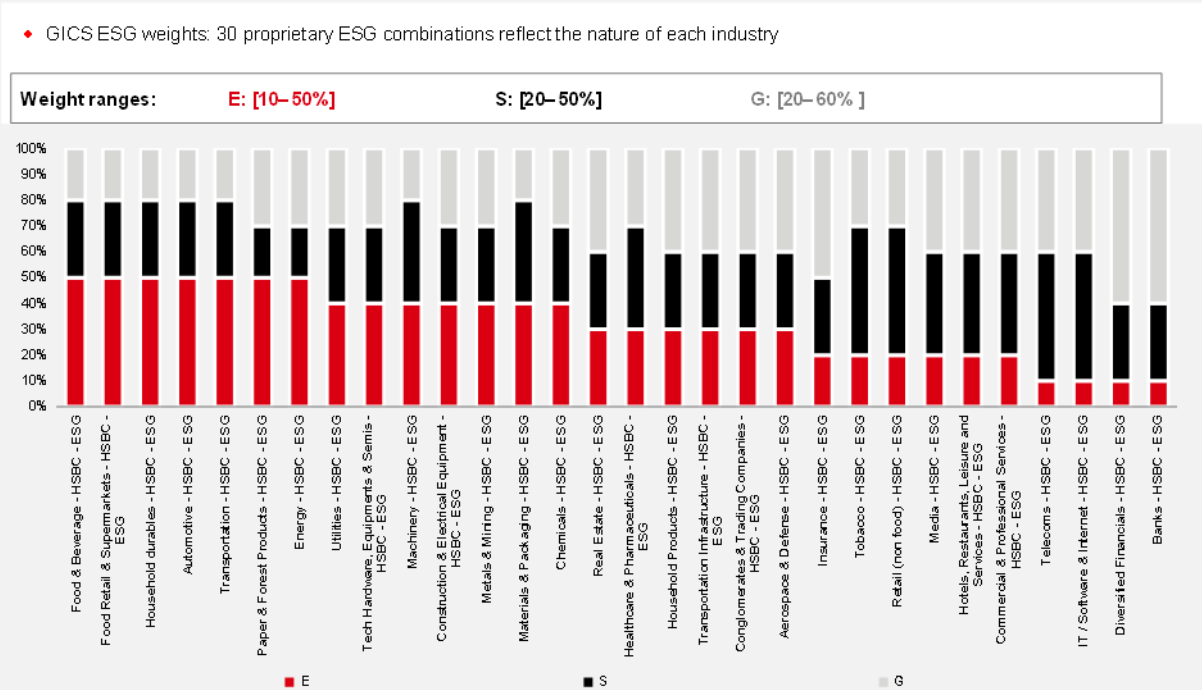
⁴ Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

The numeric ratings are built by combining MSCI ESG Research and other data. In determining the weighting of the E, S, and G factor weights in the rating process, we have defined the relevance of each factor for all industry groups. For example, for Banks and Financials, the “G” (governance) weighting (including board structure, corruption, bribery and instability) represents 60% of the overall score; while for Utilities and Automotive, 50% of the aggregate weighting is represented by the “E” (environmental) factor.



Source: HSBC Global Asset Management. For illustrative purposes.

The graph below shows the internally-defined “E”, “S” and “G” weightings for all industry groups



Source: HSBC Asset Management. For illustrative purposes

Issuers with an ESG score in the bottom 5% of their industry sector are classified as high risk and are subject to enhanced due diligence and approval by the ESG Investment Oversight Committee. Similarly, a breach of one or more of the 10 principles of the UN Global Compact marks an issuer as high risk and triggers enhanced due diligence. Pending the result of the enhanced due diligence, new investments are not permitted or are restricted. For high risk names, the portfolio manager and/or analyst conducts enhanced due diligence, using input

including sell-side research, Bloomberg data, company reports as well as the outcomes of potential engagement. This process is systematic and applies to all our equity and corporate fixed income strategies. It is an integral part of our investment process for both equities and fixed income. Where the enhanced due diligence reveals material ESG risks that cannot be managed through engagement, we may decide to exclude an issuer from our investments.

Please find our Responsible Investment Policy under the following link:

<https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies>

2.5. How many employees are directly involved in the company's sustainable investment activity?

Recognising that the pace of change must accelerate, in 2020 Nicolas Moreau (our Global CEO) launched the Responsible Investment Initiative to build on our strong foundations. This is a global strategic initiative, mandated to embed a responsible investing ethos across all parts of our global business. The leadership group is tasked with developing a five-year sustainable business strategy and has engaged colleagues across all functions and levels of seniority, seeking diversity of thought as a key driver for future success.

The Responsible Investment Initiative is structured around three strategic pillars:

1. Commercial: A review and refresh of our commercial strategy to drive leadership in sustainable investing. A number of key deliverables have been identified for 2021 and future years to ensure that we have the right products and solutions for our client base.
2. Investments: A review and refresh of our investment capabilities to ensure that ESG integration is fully embedded in all of our investment processes, that we have appropriate levels of resourcing and that our stewardship activities are robust.
3. Culture: A newly focused initiative to make responsible investing a front-of-mind topic for all HSBC Global Asset Management employees. We are providing training and educational opportunities and incorporating sustainability KPIs in all employee scorecards.

The Head of Responsible Investment has overall responsibility for strategy, policy, positioning and product innovation. This includes coordinating all client-related RI activities, leading ESG-focused product development across all asset classes and co-leading our policy advocacy work with HSBC Group's government affairs team. Furthermore, this includes oversight of our stewardship and voting activities and the implementation of our ESG research and integration processes.

We have a dedicated team of ESG research analysts working within our specific Responsible Investment function as well as dedicated individual ESG professionals embedded within the business.

Accountability for all investment management activities, including the integration of ESG considerations, lies with our Global Chief Investment Officer (CIO). Our Head of Responsible Investment, asset class and regional CIOs and investment teams are responsible for integrating ESG issues into their respective investment decisions, supported by ESG specialists.

In 2015 we set up a quarterly Global ESG Oversight Committee chaired by the Global CIO and comprising many of the most senior members of the Investment Function: Global CIO Fixed Income, Global Head of Credit Research, Global Head of Corporate Governance, Global Head of ESG Research and UK CIO. This committee strives to promote best practice with regard to ESG integration by driving ESG integration within asset class research and portfolio management processes.

In addition to our dedicated global Responsible Investment team, a large number of our portfolio managers and analysts, including desk heads and CIOs, completed the PRI Academy RI fundamentals course. They also received internal training from our ESG specialists who moved into our mainstream investment teams. In 2018, we expanded our sustainable investment training programme across all businesses using PRI Academy.

To ensure that all investment teams are up-to-date on our ESG methodology and expected deliverables we also held a series of off-sites and training sessions in 2019 and 2020. These sessions were hosted by internal and external experts and were aimed at upgrading and up-scaling our investment teams' skills in areas such as financial modelling, risk calibration, portfolio construction, and enhancing ESG knowledge and awareness. Discussion topics included corporate engagement, Carbon 100+ commitment, impact investing, carbon pricing, sustainability impacts of the food industry, etc.

The training was supplemented by sector specific calls, providing sector analysts with an update regarding the evolving and tightening regulatory framework, disclosure guidelines, best practices and new technologies within their respective sectors.

As part of our Responsible Investment Initiative, we aim to make responsible investing a front-of-mind topic for all HSBC Global Asset Management employees. We are providing training and educational opportunities and incorporating sustainability KPIs in all employee scorecards. We developed a detailed plan for delivering education and training initiatives to all our employees on responsible investing. We have a series of inspirational talks on responsible investing-related topics catering for both beginner and advanced level knowledge. Our objective is to ensure all employees have an understanding of responsible investing and we bring along the whole organisation. In 2020, we developed a customised ESG Investment Module in partnership with Principles for Responsible Investment (UNPRI) for our client-facing teams. We also sponsor the CFA ESG Certificate for our investments teams.

2.6. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles For Responsible Investment <input checked="" type="checkbox"/> SIFs - Sustainable Investment Fora <input checked="" type="checkbox"/> Other (please specify) -Council of Institutional Investors, -Wolfsberg Principles, -OECD - Convention on Combating Bribery, -International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery, -Global Sullivan Principles	<input checked="" type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input checked="" type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input checked="" type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input checked="" type="checkbox"/> Other (please specify) -UKSIF - the Sustainable and Finance association, -Eurosif - the European Sustainable Investment Forum, -FIR - Forum pour l'Investissement Responsable, -SIF - Italian Forum for Sustainable Finance, -Global Climate Action 100+, -HSBC Group Participation since UN Environment Programme Finance Initiative (UNEPFI), UN Global Compact, Roundtable on Sustainable Palm Oil, -CDP - Carbon Disclosure Project, -UN Principles for Sustainable Insurance, -Cambridge Institute of Sustainability leadership – ILG -Net zero Banking Alliance	<input type="checkbox"/> Access to Medicine Foundation <input checked="" type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input checked="" type="checkbox"/> Other (please specify) -ORSE - Observatoire pour la Responsabilité Sociétale des Entreprises, -Cambridge Institute of Sustainability leadership- ILG, -One Planet Asset Manager Initiative, F-inance for Biodiversity Pledge, -UN Universal Declaration of Human Rights, -Equator Principles, -Global Business Coalition on HIV/AIDS, -Extractive s/industries' Transparency Initiative	<input checked="" type="checkbox"/> ICGN – International Corporate Governance Network <input checked="" type="checkbox"/> Other (please specify) -AFG - Association Française de Gestion Financière) membre de la commission de Corporate Governance, -ACGA - Asian Corporate Governance Association, -OECD Guidelines for Multinational

2.7. What is the total number of SRI assets under the company's management?

Total company AuM: USD 625bn as of 30 June 2021.

Responsible Investment AuM: Assets managed according to at least one or more of the GSIA seven styles of sustainable investing: USD 555bn

Client-led exclusions: Intentionally avoiding investments in companies, issuers, sectors or countries based on criteria related to potential negative sustainability outcomes or particular issues of concern: USD 4.8bn

Sustainable Investment AuM: All dedicated sustainably invested assets which are managed according to the definitions below in addition to ESG integration, corporate engagement and shareholder action: USD 13.7bn

ESG Enhanced: Covers the spectrum of approaches (e.g. ESG tilting, positive screening) to intentionally invest in companies based on relative ESG performance or momentum: USD 7.6bn

Thematic: Actively investing in ESG related growth areas and trends, by seeking out companies or sectors that align with specific sustainable outcomes: USD 5.5bn

Impact: Investing with proof of intent to deliver a direct, positive and measurable impact on society and/or the environment: USD 0,6bn

Other: Assets where we do not yet formally implement at least one of the GSIA seven styles of sustainable investing: USD70.0bn

Source: HSBC Asset Management, as at September 2021.

3. General information about the SRI fund(s) that come under the scope of the Code

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

We are committed to helping our stakeholders prosper – our clients, shareholders, employees, the societies in which we operate, and most importantly, our planet. As such, ESG integration remains a long-term focus for us. We invest with purpose and discipline, supporting the preservation of clients' assets through sustainable investment opportunities. We will continue to engage with companies, policy makers, regulators and industry initiatives for the benefit of our stakeholders and to create a healthy financial system.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Internal resources:

We incorporate specific ESG analysis for all companies that we research. Our research professionals' analyse, comment and assign ratings under mandatory E, S and G sections of

the company's annual review. These E, S and G internal ratings are incorporated into the overall company analysis alongside other fundamental credit considerations such as the company's competitive positioning, scale and financial metrics.

ESG Road Map: We have developed an ESG Roadmap to help investment teams "focus on what truly matters", namely to research in depth financially material ESG criteria. We framed it around a bespoke 30 sector segmentation (derived from the GICS, Global Industry Classification Standards). Its design was a thorough and collaborative process including systematic reviews, numerous inputs and comments from all equity and fixed income teams.

In House Rating System: We have built an in house rating system enabling us to score 9,000+ companies and to allocate them an ESG risk status. Leveraging monthly data feeds coming from the providers above, it helps us generate sector specific scores which we combine with an assessment of companies' actual level of compliance with the 10 Principles of the UN Global Compact. The end ratings range from 0 to 10, we differentiate between Emerging Markets and Developed Markets companies.

Executive Summary and Low, Medium and High risk ranking: We capture these assessments in automatically generated "Executive Summaries" which provide investment teams with a snapshot of each company's ESG strengths and weaknesses. Indeed, brief ESG and UNGC related paragraphs sourced directly from the ESG third parties illustrate and justify the calculated risk assessments. Building on this upgraded infrastructure we can readily generate new SRI universes and back-test them; design tailor-made portfolios or capture clients' own values in portfolio construction.

External resources:

We use the following external ESG Data vendors to support our analysis:

MSCI ESG Research⁵: Intangible Value ESG Assessment, comprehensive ESG assessment and Financial Crime Compliance screening for a large number of issuers.

Sustainalytics⁶: UNGC compliance and revenues from controversial and sustainable products and activities

ISS ESG (formerly ISS Ethix and ISS Oekom)⁷: Identifying issuers involved in the production and/or marketing of controversial weapons like cluster munition and landmine and government bonds' environmental and societal assessment.

Trucost ESG Analysis / S&P Global⁸: Data and analysis on carbon, water, waste, pollutant and natural resources for countries & companies.

⁵ <https://www.msci.com/research/esg-research>

⁶ <https://www.sustainalytics.com/>







⁷ <https://www.issgovernance.com/esg-de/>

⁸ <https://www.spglobal.com/esg/trucost>

Carbon4 Finance⁹: Measures “carbon emission savings” to help understand a company’s strategic and financial commitment to a low-carbon transition. It enables the calculation of a company’s avoided emissions and temperature alignment scores.

Reprisk¹⁰: Tracks a company’s reputational risk and involvement in ESG-related controversies. It provides an ongoing view of issuer’s ESG performance, risks, and controversies.

A selection of providers gives us a variety of views and sufficient coverage for our universe. New providers can be added on an ongoing basis in order to cater with new client needs or further strengthening the accuracy of our ESG scoring and analysis. A frequent dialogue with data providers ensures the quality of the data.

						 S&P Global		 carbon4 finance		 RepRisk	
Issues under review	Overall E,S,G assessment	Revenues from sustainable or controversial products	UN Global Compact Principles assessment	Controversial weapons	E&S assessment for countries / governments	Data and analysis on Carbon, Water, Waste Pollutant and Natural Resources for countries & companies	Climate data solutions (Transition and Physical Risk)	Dynamic reputational risk assessment			
Coverage	9,100 Global names (DM & EM) incl. unlisted bond issuers	14,000 Global names (DM & EM)	23,000 Global names (DM & EM)	6,000 Global names (DM & EM)	54 Government bond issuers	6,200 100% coverage of 25 indices including MSCI World + EM Indices and iBoxx Euro Corporate	15,000 Global Names, Equities, Fixed Income (Sovereign, listed & unlisted corporates, Green Bonds)	40,700 companies			
Output	E, S and G numeric ratings (0-10 scale) + Sector reports + Company reports (focus on E&S)	Revenues percentage derived from products and services	Red / Amber / Green light	Company reports	E&S/G letter ratings + Country reports	GHG Emissions expressed in volumes + efficiency assessment	GHG Induced and Saved Emissions (Scope 1,2,3), Qualitative Analysis, Alignment with a 2° trajectory, Physical risk scoring	RepRisk Index (0-100) and Change			
Contributes to in-house ESG analysis	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			

Source: HSBC Global Asset Management, as of September 2021. For illustrative purposes only

3.3. What ESG criteria are taken into account by the fund(s)?

ESG factors are considered as part of the ongoing qualitative assessment of country risk. More recently, we have just completed a quantitative study to assess the predictive power of MSCI’s ESG sovereign scores. Our findings over the testing period (01/2012-12/2017) suggest that ESG criteria demonstrate predictive power, particularly for Emerging Markets. Given the positive results from the study, we are currently working to incorporate normalised MSCI’s ESG country scores into the country model we use in our investment process.

⁹ <http://www.carbon4finance.com/>

¹⁰ <https://www.reprisk.com/>

This process is systematic and the enhanced due diligence is an intrinsic part of our investment decision-making process. Although the precise method for this integration is tailored to each investment strategy, it is considered across our active fundamental, active systematic and passive capabilities. Examples of ESG issues included in our process are listed below:

Environmental factors	Social factors	Governance factors
<ul style="list-style-type: none"> ◆ Climate change risk ◆ Environmental impacts: carbon emissions, energy efficiency, renewable and alternative energies ◆ Material supply chain issues, including: water stress, biodiversity/land use and raw material sourcing ◆ Waste issues, including: toxic emissions/waste, packaging material and waste, and electronic waste ◆ Clean tech and green buildings 	<ul style="list-style-type: none"> ◆ Human capital management ◆ Health and safety ◆ Supply chain labour standards ◆ Product suitability ◆ Product safety and quality ◆ Chemical safety ◆ Privacy and data security ◆ Demographics and the digital divide ◆ Financial exclusion ◆ Access to healthcare, nutrition and health 	<ul style="list-style-type: none"> ◆ Business ethics ◆ Cultures and values ◆ Corporate governance ◆ Bribery and corruption ◆ Financial system instability ◆ Anti-competitive practices ◆ Responsible tax practices ◆ Minority shareholder rights

We use third party ESG Data vendors to support our analysis. A selection of providers give us a variety of views and sufficient coverage for our universe. New providers can be added on an ongoing basis in order to cater with new clients needs or further strengthening the accuracy of our ESG scoring and analysis. The data is used systematically to rank issuers by ESG scores rather than as an absolute performance measure and the scores feed our investment decision making tools. A frequent dialogue with data providers ensures the quality of the data.

We take into account all available company data including ESG factors when making investment decisions across all asset classes and strategies using in-house financial analysis, third party research and data as well as information gathered from company engagement. We have developed our own proprietary ratings using this data. In determining the weighting of the E, S, and G factor weights in the rating process, we have defined the relevance of each factor for all industry groups.

For example, for Banks and Financials, the “G” (governance) weighting (including board structure, corruption, bribery and instability) represents 60% of the overall score; while for Utilities and Automotive, 50% of the aggregate weighting is represented by the “E” (environmental) factor.

We will emphasize different things - and this with a different magnitude – in different sectors as our approach is essentially based on materiality which we define as the potential financial

impact which a certain ESG criterion can have on a company's financial credentials. For instance, the level of greenhouse gas emissions is a critical measure in the production phase for industries like electric utilities or cement. On the other hand, it will be important in the usage phase within the automotive sector. Then, as already outlined, if corporate governance certainly matters to all industries and sectors, it certainly is even more relevant to the financial sector. For this industry, Corporate Governance will have to be understood in a broader sense and will have to embark additional notions like risk monitoring, audit, risk and compliance. In turn, major failures in these areas have triggered the 2008 global financial meltdown and even more recently have led some Scandinavian players to face major corruption and bribery issues, significantly impacting concerned companies share prices.

This is very clearly why we haven't opted for a "one size fits all" process but have very much individualized the ESG criteria we look at, based on the nature of the industry the analyzed company belongs to. Needless to say, that, developing such a proprietary approach requires a combination of quantitative data – mostly sourced from the aforementioned research third parties but sometimes also from companies' official disclosures - and qualitative understanding of how they relate to the company's business and financial. This latter part is very much within the remit of our own covering analysts, also supported by sell side research. Each security is rated high, medium or low. The highest risk securities and any deemed to be non-compliant with the UN Global Compact undergo an enhanced due diligence assessment. Issuers with an ESG score in the bottom 5% of their industry sector are classified as high risk and are subject to enhanced due diligence. Similarly, a reported potential breach of one or more of the 10 principles of the UN Global Compact marks an issuer as high risk and triggers enhanced due diligence. Pending the result of the enhanced due diligence, new investments are not permitted or are restricted. For high risk names, the portfolio manager and/or analyst conducts enhanced due diligence, using input including sell-side research, Bloomberg data, company reports as well as the outcomes of potential engagement. This process is systematic and applies to all our equity and corporate fixed income strategies. It is an integral part of our investment process for both equities and fixed income. Where the enhanced due diligence reveals material ESG risks that cannot be managed through engagement, we may decide to exclude an issuer from our investments.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?¹¹

Investment objective:

This fund has a sustainable investment objective under Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR).

The fund invests in equities issued by European companies, which provide the solutions necessary for the decarbonisation of players in the energy and ecological transition. Portfolio companies are selected for their best environmental, social, and governance practices and their financial quality.

¹¹ Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):

<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

The fund mainly focuses on enablers, those that create the technologies, products and services to bringing about climate mitigation and adaptation. Secondly, a small proportion of companies (Diversification bucket of other climate companies) are also chosen for disseminating best climate practises, namely making improvements in their own operations in order to accelerate the transition to a 2-degree trajectory.

Investment strategy:

In order to achieve its investment objective, the fund invests in equities of all capitalisations issued by European companies, with activities that contribute to the energy and ecological transition, i.e., the shift from an economic model of high consumption of fossil fuels (oil, gas, coal) to a more sustainable or even a decarbonised model. To combat climate change, the fund actively contributes to the financing of companies that provide the necessary solutions to decarbonise economic players and benefit from green growth. One of the indicators used to monitor and measure the portfolio's environmental performance is the avoided emissions indicator, provided by Carbon4. Avoided emissions correspond to future emissions of green technology compared to conventional technology that the fund would replace during its life cycle. The sub-fund aims to have more avoided issues than those of the MSCI Europe GDP weighted index. Impact indicators are published in our ESG impact report available on the management company's website at the following address: www.assetmanagement.hsbc.fr/fr. They reflect the fund's intention to accelerate the transition to a more sustainable economy.

The minimum extra-financial analysis rate of 90% is applied to the sub-fund's eligible assets.

The fund benefits from the following labels:

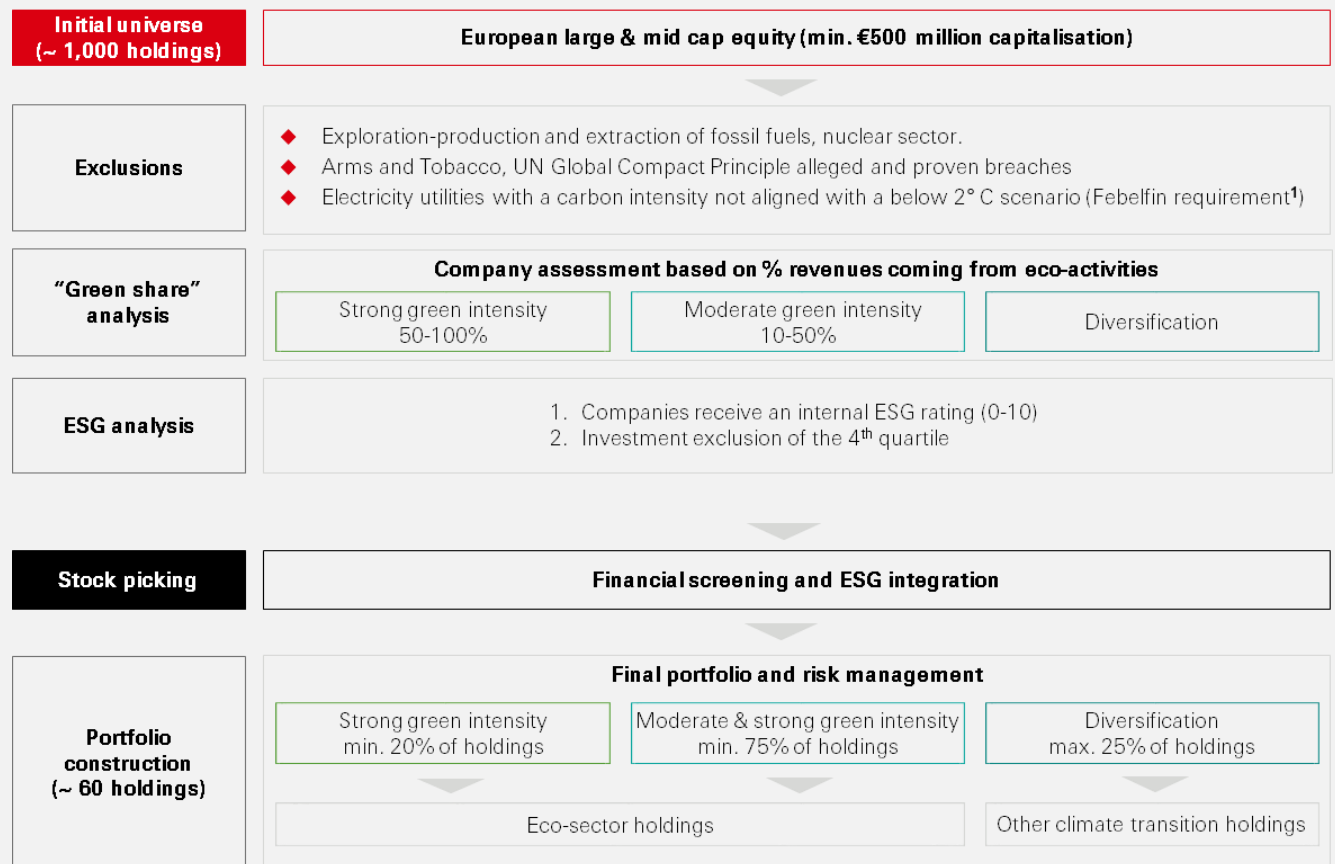
- The French government SRI label and a Belgian label "Towards Sustainability"
- The Greenfin accreditation approved by the French Ministry for Ecological and Solidarity Transition. This label validates the green quality of investment funds.

In addition to identifying the best operators on carbon intensity impact, we also conduct a qualitative review to assess the company's active involvement in climate change.

The fund integrates the following climate criteria in portfolio construction:

- A 75% minimum allocation to companies meeting the Greenfin label's officially audited taxonomy (minimum 10% green revenues)
- A 20% minimum allocation to pure players (50% minimum green revenue)
- Finally, all companies held in the portfolio must contribute to the fund's sustainability objective under article 9 of the Sustainable Finance Disclosure Regulations (SFDR).

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?



The source of the investment ideas comes from a rigorous vetting process resulting in an eligible universe of around 600 companies. 250 are green revenue companies and the rest selected in liquid European stocks for the diversification bucket: the strategy must meet the stringent demands of three government labels, namely the French Greenfin Label as regards company "Green Share" analysis within eight Climate Mitigation / Adaptation eco-sectors as well as those of the Belgium 'Towards Sustainability' and French SRI Labels.

Step 1: Exclusions

The investment framework starts with SRI exclusions, namely on fossil fuels, "Brown" Utilities, the nuclear sector, Arms and Tobacco as well as companies in breach of the UN Global Compact Principles. For reasons of liquidity, we only invest in companies with minimum market capitalizations of €500 million.

We apply a comprehensive SRI approach with normative screenings, ESG best-in-class filters, and sector specific screens as entailed below:

- Implement HSBC's firm wide exclusion criteria

- Exclude companies with a proven breach and or two suspected breaches of UN Global Compact
- Implement ESG best-in-class screening to the universe to ensure holdings have superior ESG profiles
- Implement sector screens as required by French SRI and Belgium Towards Sustainability Labels

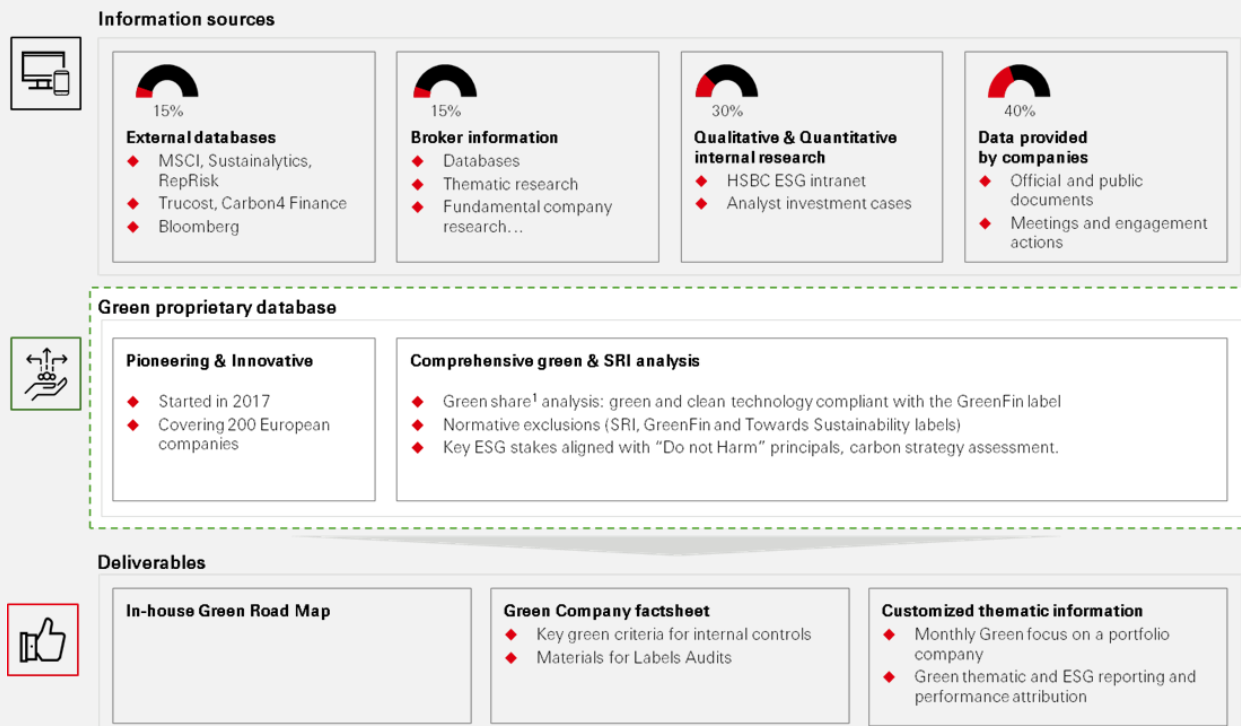
Key SRI exclusion screens

Screen Type	Screen	Description	Data Source
HSBC AM	◆ Controversial weapons	◆ Total exclusion	◆ HSBC Asset Management
UN Global Compact	◆ Measurement of issuers adherence to UN Global Compact	◆ Proven breach or two suspected	◆ Sustainalytics
Relative ESG	◆ ESG best-in-class screening	◆ Exclude bottom 4 th quartile	◆ E,S & G pillar scores are sourced directly from MSCI ◆ ESG aggregate score, proprietary HSBC methodology
Sector specific screens	◆ Weapons & tobacco ◆ Nuclear ◆ Thermal coal extraction (mining) ◆ Exploration / production (oil & gas) ◆ Fossil fuel power generation (utilities) ◆ Companies with revenue exposure to excluded companies	- Total exclusion - Exclusion (5% revenue threshold) - Exclusion (5% revenue threshold) - Exclusion (5% revenue threshold) - Exclusion (5% revenue threshold) - Exclusion if revenue >33%	◆ Sustainalytics ◆ Trucost ◆ Carbon4finance

Step 2: Green screening and analysis

1- Determination of the database (green revenue & proprietary taxonomy)

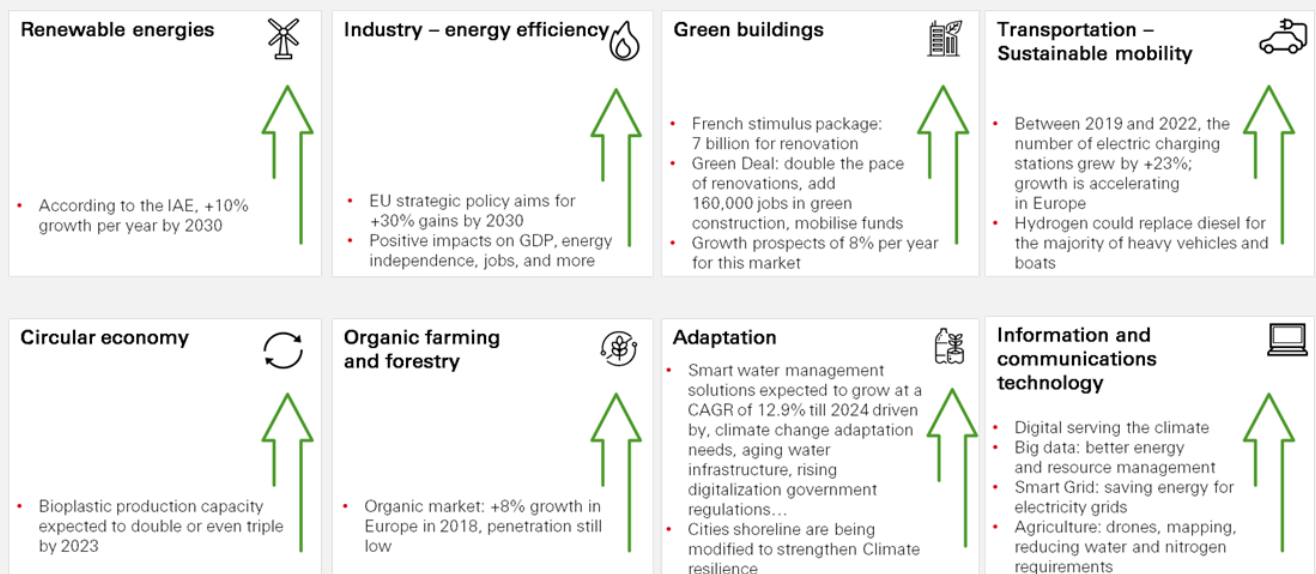
The second and most important step is the constitution, updating and on-going development of our Proprietary Green Database: The database contains a breakdown of company revenue from significant green activities. Novethic, an external ESG consultant audited the database at the inception of the strategy and on a yearly basis to ensure that it remains compliant with the GreenFin Label's taxonomy. We built up the database over two years shortly after the creation of Label in October 2015. It is populated with information gathered from company annual reports and disclosures as well as ESG third party providers and brokers. Where necessary, we initiate and maintain an ongoing dialogue with companies to fill in the information. The aim is to ensure a similar level of information across the companies in the database. The database is updated on an ongoing basis with new companies becoming eligible as they meet the green revenue threshold of 10%.



Source: HSBC Global Asset Management (France) as of September 2021.

The database enables us: to maintain a large documentation on companies, closely related to the theme. It provides us with all the relevant key data, and in particular, a deep analysis of the green share as well as the key eco sectors in which the companies are involved, Key ESG issues are also assessed.

We identify a company's level of green share in terms of overall revenues with 10% to 50% considered to be moderate green intensity and > 50% as strong intensity. To be considered 'Green' the company must meaningfully contribute to climate mitigation and or adaptation in areas or sectors with the greatest positive impact. We have identified eight eco-sectors which would easily account for over 85% of the global carbon footprint.



Source HSBC Global Asset Management (France) as of September 2021.

The investment framework is based both on green share and company analysis and the eco sectors with the greatest potential to benefit from existing and nascent climate transition technologies.

In order to allocate between the eco sectors, we look at the annual carbon budget of an individual and pinpoint the areas where the greatest impact can be made in terms of long term carbon reduction objectives, namely reducing the CO2 reduction of an individual from 12 kilo tons of emission to 2 kilo tons by the year 2050. The goal is threefold:

- ◆ Provide direct funding for low carbon technologies
- ◆ Be aligned with 2 degrees celsius reduction objectives and the European Green Deal
- ◆ Being attentive to companies' existing carbon footprints

The outcome is a focus on green technologies and processes providing climate mitigation and adaptation and across a wide range of industries and services. In fact, many technologies are transition technologies, enabling us to reach the next stage of reductions in GHG emissions until a more effective technology or process can be developed and commercially produced on a grand scale.

For example, hydrogen is an energy source with huge potential. It could eventually replace fossil fuels for industry, and transportation. However, producing green hydrogen requires a clean source of electricity. Unless hydrogen plants are located next to clean energy sources such as wind or solar farms, they could never be green. At the same time, a hydrogen infrastructure, including filling stations and hydrogen vehicles would need to be developed in order to make the overall project worthwhile.

Another example is in the Food industry, a surprisingly outsized source of stress on the environment:

- ◆ Substituting meat with plant based meat can lead to **- 99% in water consumption**
- ◆ Optimizing animal feed can result in **-30% less methane emissions**

Accommodation is yet another source of GHG emissions where a holistic approach to energy savings and carbon mitigation is effective:

- ◆ Energy-efficiency in lighting: -75% in carbon emission by using LED lighting
- ◆ Green cement lowers CO2 imprint
- ◆ Organic insulation (eg. Hemp) leads to Energy savings

We look both at pure players, mainly small and midcap companies as well as non pure players, mainly large caps whose sole business may not be green related. The reason is that while a large cap company may only have just over 10% of its total revenues directly dedicated to Green activities, its technology and practices are clearly having a beneficial impact on the environment. This could mean that 1) it provides a novel or disruptive green technology among its several businesses or 2) it employs exemplary energy saving practices among its peers. In other words, we also want to reward large cap companies which are

setting ecological friendly trends and benchmarks while behaving in an ESG responsible manner.

To summarise, our climate impact approach relies on a green proprietary road map or taxonomy to identify companies by eco-sector and level of green revenues. The taxonomy grew out of the Green Bond taxonomy and also shares many similarities with the European Climate Taxonomies.

The fund measures the effectiveness of climate impact technologies through Trucost and Carbon4. The advantage of Carbon4 is its forward looking metric of Avoided Emissions and its coverage of Scope 3 emissions. Avoided Emissions are future emissions saved from green technology compared to conventional technology. Scope 3 is often the biggest source of emissions and covers indirect emissions through emissions associated, not with the company itself, but that the organization is indirectly responsible for throughout its value chain. For example, from buying products from its suppliers, and from its products when customers use them.

Step 3: Best-in-class ESG

The 3rd step of the investment approach consists in applying a Best-in-class ESG filter to reduce the investment universe prior to applying our standard ESG integration approach. This results in a universe of about 150 stocks.

The best-in class filter is applied to orient the investment universe towards higher ESG-rating names by eliminating all stocks in the investment universe which are hold a 4th quartile ranking

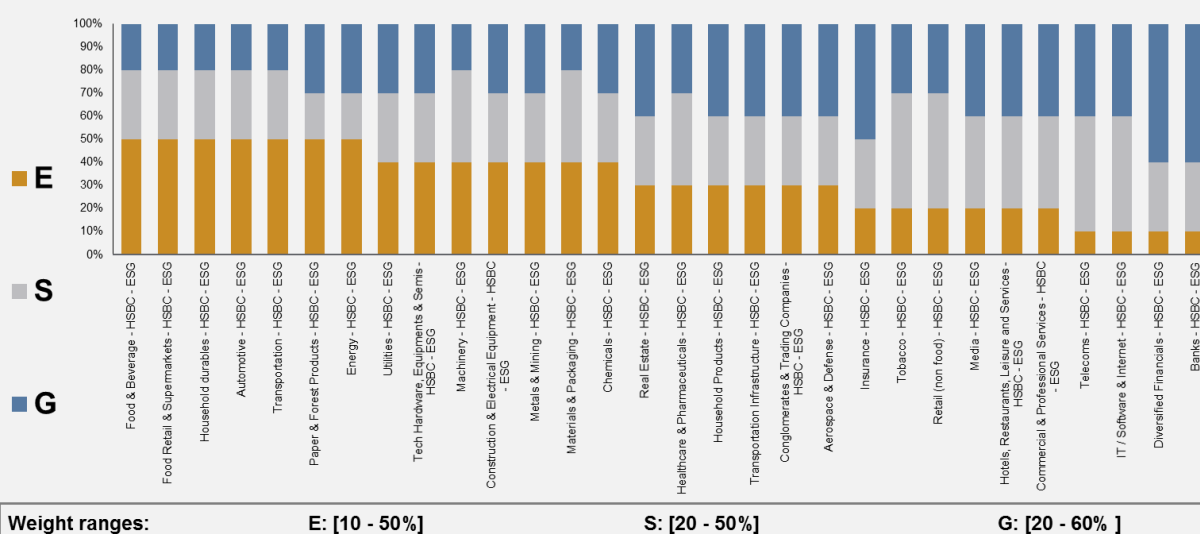
- ◆ **Methodology:** securities are selected from within 30 specific sectors derived from MSCI GICS (tobacco and weapons are excluded). Each ESG pillar has a specific weight that will depend on the sector. Each company receives an internal HSBC rating (0-10) within the sector which is then divided into quartiles
- ◆ **Investments:** the portfolio manager can take active exposure in companies that qualify for the 1st, 2nd and 3rd quartiles. **Companies in the 4th quartile are not authorised.**
- ◆ **Ratings** enable a quick identification of the riskiest stocks/bonds based on the assessment of their ESG credentials. Each company's rating is a simple weighted combination of 3 E, S, G ratings built as such:

$$X\% \text{ E rating} + Y\% \text{ S rating} + Z\% \text{ G rating} = \text{ESG}$$

Sources: MSCI (E, S and G) and our ESG weighting for each sector.

The numeric ratings are built by combining MSCI ESG Research / GMI data points. In determining the weighting of the E, S, and G factor weights in the rating process, we have defined the relevance of each factor for all industry groups. For example, for Banks and Financials, the "G" (governance) weighting (including board structure, corruption, bribery and instability) represents 60% of the overall score; while for Utilities and Automotive, 50% of the aggregate weighting is represented by the "E" (environmental) factor. The numeric rating is supplemented by a UN Global Compact compliance assessment provided by ISS Ethix.

Our 30 proprietary ESG combinations reflect the nature of each industry



Source HSBC Global Asset Management (France) as of September 2020

In addition to the ESG relative ranking for each company based on the aforementioned proprietary model, we employ an ongoing qualitative approach to ensure that any new developments or controversies are being adequately monitored and taken into account. For this we use Sustainalytics and Reprisk. Sustainalytics is mostly focused on compliance with the UN Global Compact while Reprisk helps us to track companies' reputational risk and involvement in ESG-related controversies on a daily basis.

Step 4: Financial process - selecting attractive candidates based on financial analysis

The last step of research following the SRI screening consists in focusing on companies with sustainable growth profiles and reasonable valuations. We want to ensure that companies have clear profitability path based on the following characteristics:

- ◆ Growth themes, namely as concerns technologies, processes and services enabling the biggest positive impact on the transition to a lower carbon future
- ◆ Employing best-in-class approach across all aspects of Environmental, Social and Governance issues so as to do no harm to any one of the United Nations Sustainability Goals.
- ◆ Company specific competitive advantages through innovation, unique business processes, niche technology...
- ◆ The ideal candidate should have a balanced growth profile i.e. rising assets that generate rising sales (asset turnover), strong and rising margins through pricing power, strong cash generation ensuring a healthy balance sheet.

Step 5: Portfolio Construction & Risk Control

Portfolio construction combines diversification across the eight eco-sectors defined by our proprietary green share roadmap (75% minimum exposure). It also includes a diversification bucket of other climate transition holdings (25% maximum exposure). Strong green intensity

companies with over 50% of green revenues must account for at least 20% of holdings. The end portfolio is comprised of companies with a much higher level of alignment with a 2-degree trajectory than the overall universe. At the same time, these companies must be profitable with growth potential and reasonable valuations

For risk and liquidity control purposes, the fund targets:

- Maximum tracking error of 7%
- Maximum absolute position of 5%
- Annual turnover of less than 50%

The portfolio manager builds a portfolio of about 60 holdings. Thanks to proprietary tools such as Bloomberg Portfolio Optimiser [Port], Portfolio Monitor and CARP), the manager is able to monitor the systematic components of his relative risk to the market on one hand and the key components of his specific risk on the other. They can assess the relevance of the outputs and customize them if necessary. These tools also provide the possibility to determine the marginal ex-ante impact of adding or subtracting a position from the portfolio in real time. Moreover, an independent « Investment risk control team “monitors risk indicators daily through the FIS/Sungard APT tools. This serves to calculate the ex-ante market risk parameters including absolute volatility, tracking error and or VaR and to establish reporting documents for clients and regulatory authorities.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

The French Financial regulatory authority and the Greenfin Label both require a strict monitoring of controversies at all times.

The ESG rankings of our holdings are updated monthly while controversies are monitored and managed on a daily basis with the help of Reprisk, used to track reputational risk and involvement in ESG-related controversies. A dedicated ESG specialist disseminates information on company controversies to the entire European equity team on a daily basis. The portfolio is monitored and re-assessed continually. Weekly investment team meetings provide a formal forum for investment discussion. Every opportunity is taken to challenge the sustainability of the profitability of individual holdings. We actively monitor and engage with current and prospective portfolio companies, but also benefit from the wider HSBC Asset Management level engagement work on climate change and broader E, S and G topics.

Portfolio Level Engagement

- ◆ Ongoing engagement with portfolio companies
- ◆ Input into key voting decisions on portfolio companies

Examples:

- ◆ We wrote to the management of Weichai Power to discuss some of their ‘S’ and ‘G’ related ESG disclosures
- ◆ We encouraged the company to publicly disclose more information on their policies relating to labour management, health & safety, and supply chain vetting

- ◆ We also encouraged change in specific areas where we felt the company's policies were falling short of global best practice
- ◆ We held a call with Verisk to discuss the company's opportunity in providing data analytics services for the energy transition – in line with our renewable energy thematic
- ◆ We encouraged the company to be bold in its vision to create 'the Bloomberg of energy data' (company's words), by making renewable energy insights a central tenant of the product offer

Firm Level Engagement

Active ownership, through engagement and global proxy voting, is a key pillar of our approach to responsible investment. Our stewardship activity is focused on protecting and enhancing our clients' investments with us.

Engagement

We engage with companies on a range of ESG issues and we have a 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
- ◆ Recent examples
 - In depth research and engagement with companies highly exposed to high use of plastic packaging in their product sales. We encouraged shifts to sustainable packaging materials and reuse-based business models
 - Engagement with largest buyers of commodities from countries experiencing rainforest loss. Asking for stricter monitoring and reporting on deforestation risks, and commitments to reforestation and ceasing business links with known illegal loggers.

Our Engagement Policy applies to both equity and fixed income assets and reflects our adherence to the relevant directives of which we are a signatory and our approach to engagement including:

- ◆ Monitoring issuers
- ◆ Engagement
- ◆ Collective engagement
- ◆ Voting
- ◆ Conflicts of interest

Proxy Voting

Proxies are voted per internal global policy. Our Voting Guidelines Policy, available using the following link, sets out our global voting guidelines, informing our clients, company boards and other stakeholders how we exercise these voting rights.

<https://www.global.assetmanagement.hsbc.com/about-us/responsible-investing/stewardship>

Key voting issues that inform our engagement activity are listed but not exhaustive and are complemented by a number of tailored voting frameworks to reflect our approach in specific markets:

- ◆ Board's role and leadership
- ◆ Board composition and independence
- ◆ Board remuneration
- ◆ Disclosure and audit
- ◆ Capital issues and shareholder rights

Furthermore, these global voting guidelines inform the custom voting recommendations we receive from our external proxy voting research and platform provider. The voting recommendations for active holdings are reviewed by the relevant fund managers, whilst our corporate governance specialists oversee voting for all holdings.

4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

Please refer to step 3 of the investment process, described in the reply to question 3.5 above.

4.2. How are the criteria specific to climate change integrated into portfolio construction?

For a full description, please refer to the investment process, described in reply to question 3.5.

Developed with the French government's Greenfin Label in mind, the fund complies with rigorous standards in terms of climate mitigation and adaptation: at least 75% of the fund's assets are invested in companies with activities in eight eco-sectors. To qualify, companies must generate at least 10% of their revenues from activities directly related to the energy and ecological transition for climate.



Companies are selected following on a 3-fold analysis: (1) « green share » revenues, (2) ESG (Environment, Social and Governance) ranking and analysis, (3) profitability / valuation financial analysis.

The portfolio is composed of their types of companies:

- ◆ Companies with « strong green intensity »: > 50% of revenues
- ◆ Companies with « moderate green intensity »: 10-50% of revenues

The “diversification” bucket aims at optimizing the risks of the strategies by investing in companies with activities associated with the theme yet with activities not specifically defined by the eight eco-sectors.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

Please specify how much the funds can hold.

All issuers present in the portfolio are subject to ESG analysis. The issuers ranked by MSCI are integrated into our proprietary model which automatically screens out the worst ranked companies (4th quartile).

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

The provision of new databases has enabled a better monitoring of ESG data, controversies, and climate risk, notably the introduction of temperature alignment in the fund's extra-financial reporting along with avoided carbon emissions.

In October 2020, HSBC Asset Management announced a collaborative project with Carbon4 Finance to refine its analysis of the companies in view of their climate trajectory. While carbon measurement has become common, measuring the real (direct and indirect) impact of a company's energy transition strategy is tricky. But we believe that Carbon4's approach to measuring avoided greenhouse gas emissions is an excellent way to estimate a company's climate trajectory. This new climate indicator will eventually play an important role in our overall ESG integration process, which covers all geographic areas and all asset classes.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

The fund makes no specific allocation to entities pursuing strong social goals / social enterprises.

However, our best-in-class approach favours companies with a higher than benchmark social score as provided by MSCI. Through our focus on the UN Sustainable Development Goals we also ensure that we adhere to the “Do not harm” principles concerning Social issues and values.

4.6. Does (do) the fund(s) engage in securities lending activities?

If so,

(i) is there a policy in place to recall the securities so as to exercise the voting rights?

(ii) does the process for selecting the counterparty(ies) integrate ESG criteria?

N/A

No

4.7. Does (do) the fund(s) use derivative instruments?

Derivatives are not employed in the management of the fund as described in the prospectus.

If so, please describe

(i) their nature;

(ii) their objectives;

(iii) the potential limits in terms of exposure;

(iv) if appropriate, their impact on the SRI nature of the fund(s).

no

4.8. Does (do) the fund(s) invest in mutual funds?

N/A

If so, how do you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s)? How many funds can be held?

no

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?¹²

The portfolio managers have the primary responsibility for adhering to all limits and applicable laws and regulations applying to the portfolio they manage. They are informed about each portfolio or client's guidelines and adhere to them. Our systems allow real time monitoring of positions, thus enabling timely adjustments to ensure adherence to

¹² Reference to Article 173 of the French TECV Act

constraints. This front-office level risk control aims to anticipate transaction impact on portfolios and control ex-ante risks. Our independent Regulatory Restrictions Control team ensures that the risk monitoring at the front office level is effective by carrying out two types of controls:

Pre-trade monitoring

Our systems include details of client-specific investment restrictions as well as controls imposed by each team. Investment guidelines are derived from the investment management agreement and can be updated either when we feel it is appropriate or if the client requires their guidelines to be altered. Restrictions such as banned stocks or corporate names, portfolio weights, product types (i.e. CDS), proportions of a company stock permitted etc. are reflected in our systems.

Pre-trade monitoring is controlled by our front-office systems, which flag deals being placed that would breach either our own controls or client-specific restrictions. If a transaction attempted by a manager would violate these restrictions, it will be banned. Overrides of all restrictions must be approved by Regulatory Restrictions Control team and accompanied by a detailed narrative explaining why the restriction has been overridden.

Post-trade monitoring

We also manage post-trade compliance through dedicated in-house systems, which contains several functional levels for monitoring and managing portfolios. Client portfolios are monitored daily. Should market movements or corporate actions lead to a restriction breach, the deal concerned is flagged and is included in a daily exceptions report. Our Regulatory Restrictions Control team checks this report and ensures that instances where this occurs are rectified in a timely manner.

Post-trade controls are mainly completed through a global monitoring process based on the risk indicators from our risk management tools and on accounting data from our fund administrators. The controls are performed by the Regulatory Restrictions Control team on all portfolios, and cover all clients' constraints on a daily basis.

6. Impact measures and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

Firstly, the ESG quality is assessed on fund's implementation of the sustainable investment objective, Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR).

Secondly, is it assessed by having been awarded the Greenfin Label that is audited on an annual basis. The fund must also maintain compliance with the French SRI and Belgium "Towards Sustainability" Labels.

Thirdly, we produce proprietary ESG rankings derived from recognised external ESG providers such as MSCI.

6.2. What ESG indicators are used by the fund(s)?¹³

We publish ESG Indicators such as:

- Percentage of Green share revenue by intensity (>50%, 10% to 50%) and diversification bucket
- Percentage allocation by eco-sector
- Aggregate and individual ESG score versus the benchmark
- Complete inventory of holdings with E,S and G and Carbon intensity scores
- Carbon4's avoided emissions and temperature alignment versus the benchmark.

These are made available in our monthly factsheets as well as in the impact report

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

We publicly report sustainability information of issuers in our portfolio on the website and in our engagement reports.

Please find the link for our engagement reports:

<https://www.assetmanagement.hsbc.de/de/individual-investors/about-us/responsible-investing>

Link for the information of issuers in the portfolio as disclosed in the factsheet:

<https://www.assetmanagement.hsbc.de/api/v1/download/document/fr0000982449/de/de/factsheet>

6.4. Does the fund management company publish the results of its voting and engagement policies?¹⁴

We believe that exercising our voting rights is an important expression of our stewardship and broader responsible investment approach.

Our global voting guidelines encourage high standards of corporate governance. They also encourage transparency and accountability on environmental and social issues.

We apply our global voting guidelines to resolutions at company meetings. Our guidelines are sensitive to developed and emerging market governance standards.

We vote all shares over which clients have given us voting authority, unless the cost or other associated burdens mean that it is not in clients' interest to do so.

¹³ Reference to Article 173 of the French TECV Act

¹⁴ Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE

Votes for all actively-managed holdings are reviewed by fund managers. Quantitatively-managed holdings are usually voted automatically in line with guidelines.

Engagement with companies on voting issues is an important element in our stewardship activity. Our voting guidelines are available at:

<https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies>

Voting reports are available to clients as part of our standard reporting package. Clients may choose a report of every resolution, votes against, or a statistical analysis.

A copy of our Global Voting Guidelines and Voting Activity Disclosures are available via the following link:

<https://www.assetmanagement.hsbc.co.uk/en/intermediary/about-us/responsible-investing/stewardship>

We publish a quarterly voting report.

If so, please include links to the relevant activity reports.

Important Information

Risk Warnings

The value of investments may go down as well as up. There is always a risk that the investor may not receive the original sum invested.

Figures that refer to past performance are not reliable indicators of future results. Gross performance will be impacted by fees.

◆ Counterparty Risk

The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.

◆ Derivatives Risk

Derivatives can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset.

◆ Emerging Markets Risk

Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.

◆ Exchange Rate Risk

Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.

◆ Investment Leverage Risk

Investment Leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source.

◆ **Liquidity Risk**

Liquidity Risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.

◆ **Operational Risk**

Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

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The fund is denominated in EUR currency. The fund may invest in financial assets designated in a different currency than the base currency. The value of the fund may rise and fall purely as a result of changes in exchange rates. Where overseas investments are held, the rate of exchange may cause the value of such investments to go down as well as up which may have a significant impact on fund performance.

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The fund is not suitable for every investor. It cannot be excluded that an investment in the fund could lead to losses for the investor. It is also possible that an investor might lose all of their initial investment.

All information within this document do neither replace the prospectus for the fund nor the Key Investor Information Documents and the most recent annual and semi-annual reports. These documents can be obtained upon request and free of charge from HSBC Trinkaus & Burkhardt AG, Königsallee 21/23, 40212 Düsseldorf, Germany.

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