

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainable investment objective

Did this financial product have a sustainable investment objective?	
<div><div><div></div><div></div></div><div><input checked="" type="checkbox"/> <b>Yes</b></div></div>	<div><div><div></div><div></div></div><div><input type="checkbox"/> <b>No</b></div></div>
<div><div><input checked="" type="checkbox"/> It made <b>sustainable investments with an environmental objective: 92.94%</b></div><div><div><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div><div><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div></div><div><div><input type="checkbox"/> It made <b>sustainable investments with a social objective: _%</b></div></div></div>	<div><div><input type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of _ % of sustainable investments</div><div><div><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div><div><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div><div><input type="checkbox"/> with a social objective</div></div><div><div><input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b></div></div></div>



To what extent was the sustainable investment objective of this financial product met?

The characteristics promoted by this sub-fund were:

1. The sub-fund invested into a portfolio of fixed income securities issued by companies that actively contribute to the United Nations Sustainable Development Goals (UNSDGs). Particularly those in relation to Climate Action, Affordable and Clean Energy, Clean Water and Sanitation, Good Health and Well Being and Reduced Inequalities.
2. The sub-fund considered responsible business practices in accordance with UN Global Compact and OECD Principles for businesses.
3. The sub-fund excluded business activities that were deemed harmful to the environment.

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

4. The sub-fund identified and analysed all companies or issuers for environmental characteristics including, but not limited to, physical risks of climate change and human capital management. Screening has been conducted for the underlying E, S (which reflect the individual items of the environmental and/or social characteristics promoted by the sub-fund) and G pillars (corporate governance practices that protect minority investor interests and promote long term sustainable value creation, compared to the reference benchmark selected by the sub-fund).
5. The sub-fund actively considered environmental and social issues by engagement completed by our Engagement and Stewardship teams, which included proxy voting.
6. The sub-fund analysed and excluded investments involved in controversial weapons.

The ESG and sustainability indicator scores are calculated as per HSBC Asset Management's proprietary methodology and third party ESG data providers. Consideration of individual PAIs (indicated in the table below by their preceding number) can be identified from the sub-fund having a lower score than the Reference Benchmark. The data used in the calculation of PAI values are sourced from data vendors. They can be based on company disclosures, or estimated by the data vendors in the absence of company reports. Please note that it is not always possible to guarantee the accuracy, timeliness or completeness of data provided by third-party vendors.

The reference benchmark for sub-fund market comparison purposes was not designated for the purpose of attaining the sustainable investment objective promoted by the sub-fund.

The performance of the sustainability indicators the sub-fund used to measure the attainment of the environmental or social characteristics that it promoted can be seen in the table below.

#### ● ***How did the sustainability indicators perform?***

Indicator	Sub-Fund	Reference Benchmark
4. Exposure to companies active in the fossil fuel sector	0.00%	20.41%
6. Energy consumption intensity per high impact climate sector - GWh per million of Euros of revenue	13.15	1,394.07
8. Emissions to water - Thousands of Metric tons per million of Euros invested	0.00	0.00
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00%	5.33%
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	0.00%	0.00%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00%	0.06%
15. GHG intensity - Metric in kilo tons per unit of GDP (in millions of Euros)	0.00	0.00
17. Exposure to fossil fuels through real estate assets	0.00%	0.00%

The data in this SFDR Periodic Report are as at 31 March 2023

Reference Benchmark - JP Morgan CEMBI Broad Diversified

#### ● ***...and compared to previous periods?***

This is the first SFDR Periodic report and as such there is no comparison.

#### ● ***How did the sustainable investments not cause significant harm to any sustainable investment objective?***

We can confirm that do no significant harm analysis was completed as part of HSBC Asset Management's (HSBC) standard investment process for sustainable assets, which included the consideration of Principal Adverse Impacts.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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

The Investment Adviser reviewed all SFDR mandatory Principal Adverse Impacts to assess the relevance to the sub-fund. HSBC's Responsible Investment Policy set out the approach taken to identify and respond to principal adverse sustainability impacts and how HSBC considered ESG sustainability risks as these could adversely impact the securities the sub-funds invested in. HSBC used third party screening providers to identify companies and governments with a poor track record in managing ESG risks and, where any such material risks were identified, HSBC also carried out further due diligence. Sustainability impacts, including the relevant Principal Adverse Impacts, identified by screening were a key consideration in the investment decision making process.

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

- companies' commitment to lower carbon transition, adoption of sound human rights principles and employees' fair treatment, implementation of rigorous supply chain management practices aimed, among other things, at alleviating child and forced labour. HSBC also paid great attention to the robustness of corporate governance and political structures which included 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 were as set out above.

HSBC's Responsible Investment Policy is available on the website at: [www.assetmanagement/hsbc/about-us/responsible-investing/policies](http://www.assetmanagement/hsbc/about-us/responsible-investing/policies)

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

HSBC was committed to the application and promotion of global standards. Key areas of focus for HSBC's Responsible Investment Policy were the ten principles of the UNGC. These principles included non-financial risks such as human rights, labour, environment and anti-corruption. HSBC was also a signatory of the UN Principles of Responsible Investment. This provided the framework used in HSBC's approach to investment by identifying and managing sustainability risks. Companies in which the sub-fund invested would be expected to comply with the UNGC and related standards. Companies having clearly violated one, or with at least two presumed violations, of the ten principles of the UNGC were systematically excluded. The sub-fund conducted enhanced due diligence on companies that were considered to be non-compliant with the UN Global Compact Principles, or were considered to be high risk as determined by HSBC's proprietary ESG ratings. Companies were also evaluated in accordance with international standards like the OECD Guidelines.



**How did this financial product consider principal adverse impacts on sustainability factors?**

The approach taken to consider Principal Adverse Impacts meant that, among other things, HSBC scrutinised 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 paid attention to the robustness of corporate governance and political structures which included 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 were also taken into account.



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31/03/2023

## What were the top investments of this financial product?

Large Investments	Sector	% Assets	Country
Maf Global Securities Ltd. 7.875% Perp	Real Estate	4.72%	United Arab Emirates
C&w Senior Financing Dac 6.875% 15-sep-2027	Communication Services	4.67%	Panama
Mercadolibre, Inc. 3.125% 14-jan-2031	Consumer Discretionary	4.45%	Brazil
Renew Wind Energy (ap 2) Pvt Ltd. 4.5% 14-jul-2028	Utilities	3.97%	India
Network I2i (singapore) Pte Ltd. 5.65% Perp	Communication Services	3.64%	India
Greenko Power li Ltd. 4.3% 13-dec-2028	Utilities	3.51%	India
Star Energy Geothermal (wayang Windu) Ltd. 6.75% 24-apr-2033	Other	3.43%	Indonesia
Investment Energy Resources Ltd. 6.25% 26-apr-2029	Utilities	3.33%	Guatemala
Banco Mercantil Del Norte, S.a., Institucion De Banca Multiple, Grupo Finan 6.625% Perp	Other	3.28%	Mexico
Itau Unibanco Holding Sa (cayman Islands) 5.125% 13-may-2023	Financials	2.85%	Brazil
Energo-pro As 8.5% 04-feb-2027	Other	2.74%	Czech Republic
Hta Group Ltd. (mauritius) 7.0% 18-dec-2025	Industrials	2.72%	Tanzania, United Republic of
Suzano Austria Gmbh 5.0% 15-jan-2030	Materials	2.70%	Brazil
Millicom International Cellular S.a. 5.125% 15-jan-2028	Other	2.66%	Guatemala
Aegea Finance Sarl 6.75% 20-may-2029	Utilities	2.65%	Brazil

Cash and derivatives were excluded

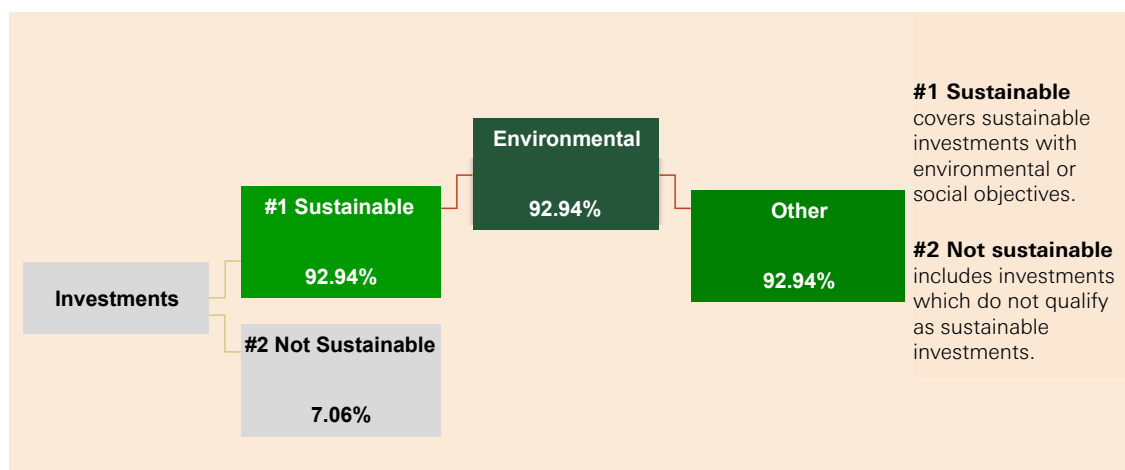


## What was the proportion of sustainability-related investments?

92.94% of the portfolio was invested in sustainable assets.

### What was the asset allocation?

**Asset allocation** describes the share of investments in specific assets.



● **In which economic sectors were the investments made?**

Sector	% Assets
Other	21.29%
Utilities	17.95%
Materials	13.72%
Financials	13.19%
Communication Services	12.16%
Real Estate	6.74%
Consumer Discretionary	6.30%
Industrials	4.91%
Health Care	2.56%
Consumer Staples	1.17%
Total	100.00%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.



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

N/A - the sub-fund did not make sustainable investments aligned with the EU Taxonomy.

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

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

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

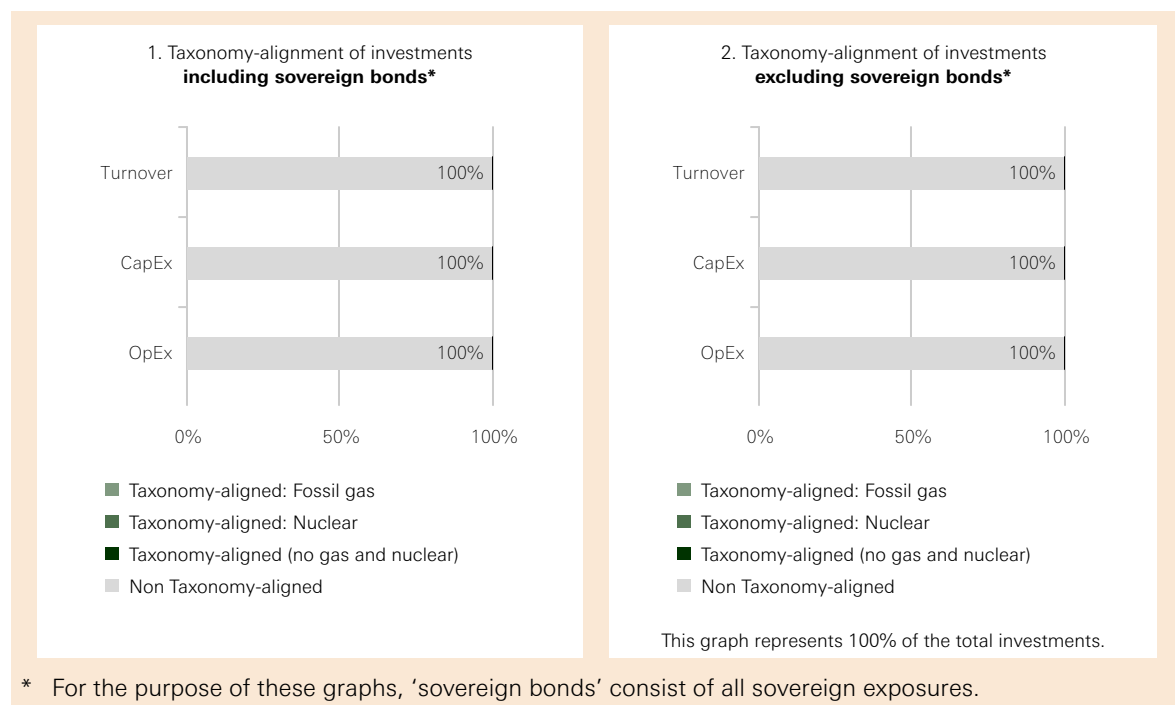
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**


**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.

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.



- **What was the share of investments made in transitional and enabling activities?**  
N/A - the sub-fund is not investing in transitional or enabling activities.
- **How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?**  
As this was the first reporting period for the sub-fund, no comparison is required.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

-  **What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?**  
92.94%
-  **What was the share of socially sustainable investments?**  
N/A. The sub-fund did not invest in socially sustainable investments.
-  **What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?**  
The sub-fund may have held cash and cash equivalents and financial derivative instruments for efficient portfolio management. This may have also included investments that were not aligned for other reasons such as corporate actions and non-availability of data.
-  **What actions have been taken to attain the sustainable investment objective during the reference period?**

The sub-fund invested in Investment Grade, Non-Investment Grade and unrated fixed income securities of Contributing Companies. Contributing Companies were those that the Investment Adviser deems to be contributing to the support of the UNSDGs included but were not limited to, Climate Action, Affordable and Clean Energy, Clean Water and Sanitation, Good Health and Well Being and Reduced Inequalities. The sub-fund was also invested in ESG labelled fixed income securities that were aligned with the ICMA principles, which were not necessarily issued by Contributing Companies. Labelled Securities included, but were not limited to, Green, Social, Sustainable, and Sustainability-Linked bonds.

The sub-fund invested in normal market conditions, a minimum of 90% of its net assets in Investment Grade, Non-Investment Grade rated and unrated fixed income and other similar securities issued by Contributing Companies which were domiciled in, based in, carried out business activities in, or were listed on a Regulated Market in Emerging Markets. Securities were primarily denominated in US Dollar.

The sub-fund was also invested in ESG labelled fixed income securities ("Labelled Securities") that were aligned with the International Capital Market Association principles ("ICMA Principles"), which were not necessarily be issued by Contributing Companies. Labelled Securities included, but were not limited to, Green, Social, Sustainable, and Sustainability-Linked bonds.

The Investment Adviser analysed the sub-fund's ESG impact as the sub-fundamental consideration when determining the sub-fund's investment universe. The sub-fund's investment principles ("Investment Principles"), which were used together with ESG impact analysis and sub-fundamental qualitative issuer analysis to determine the sub-fund's investments, may have included but were not limited to:

- Continuous engagement with Contributing Companies regarding their ESG credentials.
- Continuous engagement with issuers regarding their ESG credentials at various stages of their ESG transition.
- Issuers following good ESG practices included, but were not limited to, issuers with efficient electricity and water usage and issuers with sound business ethics and transparency.
- Issuers following good ESG practices resulting in low and/or decreasing carbon intensity.

Labelled Securities aligned with ICMA Principles. Labelled Securities were not subject to the Excluded Activities.



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

N/A

- ***How did the reference benchmark differ from a broad market index?***

N/A

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?***

N/A

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

N/A

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

N/A

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable objective.