

Product name:

HSBC RESPONSIBLE INVESTMENT FUNDS - SRI EURO BOND

Legal entity identifier:

9695002FAVK2RMMSQE25

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

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective are not necessarily aligned with the taxonomy.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will have a minimum of sustainable investments with an environmental objective:_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will have a minimum of sustainable investments with a social objective:_%

It promotes Environmental/Social (E/S) characteristics

and while it does not have sustainable investment as its objective, it will have a minimum proportion of sustainable investments of 5%

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

it promotes E/S characteristics but will not make any sustainable investments



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

The subfund promotes E, S, and G characteristics by investing in euro-denominated bonds and debt securities across a universe of issues that meets socially responsible economic, environmental, social, and governance criteria.

For public or private listed corporate issues: the manager uses a best-in-class approach to select within each sector the companies that have the best ESG practices compared with their peers within each sector of the economy. For each ESG pillar, several criteria are used, including CO2 emissions for the E pillar, the management of staff for the S pillar, and level of independence of directors for the G pillar.

For government issues (bonds): euro-denominated issuing countries are classified according to their overall "ESG" rating, which is based 50% on the Environmental pillar (E) and 50% on the Social/Governance pillar (S/G). The Social and Governance pillar includes the analysis of the political and governance system, human rights and fundamental freedoms, and social conditions. The Environmental pillar includes the analysis of natural resources, climate change and energy, production, and sustainable consumption.

The manager uses an ESG Selection approach to select the countries with a minimum ESG rating according to the non-financial rating agency ISS-Oekom from among euro-denominated issuing countries.

In addition, the subfund will:

- Exclude issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational Enterprises.
- Exclude securities of companies involved in the production of controversial weapons or their components. Controversial weapons include, but are not limited to, anti-personnel mines, depleted uranium weapons, and white phosphorus when used for military purposes. This exclusion is in addition to the exclusion policy on weapons prohibited by international treaties.
- Exclude securities of companies in the defence sector.
- Exclude securities of companies engaged in thermal coal activities. Companies with more than 10% revenue generated from coal-fired power generation are partially excluded. Mining companies are completely excluded.
- Exclude securities of companies involved in the production of tobacco.
- Carefully consider environmental issues through engagement activities.

The subfund is actively managed and does not track a benchmark. The indicator used by the subfund to measure performance is the Bloomberg Capital Euro Aggregate 500MM. However, it has not been designated to determine whether the subfund is aligned with the environmental or social characteristics it promotes.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The subfund promotes all the pillars (E, S, and G). Therefore, the primary sustainability indicator used to measure the portfolio's ESG performance is the ESG rating.

The subfund takes the following principal adverse impacts into consideration:

- Greenhouse gas intensity of companies,
- Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises,
- Exposure to controversial weapons.

In addition, the subfund will not invest in securities if the issuer is exposed to certain activities ("excluded activities"). The excluded activities are set out below among the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the financial product.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The subfund's sustainable investments are aligned with its environmental characteristics. The identification and ESG analysis of companies are performed as part of the investment decision-making process to reduce sustainability risks and increase returns.

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

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

- **How do the sustainable investments that the financial product partially intends to make do no significant harm to any environmental or social sustainable investment objective?**

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

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

HSBC Asset Management’s “do no significant harm” (DNSH) assessment of issuers as part of its sustainable investment process includes consideration of principal adverse impacts (PAI). It involves a holistic analysis of the company’s multiple sustainability impacts rather than focusing on a single factor. When an issuer is identified as potentially controversial, it cannot be considered a sustainable investment. All relevant PAIs are thus examined and integrated into the investment process according to an approach that combines exclusions (sectoral, the most severe ESG controversies, norms-based exclusions, etc.) with voting and shareholder engagement activities to instil and maintain a positive change dynamic within companies. Furthermore, a company will not qualify as sustainable if it does not comply with the principles of the United Nations Global Compact and its associated international standards, conventions, and treaties or if it is involved in weapons banned by international conventions. With the exception of these last two PAIs, we use proxies. In our view, the setting of exclusion thresholds (e.g. GHG emissions) for each PAI is not always relevant and could compromise the fact that many sectors and companies are in a transition strategy. In addition, engagement is essential to ensure that companies with limited disclosure, particularly in emerging economies, are initially excluded from the definition of sustainable investment and allow us to be a catalyst for positive environmental or social change. For example, we use a 10% threshold on revenues from thermal coal mining (and coal-fired power generation) as an exclusion filter to indirectly address all PAIs related to greenhouse gas emissions. HSBC’s sustainable investment methodology is available on the management company’s website: www.assetmanagement.hsbc.fr/fr/retail-investors/about-us/responsible-investing/policies.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? HSBC is committed to applying and promoting international standards. The ten principles of the United Nations Global Compact are among the priorities of HSBC’s Responsible Investment Policy. These principles include non-financial risks such as human rights, labour standards, the environment, and anti-corruption. HSBC is also a signatory to the United Nations Principles for Responsible Investment. They provide a framework for the identification and management of sustainability risks. In this subfund, companies with a proven violation of one of the 10 principles of the United Nations Global Compact or at least two alleged violations are systematically excluded. Companies are also assessed according to international standards such as the OECD Guidelines for Multinational Enterprises.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also do no significant harm to any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, the principal adverse impacts of investments are taken into consideration in the management of the subfund as follows:
- For the selection of investments, the manager has chosen an environmental indicator: “Greenhouse Gas Intensity“. The subfund’s consideration of this indicator stems from, in particular, the application of our coal phase-out policy. In addition, the manager favours companies with low CO2 emissions or companies working to reduce their carbon intensity.
 - Exclusion of issuers:
 - considered non-compliant with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises,
 - exposed to controversial weapons.
 - Lastly, the subfund takes into consideration the principal adverse impacts in its engagement approach, which incorporates several levers for action including 1) direct dialogue with companies about their consideration of environmental and social issues to ensure that they are able to face the future and maintain long-term financial viability and 2) a gradual escalation procedure with companies when the ESG risks or controversies to which they are exposed are not managed. In practice, the Greenhouse Gas Intensity indicator is taken into consideration, in particular, through dialogue with companies to assess how their carbon neutrality transition plans take into account impacts on employees, supply chains, communities, and consumers.

Information on the principal adverse impacts taken into account by the subfund will be published in appendix 4 of its annual report.

No



What investment strategy does this financial product follow?

The subfund’s universe results from:

- a best-in-class approach used to select listed public or private company issues.
- The methodology consists of evaluating each company and then classifying them. Each company is first given three scores (E score, S score, and G score) by MSCI ESG Research assessing the relevant aspects for the sector to which the rated company belongs. These three scores are aggregated to form an ESG score that classifies the companies in one of 30 ESG sectors and then in one of the four quartiles within each sector.

The selection of securities according to these ESG criteria is based on a proprietary ESG analysis model, supplied by data from non-financial rating agencies and internal research within our company. The SRI universe assessment is updated on a monthly basis.

- an ESG Selection approach implemented to select government issues: euro-denominated issuing countries are classified according to their overall “ESG” score, which is based 50% on the Environmental pillar (E) and 50% on the Social/Governance pillar (S/G).
- The manager selects the countries with a minimum ESG rating according to the non-financial rating agency ISS-Oekom. The scores based on the analysis by the non-financial rating agency ISS-Oekom range from A+ to D-. The SRI strategy consists of selecting the countries with a minimum ESG rating from among issuing countries. Thus:
 - for countries classified between A+ and B-, there are no investment limits.
 - for countries classified as C+, the weight of these States in the portfolio may not exceed the weight of these countries in the Bloomberg Capital Euro Aggregate 500MM index.
 - for countries classified between C and D-, investments are not permitted. The rating of issuing countries is reviewed on an annual basis.
- sectoral and norms-based exclusions.

The investment strategy of this subfund thus applies the following approaches:

- ESG integration (inclusion of ESG criteria in financial analysis),
- Best-in-class approach (selecting the best companies in each sector according to environmental, social, and governance criteria) and ESG Selection approach (selecting the countries with a minimum ESG rating from among euro-denominated issuing countries),
- Exclusion of securities issued by companies involved in “excluded” activities. The excluded activities are set out below among the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the financial product.
- Engagement activities (presence with the companies, through visits in the form of one-on-one meetings). Our engagement objective is to provide companies with the opportunity to explain their ESG approach and to monitor ESG issues.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy are as follows:

- The subfund will not invest in securities issued by companies involved in “excluded” activities. Excluded activities are determined by the management company and include, but are not limited to:
 - Securities of companies involved in the production of controversial weapons or their components. Controversial weapons include, but are not limited to, anti-personnel mines,

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

depleted uranium weapons, and white phosphorus when used for military purposes. This exclusion is in addition to the exclusion policy on weapons prohibited by international treaties.

- Securities of companies in the defence sector.
- Securities of companies involved in the production of tobacco.
- Securities of companies engaged in thermal coal activities. Companies with more than 10% revenue generated from coal-fired power generation are partially excluded. Mining companies are completely excluded.
- Issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational Enterprises.

Expertise, research, and information provided by data providers may be used to identify companies exposed to excluded activities.

- The minimum non-financial analysis rate of 90% is applied to the subfund's eligible assets.
- The subfund uses the sustainability indicators set out above (in the section detailing the indicators used to the attainment of each of the environmental or social characteristics promoted by this financial product).

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

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

For issues by listed public or private companies, SRI selection within the subfund is performed using the best-in-class approach, which consists of assigning an SRI score to the securities according to ESG criteria and classifying them in quartiles within each sector. Securities in the bottom quartile are excluded. It is possible to invest up to 10% of net assets and eight issuers classified in the third quartile. There are no limits on securities in the top two quartiles.

According to this stock-picking methodology, within the same sector, at least 25% of companies are excluded.

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

Quality of governance is assessed on the basis of criteria specified in the investment process that include, but are not limited to, business ethics, corporate culture and values, governance framework, and corruption. We determine the materiality of governance both on an absolute basis, focusing in particular on the governance framework, controversies, and compliance with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises, and on a relative basis by comparing the quality of the company's governance practices with that of its industry peers. Where significant and/or impactful governance risks are identified, companies are subject to enhanced due diligence, which at minimum requires management teams to perform additional analysis. Dialogue or engagement with the company is then monitored over time and archived. In addition, issuers in violation of one or more of the 10 principles of the United Nations Global Compact (or at least two alleged violations) and the OECD Guidelines for Multinational Enterprises are excluded.

What is the asset allocation planned for this financial product?

The subfund invests in bonds and debt securities through a universe of issues meeting socially responsible economic, Environmental, Social, and Governance (ESG) criteria. The subfund may hold other investments listed in the prospectus, derivatives, and cash and cash equivalents.

The minimum proportion of investments used to attain the environmental or social characteristics promoted by the subfund is 80%. The remaining 20% is detailed in the section "Investments included in category #2 "Other"" below.

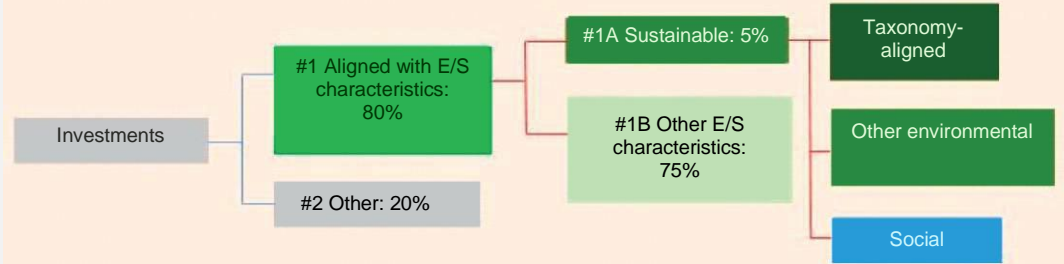
Although the subfund does not have sustainable investments as an objective, it commits to a minimum proportion of 5% of its assets in sustainable investments.



Asset allocation describes the share of investments in specific assets.

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.



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

#2 "Other" includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 "Aligned with E/S characteristics" covers:

-subcategory #1A "Sustainable" covers sustainable investments with environmental or social objectives;

-subcategory #1B "Other E/S characteristics" covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

• **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The use of derivatives will not contribute to the attainment of the fund's environmental or social characteristics.

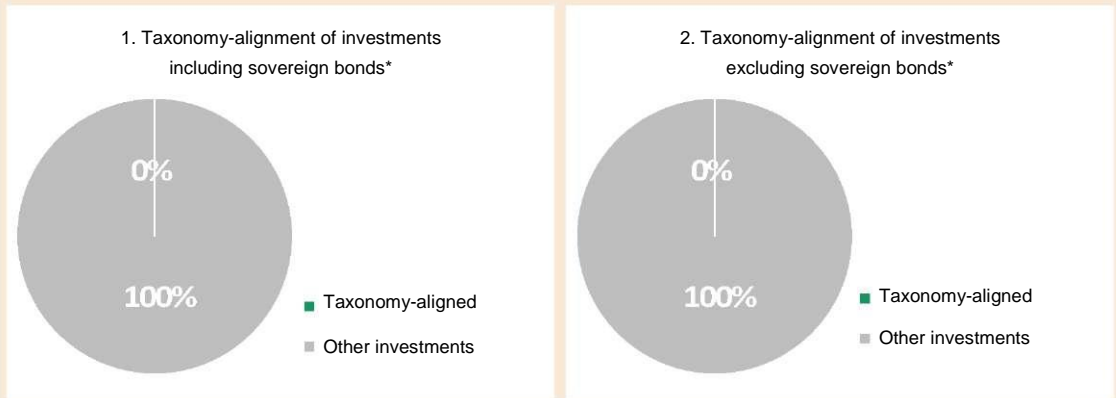
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.



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

The subfund does not commit to a minimum proportion of sustainable investments with an environmental objective aligned with the European Union's taxonomy. However, when assessing issuers, the subfund manager takes into consideration an environmental indicator and applies our coal phase-out policy.

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



* For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

- **What is the minimum share of investments in transitional and enabling activities?**
This is not applicable as the subfund does not have a specific minimum share of transitional and enabling activities as defined by the Taxonomy Regulation.

The symbol  denotes sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The subfund does not commit to a minimum proportion of sustainable investments with an environmental objective aligned with the European Union's taxonomy. However, when assessing issuers, the subfund manager takes into consideration an environmental indicator and applies our coal phase-out policy.



What is the minimum share of socially sustainable investments?

The subfund does not commit to having a minimum share of socially sustainable investments. However, when assessing issuers, the subfund manager does look at the social characteristics, respect for human rights and employee rights, management conduct, and corporate social responsibility of the companies.



What investments are included under "#2 Other", what is their purpose, and are there any minimum environmental or social safeguards?

The subfund may hold cash and cash equivalents, derivatives, as well as investments for which no non-financial analysis could be performed due to the unavailability of ESG data. Derivatives are used for portfolio risk adjustment (exposure, hedging, arbitrage).



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No

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

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable



Where can I find more product-specific information online?

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

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