

Article 8 SFDR – Website Disclosure Summary

FDC SICAV Global Equities – Active 2

LEI: 5493008WCHO1JXOQ1B16

Overview

Fonds de Compensation de la Sécurité Sociale, SICAV-FIS has appointed HSBC Global Asset Management (France) as the portfolio manager of its sub-fund FDC SICAV Global Equities – Active 2 (the “Sub-Fund”). The management of the Sub-Fund has been delegated by HSBC Global Asset Management (France) to HSBC Global Asset Management (UK) Limited (collectively “HSBC”) and is classified under Article 8 of SFDR¹.

It should be noted that, in implementing its investment strategy and as an overarching binding restriction, HSBC is required to exclude companies from the Sub-Fund referenced on Fonds de Compensation de la Sécurité Sociale, SICAV-FIS’ proprietary exclusion list. The latter screens out companies based on their involvement in controversial practices against international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Equally screened out are companies linked to following controversial weapons: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons. Fonds de Compensation de la Sécurité Sociale, SICAV-FIS’ exclusion list can be viewed at <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristic

The Sub-Fund promotes the following environmental and social characteristics:

1. Active consideration of better environmental footprint (defined as carbon, waste and water intensities) and ESG scores compared to the Sub-Fund’s benchmark.
2. Exclusion of issuers in violation of the principles of the United Nations Global Compact.
3. Active consideration of environmental and social issues through engagement initiated with certain companies held in the Sub-Fund;
4. Exclusion of shares of companies involved in banned and controversial weapons;
5. Exclusion of shares of companies involved in the production (with an annual turnover above 5% for related products) and the distribution (with an annual turnover above 15%) of tobacco and related products.

More information on HSBC’s responsible investment policy is available on following website: <https://www.assetmanagement.hsbc.fr/fr/professional-investors/about-us/responsible-investing>.

Investment Strategy

The Sub-Fund’s objective is to outperform its benchmark, the MSCI World Total Return (net) expressed in USD and converted into EUR (“Reference Benchmark”). The Reference Benchmark is used for comparison purpose only.

The Sub-Fund uses a multi-factor investment process, based on five factors (value, quality, momentum, low risk and size), to identify and rank stocks in its investment universe with the aim of maximising the

¹ Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (“SFDR”).

Sub-Fund's portfolio's risk-adjusted return while achieving a lower carbon intensity, lower water intensity, lower waste intensity and a higher ESG score than the Reference Benchmark.

Proportion of Investment

- Aligned with environmental or social characteristics promoted by the Sub-Fund: 70% minimum
- Others: 30% maximum. These other instruments include the remaining investments of the Sub-Fund, which are not aligned with the environmental or social characteristics: cash and cash equivalents, financial derivative instruments and also the investments that are not aligned for other reasons such as corporate actions and non-availability of data.

Monitoring Environmental or Social Characteristic and Methodologies

HSBC conducts ongoing and periodical monitoring to ensure that the Sub-Fund meets the non-financial criteria and, where applicable, internally established thresholds (such as the portfolio's average ESG score or exclusions).

Data Sources and Processing

In order to measure how the environmental characteristics promoted by the Sub-Fund are met, HSBC uses ESG data provided by third party research and data providers that is processed via the quantitative equity technology team which is responsible for delivering the architectural, the design and the implementation aspects of the informational flow consumed by HSBC's quantitative analysts and portfolio managers.

In addition, HSBC monitors changes and quality of data from 3rd party vendors on an on-going basis. This process ensures the integrity and appropriateness of the data used in the Sub-Fund.

Limitations to Methodologies and Data

HSBC is subject to certain operational and data quality risks associated with reliance on third-party service providers and data sources. Furthermore, data coverage may be limited depending on the type of issuer and by the geographical area of the issuer. When non-financial data are not available in HSBC's suppliers' databases, HSBC applies a proprietary quantitative methodology to fill missing data at security level. HSBC is not aware of any methodological limitations likely to prevent the attainment of the environmental and social characteristics pursued by the Sub-Fund.

Due Diligence

HSBC's monitoring of companies held in the Sub-Fund is done by several teams: analysts, investment management teams, investment restriction team, and the risk department. This monitoring is quantitative and includes indicators such as, financial and non-financial performance constraints, risks, capital structure, social and environmental characteristics and corporate governance. For this monitoring, HSBC uses its own in-house technology, research and the research of brokers and other independent research providers.

HSBC also benefits from enhanced due diligence process done for companies that are commonly held by the Sub-Fund and other active portfolios that HSBC manages, that may be high risk due to violations of the principles of the UN Global Compact and/or because they are not aligned with anti-financial crime standards.

Engagement Policies

The quality of governance is assessed on the basis of criteria specified in the investment process which include, among others, business ethics, corporate culture and values, governance framework, corruption etc.

HSBC determines governance materiality both on an absolute basis, focusing in particular on the governance framework, controversies and compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises, and on a relative basis, by comparing the quality of the company's governance practices to those of its industry peers.

Article 8 SFDR – Website Disclosure FDC SICAV Global Equities – Active 2

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Overview

Fonds de Compensation de la Sécurité Sociale, SICAV-FIS has appointed HSBC Global Asset Management (France) as the portfolio manager of its sub-fund FDC SICAV EUR Bonds – Active 2 (the “Sub-Fund”). The management of the Sub-Fund has been delegated by HSBC Global Asset Management (France) to HSBC Global Asset Management (UK) Limited (collectively “HSBC”) and is classified under Article 8 of SFDR².

It should be noted that, in implementing its investment strategy and as an overarching binding restriction, HSBC is required to exclude companies from the Sub-Fund referenced on Fonds de Compensation de la Sécurité Sociale, SICAV-FIS’ proprietary exclusion list. The latter screens out companies based on their involvement in controversial practices against international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Equally screened out are companies linked to following controversial weapons: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons. Fonds de Compensation de la Sécurité Sociale, SICAV-FIS’ exclusion list can be viewed at <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

No sustainable investment objective

This financial product promotes an environmental or social characteristic but does not have as its objective a sustainable investment.

Environmental or social characteristic of the financial product

The Sub-Fund promotes the following environmental and social characteristics by:

- giving an active consideration of environmental and social issues through engagement on certain companies held in the Sub-Fund;
- excluding business activities that are deemed harmful to the environment such as companies:
 - involved with weapons banned by international conventions, including anti-personnel mines, biological weapons, binding laser weapons, chemical weapons, cluster munitions and non-detectable fragments as defined by HSBC and as set out in its Responsible Investment Policy;
 - involved with controversial weapons, including anti-personnel mines, cluster bombs, nuclear weapons, depleted uranium weapons, white phosphorous weapons as well as chemical and biological weapons;
 - involved in the production (with an annual turnover above 5% for related products) and the distribution (with an annual turnover above 15%) of tobacco and related products.
- considering responsible business practices in accordance with UN Global Compact and excluding companies that do not comply with international standards as enshrined in the ten principles of the United Nations Global Compact covering human rights, the environment, international labour standards and the fight against corruption:
- analysing ESG scores as well as carbon, water and waste intensities of companies in the universe to ensure the Sub-Fund has a better ESG score and environmental footprint (defined as carbon, waste and water intensities) than its benchmark.

² Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (“SFDR”).

More information on HSBC's responsible investment policy is available on following website: <https://www.assetmanagement.hsbc.fr/fr/professional-investors/about-us/responsible-investing>.

Investment Strategy

- a) The Sub-Fund's objective is to outperform its benchmark, the MSCI World Total Return (net) expressed in USD and converted into EUR ("Reference Benchmark"). The Sub-Fund invests in normal market conditions in equities and equity-equivalent securities included in the benchmark, the MSCI World Index, which captures large and mid-cap representation across developed markets.

The Sub-Fund uses a multi-factor investment process, based on five factors (value, quality, momentum, low risk and size), to identify and rank stocks in its investment universe with the aim of maximising the Sub-Fund's portfolio's risk-adjusted return. Although the investment process currently uses these five factors, it is subject to ongoing research regarding the current and potential additional factors.

In order to lower the environmental footprint and raise the Sub-Fund's ESG score, all holdings in the Sub-Fund are assessed for their individual carbon intensity, water intensity, waste intensity and ESG scores.

A HSBC proprietary systematic investment process is then used to create a portfolio which:

- maximises exposure to higher ranked stocks, and
- aims for a lower carbon intensity, lower water intensity, lower waste intensity and higher ESG score than the Reference Benchmark.

Each individual metric (carbon intensity, water intensity, waste intensity and ESG score) for the Sub-Fund and the Reference Benchmark, are being calculated as a weighted average of the corresponding metric of the Sub-Fund's investment and of the constituents of the benchmark respectively.

The Sub-Fund is actively managed and the investment strategy is implemented on a continuous basis, through compliance and monitoring of the binding elements as listed below.

- b) The quality of governance is assessed on the basis of criteria specified in the investment process which include, among others, business ethics, corporate culture and values, governance framework and corruption.

HSBC determines the materiality of governance both on an absolute basis, focusing in particular on the governance framework, controversies and compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises, and on a relative basis, by comparing the quality of the company's governance practices to those of its industry peers.

In addition, issuers in violation of one or more of the 10 Principles of the United Nations Global Compact and the OECD Guidelines for multinational enterprises are excluded.

Proportion of investments

The Sub-Fund invests in equities and equity-equivalent securities included in the benchmark, the MSCI World Index, which captures large and mid-cap representation across developed markets.

The Sub-Fund will not use derivatives to attain the environmental or social characteristics of the Sub-Fund.

The Sub-Fund uses a multi-factor investment process, based on five factors (value, quality, momentum, low risk and size), to identify and rank stocks in its investment universe, with the aim of maximising the Sub-Fund's portfolio's risk-adjusted return. Although the investment process currently uses these five factors, it is subject to ongoing research regarding the current and potential additional factors. In order to lower the environmental footprint and raise the Sub-Fund's ESG rating, all holdings in the Sub-Fund

are assessed for their individual carbon intensity, water intensity, waste intensity and ESG scores with the following constraints:

- 70% minimum of the Sub-Fund assets will be invested in instruments aligned with environmental or social characteristics promoted by the Sub-Fund.
- 30% maximum of the assets will be invested in other instruments. These other instruments include the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. These investments include notably the cash and cash equivalents, the financial derivative instruments and also the investments that are not aligned for other reasons such as corporate actions and non-availability of data.

Monitoring of environmental or social characteristics

HSBC conducts ongoing monitoring to ensure that the Sub-Fund meets the non-financial criteria and, where applicable, internally establishes monitoring thresholds (such as the portfolio's ESG score or exclusions). HSBC also performs a monthly quantitative screening based on controversies linked to anti-money laundering risk of issuers and based on qualitative assessments of companies that breach the thresholds through third-party provider data.

First-level controls are performed by HSBC's restriction control teams and risk teams that are independent from the investment teams:

- Contractual non-financial investment restrictions are coded and monitored pre and post trade by the investment restriction team;
- Environmental, Social, and Governance performance indicators identified according to the strategy are monitored on a monthly basis by the risk department.

Methodologies

HSBC uses several ESG data provided by third party research and data providers to measure how the environmental or social characteristics promoted by the Sub-Fund, as listed above, are met.

Data sources and processing

- HSBC uses ESG data from a number of external providers such as Sustainalytics, ISS ESG, MSCI ESG Research, RepRisk and S&P Trucost to ensure that the Sub-Fund meets the environmental or social characteristics that it promotes.
- The data used as part of HSBC's investment process is processed via the quantitative equity technology team responsible for delivering the architectural, the design and the implementation aspects of the informational flow consumed by quantitative analysts and portfolio managers.

HSBC monitors changes and quality of data from 3rd party vendors on an on-going basis. This process ensures the integrity and appropriateness of the data used in the Sub-Fund.

Limitations to methodologies and data

- HSBC relies on non-financial data providers. As a result, HSBC is subject to certain operational and data quality risks associated with reliance on third-party service providers and data sources. Furthermore, data coverage may be limited depending on the type of issuer (small caps, certain high-yield issuers) and by the geographical area of the issuer (particularly for emerging countries). When non-financial data are not available in HSBC's suppliers' databases, HSBC applies a proprietary quantitative methodology to fill missing data at security level.
- HSBC is not aware of any methodological limitations likely to prevent the attainment of the environmental or social characteristics pursued by the Sub-Fund.

Due diligence

As an integral part of HSBC's investment process, HSBC quantitatively monitors and analyses companies in the Sub-Fund's portfolio both before and during the period of its investment.

HSBC's monitoring of companies held in the portfolio is done by several teams: analysts, investment management teams, investment restriction team, and the risk department. This monitoring is quantitative and includes indicators such as, financial and non-financial performance constraints, risks, capital structure, social and environmental characteristics and corporate governance. For this monitoring, HSBC uses its own in-house technology, research and the research of brokers and other independent research providers.

HSBC also benefits from enhanced due diligence done by other HSBC investment management teams for companies that are commonly held by other active portfolios and the Sub-Fund, that may be high risk due to violations of the principles of the UN Global Compact, and/or because they are not aligned with anti-financial crime standards.

For more details on HSBC's internal and external controls, please refer to the information provided in the "Monitoring of environmental or social characteristics" section.

Engagement policies

The quality of governance is assessed on the basis of criteria specified in the investment process which include, among others, business ethics, corporate culture and values, governance framework, corruption etc.

HSBC determines governance materiality both on an absolute basis, focusing in particular on the governance framework, controversies and compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises, and on a relative basis, by comparing the quality of the company's governance practices to those of its industry peers.

HSBC's priority engagement themes are detailed on its website www.assetmanagement.hsbc.fr/fr/retail-investors/about-us/responsible-investing/stewardship.

For HSBC's full Engagement Policy, please visit www.assetmanagement.hsbc.com/about-us/responsible-investing/policies.

Designated reference benchmark

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

Article 8 SFDR – Website Disclosure Summary

FDC SICAV EUR Bonds – Active 2

LEI: 549300CEX6HNG5T1LU95

Overview

Fonds de Compensation de la Sécurité Sociale, SICAV-FIS has appointed HSBC Global Asset Management (France) ("HSBC") as the portfolio manager of its sub-fund FDC SICAV EUR Bonds – Active 2 (the "Sub-Fund"). The Sub-Fund is classified under Article 8 of SFDR¹.

It should be noted that, in implementing its investment strategy and as an overarching binding restriction, HSBC is required to exclude companies from the Sub-Fund referenced on Fonds de Compensation de la Sécurité Sociale, SICAV-FIS' proprietary exclusion list. The latter screens out companies based on their involvement in controversial practices against international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Equally screened out are companies linked to following controversial weapons: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons. Fonds de Compensation de la Sécurité Sociale, SICAV-FIS' exclusion list can be viewed at <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristic

The Sub-Fund promotes the following environmental and social characteristics by:

1. Exclusion of issuers in violation of the principles of the United Nations Global Compact;
2. Active consideration of environmental and social issues through engagement;
3. Exclusion of shares of companies involved in banned and controversial weapons;
4. Exclusion of shares of companies involved in the production (with an annual turnover above 5% for related products) and the distribution (with an annual turnover above 15%) of tobacco and related products.

More information on the responsible investment policy of HSBC is available on <https://www.assetmanagement.hsbc.com/about-us/responsible-investing>.

Investment Strategy

The Sub-Fund's objective is to outperform its benchmark, the Bloomberg Barclays Euro Aggregate - Ex Securitized Total Return Index, expressed in EUR, while integrating a sustainable and socially responsible investment approach in its investment strategy and inherent decision-making processes. In particular, the Sub-Fund aims to have a higher ESG rating, calculated as a weighted average of the ESG ratings given to the issuers of the Sub-Fund's investments, than the weighted average of the constituents of its benchmark.

The Sub-Fund includes the identification and analysis of an issuer's ESG credentials as an integral part of the investment decision-making process to reduce risk and enhance returns. The Sub-Fund will not invest also in bonds issued by issuers with specified involvement in specific excluded activities listed in the paragraph above.

¹ Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector ("SFDR").

Proportion of Investment

- Aligned with environmental or social characteristics promoted by the Sub-Fund: 70% minimum
- Others: 30% maximum. These other instruments include the remaining investments of the Sub-Fund, which are not aligned with the environmental or social characteristics: cash and cash equivalents, financial derivative instruments and also the investments that are not aligned for other reasons such as non-availability of data.

Monitoring Environmental or Social Characteristic and Methodologies

HSBC conducts ongoing monitoring to ensure that the Sub-Fund meets the non-financial criteria and, where applicable, internally established thresholds (such as the portfolio's average ESG score or exclusions).

First-level controls are also performed by HSBC teams independent of the financial management:

- Contractual non-financial investment restrictions are currently set according to the same methodology as the financial ratios.
- Environmental, Social, and Governance performance indicators identified according to the strategy are monitored on a monthly basis by HSBC's risk department.

Data Sources and Processing

HSBC relies on a proprietary ESG analysis model with data supplied or estimated by non-financial rating agencies, Sustainalytics and its internal research.

HSBC integrates the third party data providers into an internal ESG Data platform and has put in place data quality checks done by its internal ESG data team.

Limitations to Methodologies and Data

HSBC is not aware of any methodological limitations likely to prevent the attainment of the environmental or social characteristics pursued by the Sub-Fund. However, HSBC is subject to certain operational and data quality risks associated with reliance on third-party service providers and data sources. Furthermore, data coverage may be limited depending on the type of issuer and by the geographical area of the issuer.

Due Diligence

HSBC's monitoring of companies held in actively managed portfolios, by analysts, management teams, investment restrictions, and the risk department, is quantitative and qualitative and relies on its own in-house research and the research of brokers and other independent research providers.

Lastly, HSBC's teams in charge of shareholder engagement activities can support the investment teams in the ESG assessment of issuers. HSBC's Engagement Policy and Stewardship Plan is available on its website <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies>.

Engagement Policies

HSBC's approach to shareholder engagement incorporates several levers of action, including:

1. direct dialogue with companies,
2. exercising voting rights, and
3. a gradual escalation procedure with companies when the ESG risks or controversies to which they are exposed are not managed.

The exercise of voting rights does not fall within the competence of HSBC for this Sub-Fund.

For HSBC's full Engagement Policy, please go to <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies>.

Article 8 SFDR – Website Disclosure FDC SICAV EUR Bonds – Active 2

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Overview

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It should be noted that, in implementing its investment strategy and as an overarching binding restriction, HSBC is required to exclude companies from the Sub-Fund referenced on Fonds de Compensation de la Sécurité Sociale, SICAV-FIS' proprietary exclusion list. The latter screens out companies based on their involvement in controversial practices against international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Equally screened out are companies linked to following controversial weapons: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons. Fonds de Compensation de la Sécurité Sociale, SICAV-FIS' exclusion list can be viewed at <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

No sustainable investment objective

This financial product promotes an environmental or social characteristic but does not have as its objective a sustainable investment.

Environmental or social characteristic of the financial product

The Sub-Fund promotes the following environmental and social characteristics by:

- excluding issuers considered as:
 - involved with weapons banned by international conventions, including anti-personnel mines, biological weapons, binding laser weapons, chemical weapons, cluster munitions and non-detectable fragments; This exclusion will not apply to companies that provide non-weapons related products and/or services to the military or defence industry;
 - involved with controversial weapons, including anti-personnel mines, cluster bombs, nuclear weapons, depleted uranium weapons, white phosphorous weapons as well as chemical and biological weapons;
 - involved in the tobacco production (with an annual turnover above 5% for related products) and distribution (with an annual turnover above 15%) of tobacco and related products;
 - in proven violation of one or more of the 10 principles of the United Nations Global Compact (or at least two suspected violations) and the OECD Guidelines for multinational companies.
- the second stage of the process consists in :
 - analysing company ESG ratings as well as carbon intensity scores for issues of corporate issuers and;
 - analysing sovereign risk according to an ESG approach for government issuers.

More information on HSBC responsible investment policy is available on the following website <https://www.assetmanagement.hsbc.com/about-us/responsible-investing>.

² Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector ("SFDR").

Investment Strategy

- a) The Sub-Fund's objective is to outperform its benchmark, the Bloomberg Barclays Euro Aggregate - Ex Securitized Total Return Index, expressed in EUR, while integrating a sustainable and socially responsible investment approach in its investment strategy and inherent decision-making processes.

In particular, the Sub-Fund aims to have a higher ESG rating, calculated as a weighted average of the ESG ratings given to the issuers of the Sub-Fund's investments, than the weighted average of the constituents of the Bloomberg Barclays Euro Aggregate - Ex Securitized Total Return Index.

The Sub-Fund includes the identification and analysis of an issuer's ESG credentials ("ESG Credentials") as an integral part of the investment decision-making process to reduce risk and enhance returns. ESG Credentials includes, but are not limited to:

- environmental and social factors, including but not limited to physical risks of climate change and human capital management, that may have a material impact on a security issuer's financial performance and valuation;
- corporate governance practices that protect minority investor interests and promote long-term sustainable value creation.

ESG Credentials are proprietary to HSBC, subject to ongoing research and may change over time as new criteria are identified. Notwithstanding the excluded activities as detailed below, the inclusion of an issuer in the Sub-Fund's investment universe is at the discretion of HSBC. Issuers with improving ESG Credentials may be included when their credentials are still limited

The Sub-Fund will not invest also in bonds issued by issuers with specified involvement in specific excluded activities listed above ("Excluded Activities").

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

- b) The 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. HSBC determines 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.

Proportion of investments

The Sub-Fund invests in normal market conditions its net assets in Euro denominated Investment Grade rated fixed income and other similar securities which are either issued or guaranteed by governments, government agencies, supranational bodies or by companies which are domiciled in, based in, or carry out the larger part of their business in any country including developed markets and emerging markets.

The Sub-Fund may hold other investments including cash for the purposes of liquidity management and financial derivative instruments for hedging and efficient portfolio management purposes.

The Sub-Fund will not use derivatives to attain the environmental or social characteristics of the Sub-Fund.

70% minimum of the Sub-Fund's net assets will be invested in instruments aligned with environmental or social characteristics promoted by the Sub-Fund.

30% maximum of the assets will be invested in "other instruments". These "other instruments" include the remaining investments of the financial product, which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. These investments include notably the cash and cash equivalents, the financial derivative instruments and also the investments that are not aligned for other reasons such as, corporate actions and non-availability of data.

Monitoring of environmental or social characteristics

In order to ensure the strong and/or improving E/S characteristics of the Sub-Fund, HSBC conducts ongoing monitoring to ensure that the Sub-Fund meets its environmental or social characteristics and, where applicable, internally established thresholds (such as the portfolio's average ESG score or exclusions). HSBC also applies an enhanced due diligence process for companies that may be high risk due to violations of international conventions such as the principles of the UN Global Compact and/or not aligned with anti-financial crime standards or due to poor ESG ratings.

Teams independent of the financial management also perform first-level controls:

- Contractual non-financial investment restrictions are currently set according to the same methodology as the financial ratios.
- Environmental, Social, and Governance performance indicators identified according to the strategy are monitored on a monthly basis by HSBC's risk department.

In addition, occasional and periodic controls may be conducted on the monitoring process, which will contribute to ensure, in particular, that sectoral exclusions are respected.

Methodologies

HSBC uses a proprietary ESG analysis model with data supplied by non-financial rating agencies and internal research to measure how the environmental characteristics promoted by the Sub-Fund are met. The data used is subject to verification by HSBC.

Data sources and processing

- HSBC uses data from a number of external providers such as Sustainalytics, ISS ESG, MSCI ESG Research, Reprisk and S&P Trucost to ensure that the Sub-Fund meets the environmental or social characteristics that it promotes. HSBC also use Sustainalytics for norms-based screening against the UN Global Compact Principles.
- HSBC integrates the third party data providers into an internal ESG Data platform and has put in place data quality check done by its internal ESG data team.
- For the Sub-Fund's ESG rating, the data are weighted by coefficients reflecting HSBC analysis of the various business sectors and their respective ESG impacts.
- Such data, if not communicated by companies, are for some of them estimated by HSBC's external data providers.

Limitations to methodologies and data

- HSBC relies on non-financial data providers. As a result, HSBC is subject to certain operational and data quality risks associated with reliance on third-party service providers and data sources. Furthermore, data coverage may be limited depending on the type of issuer (small caps, certain high-yield issuers) and by the geographical area of the issuer (particularly for emerging countries). When non-financial data are not available in HSBC's suppliers' databases, HSBC initiates a qualitative analysis and possibly exchanges with the company to supplement HSBC's assessment of environmental or social characteristics.
- HSBC is not aware of any methodological limitations likely to prevent the attainment of the environmental or social characteristics pursued by the Sub-Fund. In addition, the Sub-Fund may invest in derivatives. Sustainability risks are therefore more difficult to take into account because

the Sub-Fund does not invest directly in the underlying asset. No ESG integration methodology can be applied for these financial instruments.

Due diligence

As part of the investment process, HSBC carefully monitors and analyses all companies held in active portfolios both before and during the period of investment.

HSBC's monitoring of companies held in actively managed portfolios, by analysts, management teams, investment restrictions, and the risk department, is quantitative and qualitative and includes strategy, financial and non-financial performance constraints, risks, capital structure, social and environmental impact, and corporate governance.

For this monitoring, HSBC uses its own in-house research and the research of brokers and other independent research providers.

HSBC also applies an enhanced due diligence process for companies that may be high risk due to violations of international conventions such as the Principles of the UN Global Compact and/or not aligned with anti-financial crime standards or due to poor ESG ratings.

Lastly, HSBC's teams in charge of shareholder engagement activities can support the investment teams in the ESG assessment of issuers.

HSBC's Engagement Policy and Stewardship Plan is available on its website <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies>.

For more details on HSBC's internal and external controls, please refer to the information provided in the "Monitoring of environmental or social characteristics" section.

Engagement policies

The quality of governance is assessed on the basis of criteria specified in the investment process, which include, among others, business ethics, corporate culture and values, governance framework, corruption etc.

HSBC determines governance materiality both on an absolute basis, focusing in particular on the governance framework, controversies and compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises, and on a relative basis, by comparing the quality of the company's governance practices to those of its industry peers.

When significant and/or impacting governance risks are identified, companies are subject to enhanced due diligence, which at a minimum requires management teams to conduct additional analysis.

Finally, issuers in violation of one or more of the 10 Principles of the United Nations Global Compact and the OECD Guidelines for multinational enterprises are excluded.

HSBC exercises two types of engagement activities:

- Direct engagement: HSBC's credit analysts and managers are responsible for engaging with the issuers, generally through calls and meetings with management and in company roadshows.
- Collaborative engagement: HSBC participates actively in collective engagement initiatives on a various themes run by industry groups HSBC is a member.

The dialogue or engagement with the company is then monitored over time and recorded. For HSBC full Engagement Policy, please visit <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies>.

Designated reference benchmark

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.