

HSBC GLOBAL FUNDS II ICAV - EURO FIXED TERM BOND 2028

Legal entity identifier: 213800FKW187JW5TNZ24

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

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
☒ Yes	☒ No
☐ It will make 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 promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments ☐ 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 will make a minimum of sustainable investments 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 environmental and/or social characteristic promoted by this Sub-Fund is the promotion of good ESG practices amongst investee issuers as determined by the Investment Manager which is achieved through investment in issuers that are not engaged in the Excluded Activities, as defined below, which includes responsible business practices by investing in issuers aligned with the United Nations Global Compact ("UNGC"). The good ESG practices promoted are (i) positive impact on climate change, which is achieved through not investing in certain issuers engaged with thermal coal; (ii) peace and stability, which is achieved through not investing in certain issuers involved with banned weapons and controversial weapons; (iii) public health achieved through not investing in certain issuers involved with tobacco; and (iv) human rights and anti-corruption achieved as a result of not investing in issuers which are non-compliant with the UNGC principles.

Separate to the characteristics promoted by the Sub-Fund but as part of the ESG strategy

of the Sub-Fund, the portfolio construction process at the Launch Date (as defined in the Supplement) involves the Investment Manager selecting securities to create a portfolio with a higher weighted average ESG rating than the weighted average ESG rating of to 70% ICE BofA 1-5 Year Euro Corporate Index and 30% ICE BofA 0-5 Year Euro Developed Markets High Yield Index (the “Blended Benchmark”). The ESG ratings used by the Investment Manager for this purpose are published by third party provider MSCI. Due to the buy-and-maintain nature of the Sub-Fund’s investment strategy which is expected to result in a relatively low portfolio turnover, the portfolio’s ESG rating is not calculated on a continuous basis and so an improved ESG rating compared to the Blended Benchmark is not a characteristic promoted by the Sub-Fund. Rather, the purpose of this step in the portfolio construction process is to create a portfolio with a higher weighted average ESG rating than that of the Blended Benchmark from inception. Due to the buy-and-maintain nature of the Sub-Fund’s investment strategy, the weighted average ESG rating of the portfolio is not expected to deviate materially throughout the Term (as defined in the Supplement) due to the Sub-Fund’s low portfolio turnover. The Investment Manager considers the ESG Credentials and the Excluded Activities detailed in the section of this annex relating to the investment strategy with a view to promoting the environmental and/or social characteristics set out herein.

The Sub-Fund is actively managed without reference to a benchmark.

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

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

The sustainability indicator used to measure the attainment of the environmental and/or social characteristic promoted by the Sub-Fund is the percentage of the Sub-Fund invested in issuers that are not engaged in the Excluded Activities, as defined below (expected to be 100% of the proportion of the Sub-Fund promoting environmental and/or social characteristics).

The Sub-Fund also considers the principal adverse impacts (“PAIs”) that are listed below as sustainability indicators:

- violation of UNGC Principles for business and OECD Guidelines for Multinational Enterprises and
- share of investment involved in controversial weapons.

The Investment Manager will actively monitor the portfolio and has discretion to sell the investments if they fail to comply with the various screens detailed in the section of this annex relating to the investment strategy.

As set out in the section of this annex relating to the characteristics promoted by the Sub-Fund, as part of the ESG strategy of the Sub-Fund, the Investment Manager selects securities to create a portfolio with a higher weighted average ESG rating than the Blended Benchmark. While this ESG rating is not monitored on a continuous basis, it will be disclosed and appropriately caveated in the periodic reporting.

- **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?**

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

Not applicable for this Sub-Fund.

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, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable for this Sub-Fund.

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

Not applicable for this Sub-Fund.

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

Not applicable for this Sub-Fund.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

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

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

- ☑ Yes, the approach taken to consider principal adverse impacts means that the Investment Manager will scrutinise issuers’ 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. The Investment Manager also pays attention to the robustness of corporate governance and political structures which include the level of board independence, respect of shareholders’ rights, existence and implementation of rigorous anti-corruption and bribery policies, as well as audit trails. Governments’ commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance will also be taken into account. Investment in issuers carrying out business activities that are deemed harmful to the environment are also excluded.

The Sub-Fund considers the principal adverse impacts that are listed below:



- violation of the UNGC principles and OECD Guidelines for Multinational Enterprises and
- share of investment involved in controversial weapons.

How principal adverse impacts are considered will be included in the Company's year-end reports and accounts.

Further information is available on request.

What investment strategy does this financial product follow?

The Sub-Fund aims to generate total return during the Sub-Fund's term.

The Sub-Fund pursues its investment objective by investing 70% in Euro-denominated investment grade and Non-Investment Grade fixed and/or floating rate bonds issued by corporate issuers in developed markets.

The Sub-Fund may invest up to 30% of its net assets in fixed and/or floating rate bonds issued by corporate issuers that are rated Non-Investment Grade at the time of purchase. Such Non-Investment Grade rated fixed and/or floating rate bonds will be rated at least B1/B+ by a Recognised Rating Agency at the time of purchase. In the event of a downgrade of the credit rating of any fixed and/or floating rate bond to below investment grade during the Term, the bond may be retained by the Sub-Fund if the Investment Manager determines that it would be in the interests of the Shareholders. The Sub-Fund may invest up to 20% of its net assets in Euro-denominated bonds which are issued by or guaranteed by governments, government agencies and supranational bodies in developed markets. In addition, the Sub-Fund may acquire and hold equity or equity-related securities (including warrants) as a result of corporate actions relating to the bonds in its portfolio such as conversions or restructures.

The Sub-Fund will principally invest in bonds with a final maturity date on or before the Term Date. The Sub-Fund may however hold bonds beyond the Term Date in certain circumstances, such as where the maturity of a bond is extended or has a maturity date longer than the Term but remains an appropriate investment for the Sub-Fund.

The Sub-Fund may also hold cash, cash equivalents (being money market instruments (including bills, commercial paper, bank deposits, discount notes and certificates of deposit)) and other short-term debt instruments and the units or shares of eligible collective investment schemes ("CIS"), which are money market funds, for ancillary liquidity purposes. In the 12 months prior to the Term Date (as defined in the Supplement for the Sub-Fund), as the bonds mature, the proceeds of the Sub-Fund's portfolio may not be reinvested and the portfolio may hold up to 100% of its net assets in such instruments.

In the period up to a date which is twelve months prior to the Term Date, following which, as the bonds with a maturity date prior to the Term Date mature, the proceeds of the Sub-Fund portfolio may not be reinvested (as described above), the Sub-Fund will have a minimum proportion of 51% of its net assets that are aligned with the environmental and/or social characteristics promoted by the financial product. Generally, and in particular if and when the Sub-Fund's investments in bonds falls below 51% of its net assets, the Sub-Fund may invest in other short term debt

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

instruments and / or units or shares of eligible CIS which are money market funds which will be aligned with the environmental and/or social characteristics promoted by the Sub-Fund, such that the issuers of the short term debt instruments meet the binding elements applied to the Sub-Fund's investment in corporate bond issuers throughout the Term and the units or shares of Eligible CIS which are money market funds promote the same characteristics that are promoted by the Sub-Fund.

The Sub-Fund may also invest up to 10% of its net assets in eligible CIS which have the same or a substantially similar investment objective and investment policy as the Sub-Fund.

The financial derivative instruments ("FDI") which the Sub-Fund may use are futures, options, swaps (such as credit default swaps) and foreign exchange forwards. It is the intention of the Investment Manager that all of the above FDIs will be used for hedging and efficient portfolio management purposes.

The Excluded Activities, as defined below, which together with fundamental qualitative issuer analysis, are used to determine the Sub-Fund's investible universe.

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 help assess risks and potential returns. The ESG Credentials are:

- environmental and/or social factors, which are physical risks of climate change and human capital management, that may have a material impact on an issuer's financial performance and valuation [and](#)
- corporate governance practices that protect minority investor interests and promote long term sustainable value creation

(the "ESG Credentials").

ESG Credentials are proprietary to HSBC, are subject to ongoing research and may change over time as new criteria are identified.

Notwithstanding the Excluded Activities, as further detailed below, the exclusion or inclusion of an issuer in the Sub-Fund's investment universe is at the discretion of the Investment Manager. Issuers with an improving ESG score may be included in the Sub-Fund's investment universe even when their ESG score is still below the ESG Rating Level.

The Sub-Fund is actively managed without reference to a benchmark.

This investment strategy is implemented on a continuous basis by way of ongoing review and compliance monitoring of the binding elements of the Sub-Fund's investment strategy as set out below.

ESG Credentials, Excluded Activities and the need for ESG due diligence may be identified and analysed by using, but not exclusively, HSBC Asset Management's proprietary ESG Materiality Framework and ratings system, fundamental qualitative research and corporate engagement. The Investment Manager may rely on expertise, research and information provided by well-established financial data providers.

● **What are the binding elements of the investment strategy used to select the**

investments to attain each of the environmental or social characteristics promoted by this financial product?

The binding elements of the investment strategy used to select the investments to attain each of the environmental and/or social characteristics are:

Issuers considered for inclusion within the Sub-Fund's portfolio cannot invest in the Excluded Activities, which are:

- **Banned Weapons** - the Sub-Fund will not invest in issuers the Investment Manager considers to be involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of banned weapons;
- **Controversial Weapons** - the Sub-Fund will not invest in issuers the Investment Manager considers to be involved in the production of controversial weapons or their key components. Controversial weapons include but are not limited to depleted uranium weapons and white phosphorous when used for military purposes;
- **Thermal Coal (Expanders)** - the Sub-Fund will not participate in primary fixed income financing by issuers HSBC considers to be engaged in the expansion of thermal coal production;
- **Thermal Coal (Revenue threshold)** - the Sub-Fund will not invest in issuers the Investment Manager considers to have more than 10% of revenue generated from thermal coal power generation or extraction and which, in the opinion of the Investment Manager, do not have a credible transition plan;
- **Tobacco** - the Sub-Fund will not invest in issuers the Investment Manager considers to be directly involved in the production of tobacco; and
- **UNGC** - the Sub-Fund will not invest in issuers that the Investment Manager considers to be non-compliant with the UNGC principles. Where instances of potential violations of UNGC principles are identified, issuers may be subject to proprietary ESG due diligence checks to determine their suitability for inclusion in a Sub-Fund's portfolio

(the "Excluded Activities").

In circumstances where the Sub-Fund's holding of corporate bonds falls below 51% of net assets, the issuers of the short-term debt instruments in which the Sub-Fund may invest will be screened against the Excluded Activities. To the extent that the Sub-Fund invests in units or shares of Eligible CIS which are money market funds in the same circumstances, such Eligible CIS will be required to promote the same or substantially similar environmental and /or social characteristics as the Sub-Fund.

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

The Sub-Fund does not have a committed minimum rate to reduce the scope of investments.

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

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

Governance is assessed against criteria specified in the by HSBC Asset Management's Responsible Investment Policy which includes, among other things, business ethics, culture and values, corporate governance and bribery and corruption. Controversies and reputational risks are assessed through enhanced due diligence as well as screening which are used to identify issuers that are considered to have low governance scores. Those issuers will then be subjected to further review, action and/or engagement.

Good corporate governance has long been incorporated in HSBC's proprietary fundamental issuer research. HSBC's Stewardship team meets with issuers regularly to improve our understanding of their business and strategy, signal support or concerns we have with management actions and promote best practice. HSBC believes that good corporate governance ensures that issuers are managed in line with the long-term interests of their investors.

Further information is available upon request.

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



What is the asset allocation planned for this financial product?

The Sub-Fund will have a minimum proportion of 51% of its net assets that are aligned with the environmental and/or social characteristics promoted by the financial product (#1 Aligned with E/S Characteristics).

The remaining proportion (maximum 49%) of investments will not be aligned with the environmental and/or social characteristics (#2 Other).

The Sub-Fund does not commit to holding a minimum proportion of sustainable investments.

Asset allocation
describes the share of
investments in specific
assets.

Taxonomy-aligned activities are expressed as a share of:

- turnover

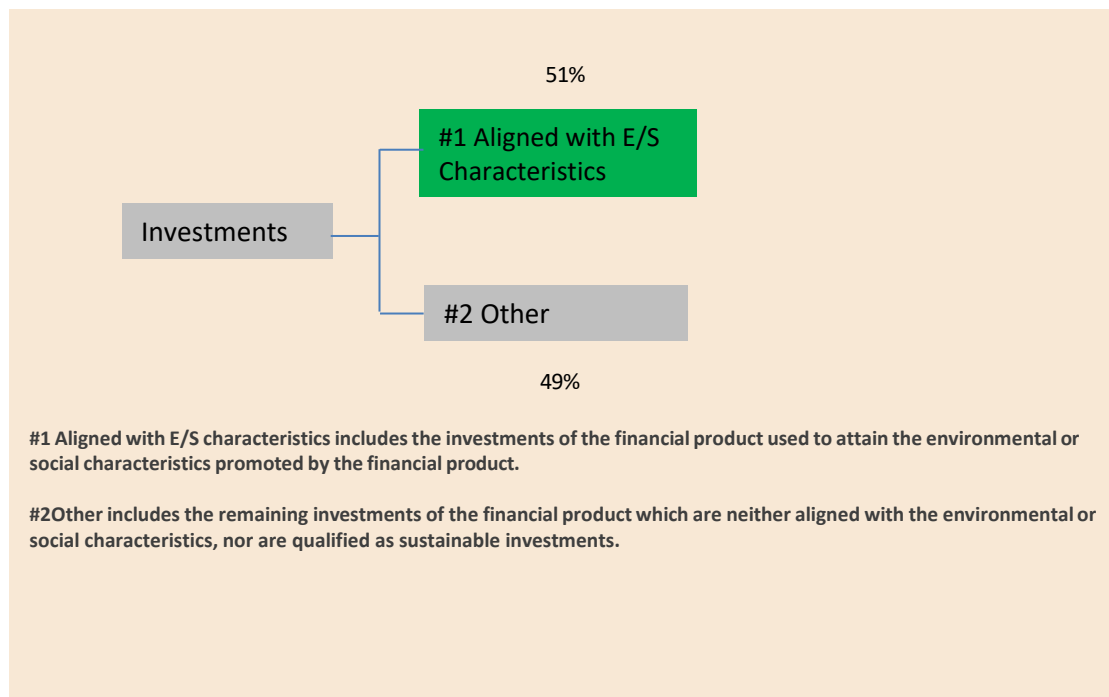
reflecting the share of revenue from green activities of investee companies

- 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.



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

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

To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to 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 minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund does not currently intend to invest in sustainable investments that are aligned with the EU Taxonomy and the minimum share of taxonomy-aligned investments (including transitional and enabling activities) is therefore assessed to be 0%.

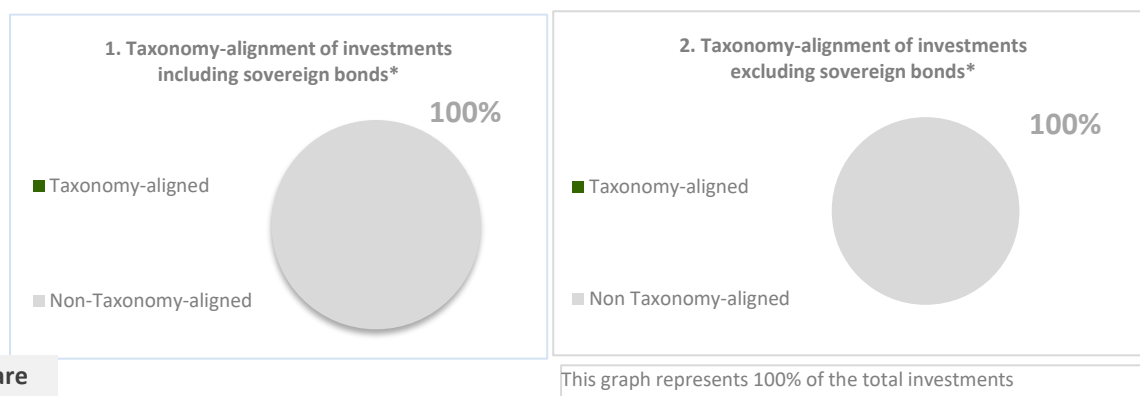
- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?**

☐ Yes ☐ in fossil gas ☐ In nuclear energy

☑ No

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

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.



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.

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

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable for this Sub-Fund.



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally 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?

Not applicable for this Sub-Fund.



What is the minimum share of socially sustainable investments?

Not applicable for this Sub-Fund.



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

A portion of the investments in certain Euro-denominated investment grade and Non-Investment Grade fixed and/or floating rate bonds purchased by the Investment Manager which are acquired for investment purposes will not apply minimum environmental and/or social safeguards. This may also include investments that are not aligned for other reasons such as corporate actions and non-availability of data.

The Sub-Fund may also hold cash, cash equivalents (being money market instruments (including bills, commercial paper, bank deposits, discount notes and certificates of deposit)) and other short-term debt instruments and the units or

shares of eligible CIS which are money market funds for ancillary liquidity purposes, as well as FDIs which may be used for hedging and efficient portfolio management.

Cash, and financial derivative instruments do not promote the environmental and/or social characteristics promoted by Sub-Fund and no minimum environmental and/or social safeguards are applied.

The proceeds of bonds maturing prior to the Term Date may be invested in other short term debt instruments, units or shares of eligible CIS which are money market funds which are generally not aligned with the environmental and/or social characteristics promoted by the Sub-Fund and no minimum environmental and/or social safeguards are applied. However, in the event where the Sub-Fund's investments in corporate bonds falls below 51% of the Sub-Fund's net assets these investments may be aligned with the environmental and/or social characteristics promoted by the Sub-Fund.



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. The Blended Benchmark is used for the purpose of determining the ESG Rating Level at the Launch Date and not on a continuous basis. The Blended Benchmark is not a reference benchmark for the purpose of SFDR as the ESG Rating Level is not an environmental and/or social characteristic promoted by the Sub-Fund.

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 for this Sub-Fund.

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

Not applicable for this Sub-Fund.

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

Not applicable for this Sub-Fund.

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

Not applicable for this Sub-Fund.



Where can I find more product specific information online?

More product-specific information can be found on the website:

www.assetmanagement.hsbc.com