HSBC Asia Pacific ex Japan Sustainable Equity UCITS ETF

ETF overview

April 2022

The ETF at a glance

Designed to offer a cost-efficient investment solution to Asia Pacific equities, the HSBC Asia Pacific ex Japan Sustainable Equity UCITS ETF takes a step beyond traditional sustainable ETFs by tracking the customised FTSE Asia Pacific ex Japan ESG Low Carbon Emissions Select Index, an index that integrates ESG (environmental, social and governance), carbon emissions and fossil fuel reserves considerations. The ETF focuses on both closely tracking and harnessing our experience in passive investing combined with our SRI[1] expertise.

Why choose this ETF?

1. **Innovative 3-tilt approach:**
   The index follows an innovative 3-tilt approach, allowing investors to access companies that are transitioning towards a lower carbon economy

2. **Robust customised index:**
   The index is based on a quantitative-driven ESG scoring methodology

3. **Carbon emissions and fossil fuels reserves considerations:**
   The index has additional angles to reduce emissions in a positive and inclusive manner

4. **Stewardship on investor's assets:**
   Leading active stewardship role with issuers through voting and engagement policies

Why HSBC?

- The World's **Best Bank** for Sustainable Finance[2]
- Early signatory of the **Montreal Carbon Pledge** in 2015
- Early global signatory of the **PRI**[3] and highest **A+ assessment** score in all modules[4]
- Founding Signatory and Global Steering Committee Member of **Climate Action 100+**
- As a support of the **TCFD**[5], we work with portfolio companies to improve their climate-related disclosures
- Member of Cambridge Institute for **Sustainability Leadership's** Investment Leaders Group (ILG)
- Specialised **ETF Sales and Capital Markets** teams as well as dedicated SRI and engagement specialists
- 30+ years experience in managing passive portfolios, with a **strong record of close tracking** and minimising costs

The Asset Management AWARDS 2020
WINNER
PASSIVE MANAGER OF THE YEAR

Notes:
1. Socially Responsible Investment
2. Source: Euromoney 2020 "World's Best Bank for Sustainable Finance"
3. Principles for Responsible Investment
4. Source: https://www.unpri.org/signatories/hsbc-global-asset-management/1306.article
5. Task Force on Climate-related Financial Disclosures

Past performance should not be seen as an indication of future returns.

Index methodology

HSBC Global Asset Management (UK), Ltd. collaborated with FTSE Russell to design an innovative index that achieves an ESG score uplift, carbon emissions reduction and fossil fuel reserves reduction relative to the parent index through a clear and robust methodology.

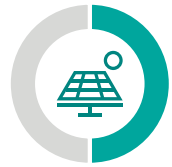
- The ESG ratings and data model, sourced by FTSE Russell, allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions

The index targets a **20%** improvement on ESG

- The indices include carbon intensity as an independent tilt to ensure the impact of CO2 emissions is explicitly captured in addition to the ESG rating

The index targets a **50%** reduction on carbon intensity

- Due to the evolution of the energy industry, we chose an index that tilts towards stocks with lower reserves intensity, including alternative energy companies



The index targets a **50%** reduction on fossil fuels reserves intensity

Pre-tilt exclusions *applied on annual basis* (weapons, tobacco, thermal coal, nuclear energy, UN Global Compact principles, gambling and adult entertainment)

- **ESG score tilt**
- **Carbon emissions tilt**
- **Fossil fuel reserves tilt**

Post-tilt exclusions applied on a *quarterly basis* (UN Global Compact principles)

ETF details

INDEXED TO FTSE Russell

TER	0.25%
Registration	AT, CH, DE, DK, ES, FI, FR, IE, IT, LU, NL, PT, SE, SG, UK
Bloomberg tickers	BIVA: HSXDN MM (MXN)
ISIN	IE00BKY58G26
Benchmark	FTSE Asia Pacific ex Japan ESG Low Carbon Select Net Tax Index (ELCAXJN)
Base currency	USD
Inception date	20 August 2020
Replication method	Physical replication
Dividend treatment	Accumulating
Fund domicile	Ireland
Fund management	HSBC Global Asset Management (UK) Ltd

Source: HSBC Global Asset Management (UK). The TER (Total Expense Ratio) shown may differ from the TER in the fund's legal documents, which indicates the maximum fee that may be charged.

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Key risks

The value of an investment in the portfolios and any income from them can go down as well as up and as with any investment you may not receive back the amount originally invested.

- **Counterparty Risk** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.
- **Derivatives Risk** Derivatives can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset.
- **Emerging Markets Risk** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- **Exchange Rate Risk** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.
- **Index Tracking Risk** To the extent that the Fund seeks to replicate index performance by holding individual securities, there is no guarantee that its composition or performance will exactly match that of the target index at any given time ("tracking error").
- **Investment Leverage Risk** Investment Leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source.
- **Liquidity Risk** Liquidity Risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.
- **Operational Risk** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

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