

HSBC Holdings plc

**Environmental, Social and
Governance Update 2019**

Factbook



Connecting customers with opportunities

HSBC aims to be where the growth is, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions. Our values define who we are as an organisation and make us distinctive.

Our values

Dependable

We are dependable, standing firm for what is right and delivering on commitments.

Open

We are open to different ideas and cultures, and value diverse perspectives.

Connected

We are connected to our customers, communities, regulators and each other, caring about individuals and their progress.

Our ESG approach

Environmental



- Support the global transition to the low-carbon economy through our own sustainable operations and by supporting our customers with their transition.
- Maintain robust climate-related risk management.

Examples:

- In our ambition to provide \$100bn of sustainable finance, facilitation and investment by 2025, we have delivered a cumulative total of \$28.5bn since 2017.
- We are a signatory to the Financial Stability Board Task Force on Climate-related Financial Disclosures.

Social



- Grow in a way that puts the customer at the centre.
- Create the healthiest human system in our industry so everyone can fulfil their potential.
- Focus on diversity and inclusion in our workforce.

Examples:

- We publish customer information for each of our global businesses including spotlights on conduct.
- Our employee surveys give us invaluable insight into our people. Results in 2018 show that 74% feel able to speak up when they see behaviour that they consider to be wrong.
- Currently 28% of our senior leaders are women.

Governance



- Maintain high standards of governance across all geographies.
- Committed to protecting our customers and communities through financial crime risk management and cybersecurity due diligence.

Examples:

- During 2018, we concentrated on the completion of the final elements of our Global Standards programme, which is designed to ensure the management of financial crime compliance is embedded in our day-to-day management and governance.
- We are committed to applying both the letter and spirit of the law in all the territories in which we operate.

Environmental

Our actions have an impact on the communities where we do business and the wider environment. We want to ensure we are helping economies grow sustainably, and we choose to direct our resources, including time, people and capital, to helping the global transition to a low-carbon economy.

We have shown progress against our targets in sustainable finance, and have set out how we are partnering with our customers to assist

with the transition to a low-carbon economy. We are also engaging with our customers on transition risk, and embedding climate risk within our own risk management practices. We understand that it is important to report disclosure on both climate-related opportunities and risks to our stakeholders, and include our second disclosure under the Task Force on Climate-related Financial Disclosure ('TCFD') in this section.

Sustainable Finance

Targets for sustainable finance

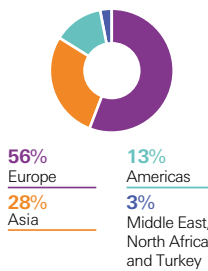
Progress against our targets

Target

\$100bn
of sustainable financing and investment to be provided and facilitated by 2025

Progress

\$28.5bn
cumulative progress since 2017



Target

100%
of our electricity will be from renewable sources by 2030

Progress

29%
signed renewable electricity from power purchase agreements (2017: 27%)



Cumulative progress through 2018

Since the start of 2017, we have achieved \$28.5bn of our commitment to provide and facilitate \$100bn of sustainable financing and investment by 2025. A data dictionary, including detailed definitions of contributing activities, may be found on our website www.hsbc.com/our-approach/measuring-our-impact.

Category	Cumulative progress (\$bn)	2018	2017
Facilitation	21.4	11.1	10.3
Financing	5.8	5.3	0.5
Investments	1.3	1.1	0.2

Our approach to climate risk management

The transition to a low-carbon economy will occur over a multi-year horizon and it will take time for sectors currently dependent on fossil fuels to adapt. In 2018, we developed a transition risk questionnaire with some of our customers to improve our understanding of their climate transition strategies. This is helping us to identify which customers need to adapt rapidly to climate-related risks, and spot potential business opportunities.

Task Force on Climate-related Financial Disclosure ('TCFD')

Governance

Mitigating climate change is a key priority for our senior leadership, with sustainable finance metrics included in the Group's strategic priorities.

Strategy

Supporting the transition to a low-carbon economy is a key part of HSBC's strategy, and new products have been offered to facilitate this, along with a pledge to provide \$100bn of sustainable finance by 2025. To date, we have reached \$28.5bn of that goal.

Risk management

We are increasingly incorporating climate-related risk, both physical and transition, into how we manage and oversee risks internally and with our customers. Climate risk is now included as a theme in our 'Top and emerging risks report' to ensure that it receives monthly management oversight via the Risk Management Meeting of the Group Management Board ('RMM') (see page 30 of our *Annual Report and Accounts 2018*).

We have identified six higher transition risk sectors based on their contribution to global carbon dioxide emissions. The table below presents our exposure to the six higher transition risk sectors.

Next steps

HSBC's TCFD disclosures will continue to evolve and expand over time.

Sector	% of total wholesale loans and advances to customers and banks in 2018 ³⁷
Oil and gas	≤ 3.9%
Building and construction	≤ 3.8%
Chemicals	≤ 3.9%
Automotive	≤ 3.4%
Power and utilities	≤ 3.0%
Metals and mining	≤ 2.8%
Total	≤ 20.8%

Social

We aim to grow in a way that puts the customer at the centre by improving performance with digital enhancements while maintaining financial crime standards.

We have a total workforce of 235,000 full- and part-time employees, working across 66 countries and territories. We are working to create the right environment to help enable everyone to fulfil their potential.

Our conduct approach

We recognise that we have a responsibility for good conduct through the delivery of fair outcomes for customers and behaving in a way that protects financial markets integrity. We have therefore implemented a conduct framework describing the outcomes that must be delivered across the Group and which in turn form a key component of our risk management framework. This means that our decisions should consider the impact on customers and markets. In addition, delivery of the

required Group values and conduct behaviours continues to be considered in performance management for our people across the Group. Our conduct is overseen by senior risk and executive committees within each of our businesses, functions and HSBC Operations Services and Technology. The Board maintains oversight of conduct matters through the Group Risk Committee.

Retail Banking and Wealth Management ('RBWM')

We help 38 million customers across the world to manage their finances, buy their homes, and save and invest for the future.

Commercial Banking ('CMB')

We support approximately 1.5 million business customers in 53 countries and territories, ranging from small enterprises focused primarily on their domestic markets, through to large companies operating globally.

Global Banking and Markets ('GB&M')

We serve approximately 4,100 clients in more than 50 countries and territories. We support major government, corporate and institutional clients worldwide.

Global Private Banking ('GPB')

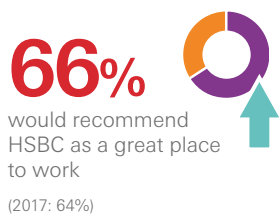
We serve high net worth and ultra high net worth individuals and families, including those with international banking needs.

Our Customers

Area of focus	Action
Making banking accessible (RBWM)	We have expanded rolling out our simplified login process. Apple's Touch ID is now live in 18 markets and HSBC Voice ID is in five markets. Last year, 80% of customer transactions were conducted via mobile or online channels. More than 30% of loans, cards and deposits sales were through digital channels. In the UK, we trained our front-line people to become more digitally proficient. In branch or on the phone, they can show customers how to complete tasks digitally. Last year, 85% of new customers opened accounts through a supported digital experience.
Improving the ease and speed of account opening (CMB)	In the UK, we created a new welcome journey for small businesses. This resulted in improved customer satisfaction and increased use of self-service digital tools. In France, we sped up the opening of accounts by simplifying the process. In Singapore, new customers are now assigned a single point of contact to help them. A customised video also introduces customers to their service team and helps them to get started with online banking.
Global platform replacement (GPB)	We are rationalising the number of IT platforms, replacing legacy systems with a core platform that houses a set of strategic solutions. This will facilitate global access to our flagship products and propositions, bringing a consistent customer experience across our main booking centres. The core platform is live in four locations, including Switzerland and the UK, and is scheduled to go live in Asia towards the end of 2019.
New tools (GBM)	New tools have been adopted to better record complaints and track their resolution. In November 2018, we created a new global team to look specifically at customer experience. With a broad mandate, it focuses on careful analysis of feedback and rapid resolution of complaints.

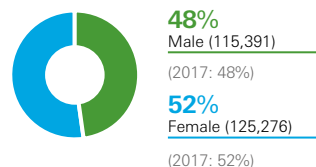
Our employees

Snapshot survey results

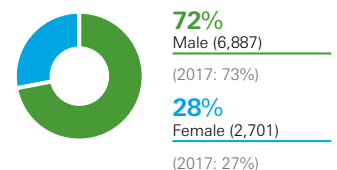


Gender balance

All employees



Senior leaders



2,068
Number of cases raised (2017: 1,585)

34%
Substantiated cases closed (2017: 30%)

Governance

We act on our responsibility to run our business in a way that upholds high standards of corporate governance. We are committed to working with our regulators to manage the safety of the financial system, adhering to the spirit and the letter of the rules and regulations governing our industry. In our endeavour to restore trust in our industry, we aim to act with courageous integrity and learn from past events to prevent their recurrences.

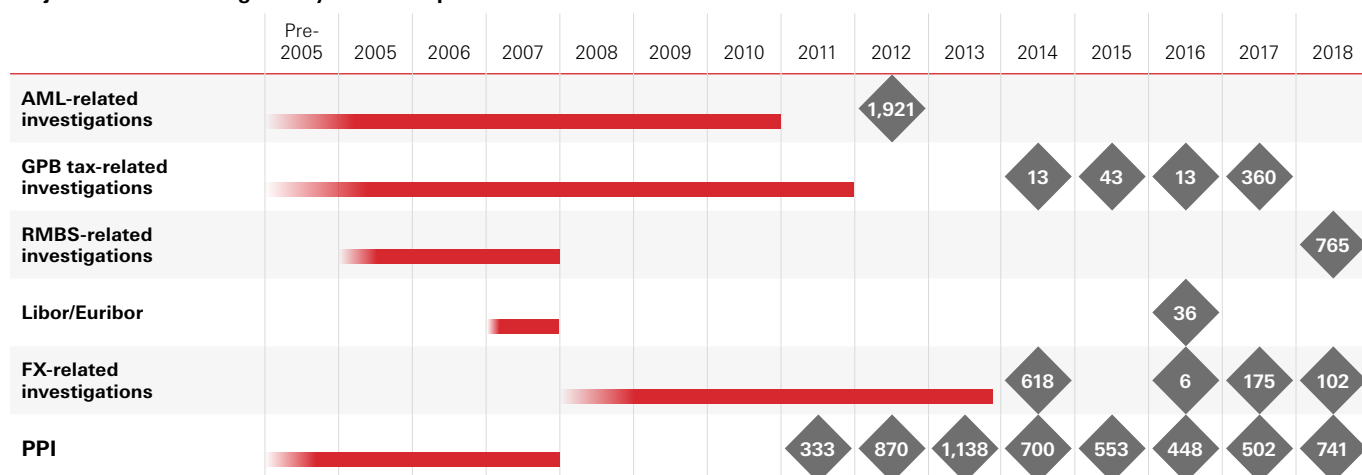
We meet our responsibility to society through paying taxes and being transparent in our approach to this. We also seek to ensure we respect global standards on human rights in our workplace and our supply chains, and continually work to improve our compliance management capabilities. We acknowledge that increasing financial inclusion is a continuing effort, and we are carrying out a number of initiatives to increase access to financial services.



Restoration of trust

Restoration of trust in our industry remains a significant challenge as past misdeeds continue to remain in the spotlight. But it is a challenge we must meet successfully. We owe this not just to our customers and to society at large, but to our employees to ensure they can be rightly proud of the

organisation where they work. We aim to act with courageous integrity in all we do. This guiding principle means having the courage to make decisions based on doing the right thing for customers and never compromising our ethical standards or integrity.

Major criminal and regulatory fines and penalties and PPI remediation¹



Key
 Duration of conduct period
 \$m Fines/penalties/other costs

1. This chart only includes fines and penalties arising out of major investigations involving criminal, regulatory, competition or other law enforcement authorities, and costs relating to PPI remediation. The chart reflects the year in which a fine or penalty was imposed or when the remediation cost was paid, which may be different from when a loss or provision was recognised under IFRSs. Settlements or other costs arising out of private litigation or arbitration proceedings are not included.

Ensuring strong corporate governance

The role of the Board

The Board of HSBC Holdings plc aims to promote the Group's long-term success, deliver sustainable value to shareholders and promote a culture of openness and debate. Led by the Group Chairman, the Board sets the Group's strategy and risk appetite. It also approves capital and operating plans for achieving strategic objectives on the recommendation of management.

Sustainability governance

While the Board has oversight of the Group's sustainability and ESG initiatives, the Group Management Board is accountable for their delivery, reflected in sustainability targets within the long-term incentive scorecards for executive Directors, and selected scorecards of Group Managing Directors. The 2017 long-term incentive scorecards of executive Directors incentivise achieving a cumulative financing and investment target of \$30bn to \$34bn for developing clean energy and lower-carbon technologies and projects that contribute to the delivery of the Paris Agreement and the UN Sustainable Development Goals over the three-year period to 31 December 2020. The 2018 long-term incentive scorecards of executive Directors include an ESG rank measure incentivising achievement of 'Outperformer' Sustainability rating.

Safeguarding the financial system

We continued to consolidate our progress in tackling financial crime while launching initiatives in a number of new areas.

Our Global Standards programme, launched in 2013 to upgrade our financial crime controls, is now approaching its conclusion. During 2018, we concentrated on completing some of the final elements of the programme designed to ensure management of financial crime risk is well embedded in our day-to-day activities, with robust governance and reporting to enable performance to be assessed.

In June, we set out new strategic priorities including the aim of delivering industry-leading financial crime standards. Developing an intelligence-led approach to financial crime risk management using new technologies and advanced analytical techniques is key to achieving this ambitious target. We made good progress on this agenda and will continue to develop our approach in 2019 and beyond.

Cyber

We are investing in business and technical controls to help prevent, detect and react to cyber threats. Cyber risk and control effectiveness was reviewed 11 times at non-executive Director level.

Tax

We have established a formal tax risk management framework, which is designed to ensure that tax motivated transactions or products are not adopted by the Group.

The scale of our work

Each month, we screen over 658 million transactions across 207 million accounts for signs of money laundering and financial crime. In addition, we screen approximately 130 million customers and 37.3 million transactions monthly for sanctions exposures. During 2018, we filed over 85,000 suspicious activity reports to law enforcement and regulatory authorities where we identified potential financial crime.

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Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts 2018 for the fiscal year ended 31 December 2018 filed with the Securities and Exchange Commission ("SEC") on Form 20-F on 20 February 2019.

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