

# HSBC Holdings plc

## FY23 ESG factbook

**Our purpose:** Opening up a world of opportunity

**Our ambition:** To be the **preferred international financial partner** for our clients

### Our strategy

#### Focus

- ◆ Maintain leadership in scale markets
- ◆ Double-down on international connectivity
- ◆ Maintain cost discipline and reshape our portfolio

#### Digitise

- ◆ Deliver seamless customer experience
- ◆ Ensure resilience and security
- ◆ Embrace disruptive technologies and partner with innovators
- ◆ Automate and simplify at scale

#### Energise

- ◆ Inspire leaders to drive performance and delivery
- ◆ Unlock our edge to enable success
- ◆ Deliver a unique and exceptional colleague experience
- ◆ Prepare our workforce for the future

#### Transition

- ◆ Support our customers
- ◆ Embed net zero in the way we operate
- ◆ Partner for systemic change
- ◆ Become net zero in our own operations and supply chain by 2030, and our financed emissions by 2050

### Key highlights

E: **Net zero transition plan** published in January 2024. We have **now set combined on-balance sheet financed emissions and facilitated emissions targets** for the oil and gas, and power and utilities sectors.

S: At the end of 2023, **34.1% of senior leadership** roles were occupied by **women**, with a target to achieve 35% by 2025.

G: 2024 annual **incentive scorecard** measures for our executive Directors include the **execution of our sustainability commitments** against Board approved plans.

### ESG ratings<sup>1</sup>

**MSCI**  **AA**

 **SUSTAINALYTICS** **24.2**

 **CDP** **A-**

# Environment

In January 2024, we published our **first net zero transition plan**. It brings together, the steps we intend to take to deliver our net zero ambitions. We also want to demonstrate how we intend to harness our strengths and capabilities in the areas where we believe we can best support large-scale emissions reductions.

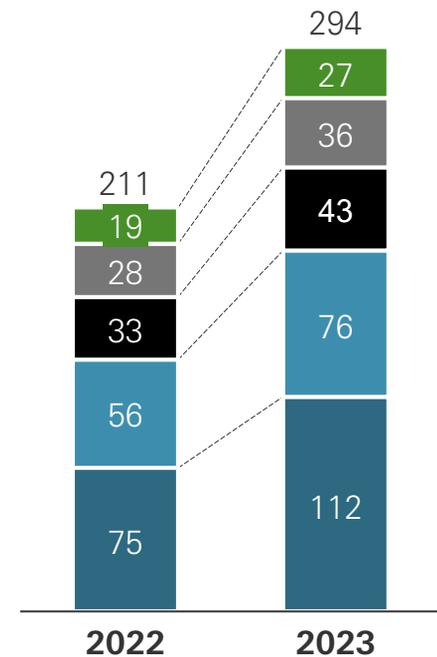
The plan has three sections:

- 1) **Our vision and strategic approach** – how we intend to use our strengths to make financing, facilitation and investment choices that can have a meaningful impact on decarbonisation in the real economy.
- 2) **Our approach to sector transitions** – we outline our related portfolio and our aims and targets, where applicable, and the actions we are taking to support sector decarbonisation.
- 3) **Our implementation plan** – provides details of how we are working to embed net zero across key areas of our organisation to help ensure that we can play a role in enabling the transition to net zero in the markets we serve

## Supporting our customers in the transition to net zero

Ambition to provide and facilitate \$750bn to \$1tn of sustainable finance and investment by 2030

Total cumulative contribution, \$bn<sup>2</sup>

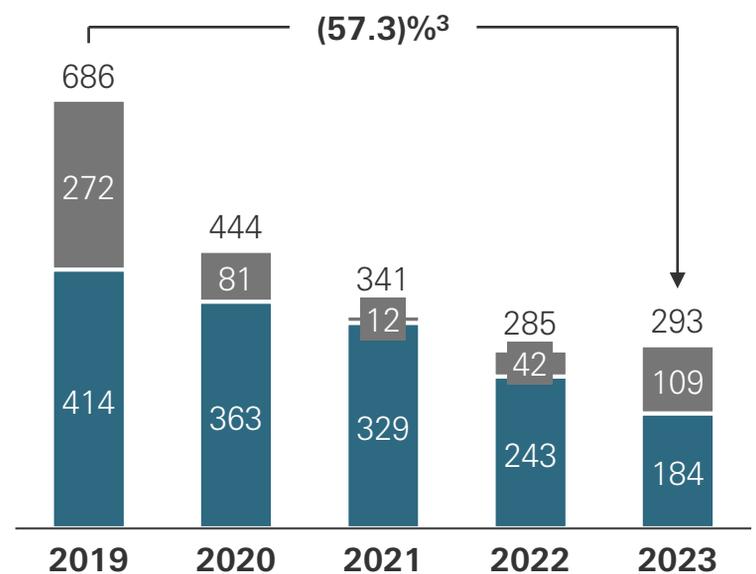


- ESG and sustainable investing
- Social use of proceeds
- Other sustainable use of proceeds
- Sustainability-linked
- Green use of proceeds

## Becoming a net zero bank

Ambition to be net zero in our own operations and supply chain by 2030

Greenhouse gas emissions in our operations, '000 tonnes CO<sub>2</sub>e

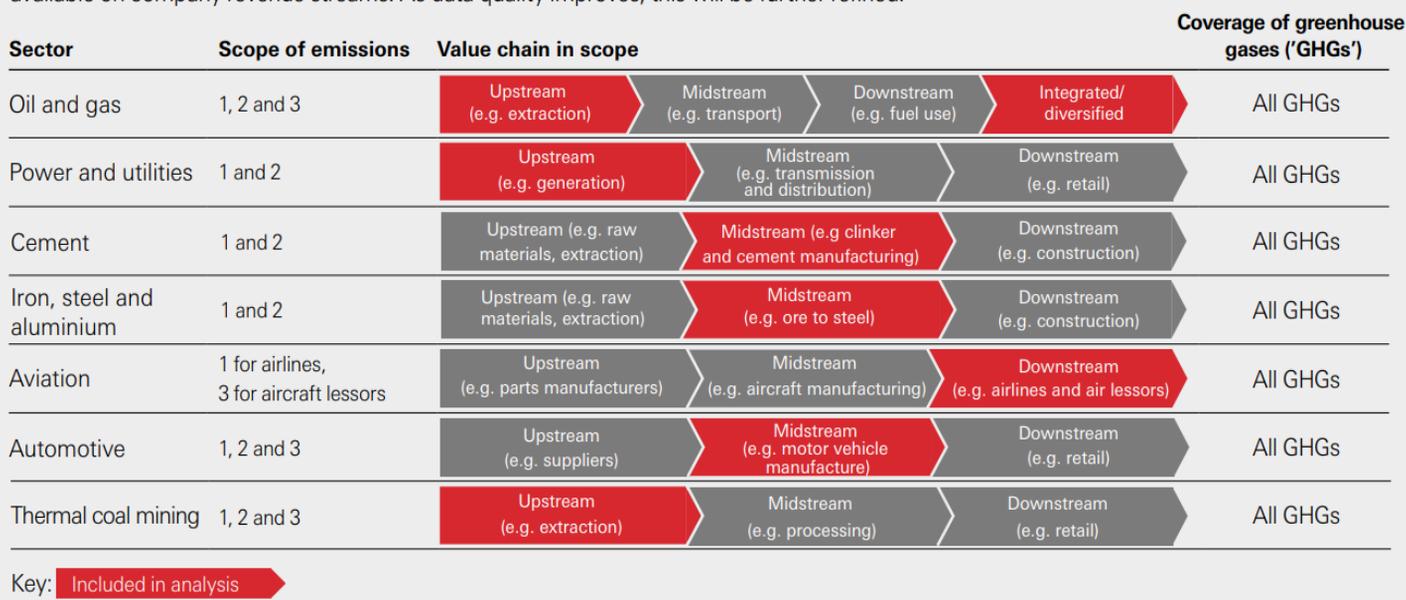


- Travel emissions (Scope 3, Category 6)
- Energy emissions (Scope 1 + Scope 2)

# Environment

## Financed emissions sector targets (on-balance sheet and facilitated)<sup>4</sup>

The chart below shows the scope of our financed emissions analysis of the seven sectors, including upstream, midstream and downstream activities within each sector. The allocation of companies to different parts of the value chain is highly dependent on expert judgement and data available on company revenue streams. As data quality improves, this will be further refined.



Sector <sup>5</sup>	Baseline	2021	2022	2022 % change vs. baseline	2030 target	Unit <sup>6</sup>
<b>Combined on-balance sheet financed and facilitated emissions*</b>						
Oil and gas	42.6 in 2019	37.9	31.9	(25)%	(34)%	Mt CO <sub>2</sub> e
Power & utilities	513.4 in 2019	405.1	396.8	(23)%	138.0	tCO <sub>2</sub> e/GWh
<b>On-balance sheet financed emissions</b>						
Cement	0.64 in 2019	0.70	0.71	10%	0.46	tCO <sub>2</sub> e/t cement
Iron, steel and aluminium	1.8 in 2019	2.4	2.5	38%	1.05 (1.43) <sup>7</sup>	tCO <sub>2</sub> e/t metal
Aviation	84.0 in 2019	85.9	86.5	3%	63.0 <sup>8</sup>	tCO <sub>2</sub> e/t million rpk
Automotive	191.5 in 2019	215.7	216.6	13%	66.0	tCO <sub>2</sub> e/t million vkm
Thermal coal mining	4.0 in 2020	N/A	N/A	N/A	(70)% <sup>9</sup>	Mt CO <sub>2</sub> e

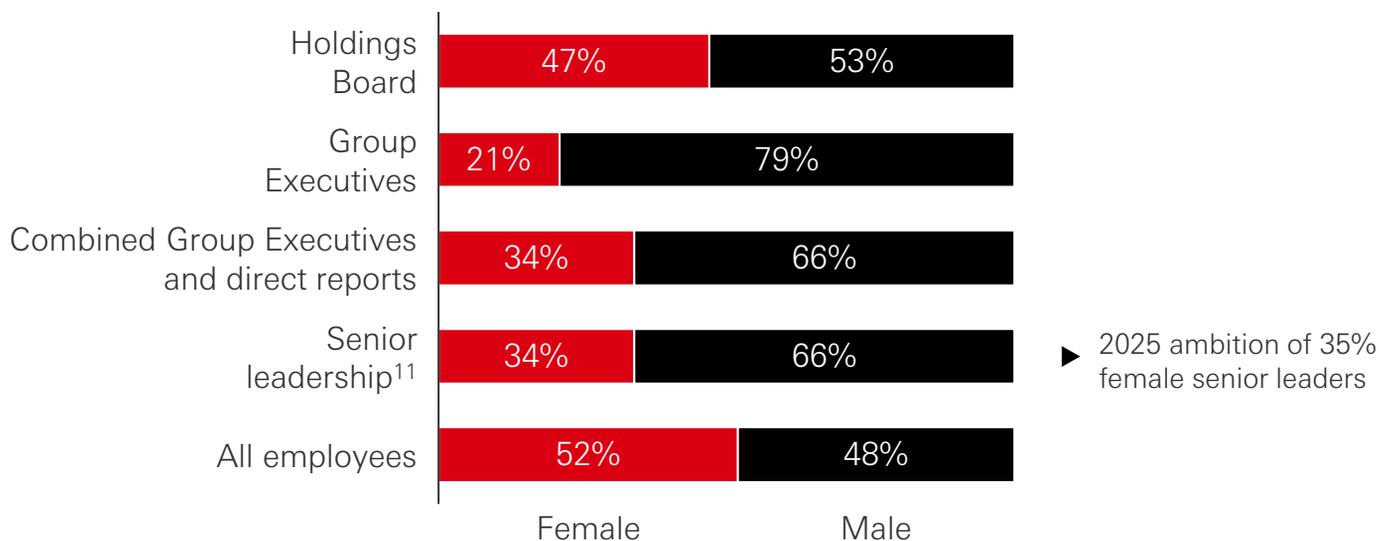
\*Our facilitated emissions are weighted at 33%, in accordance with the PCAF standard. To further reduce the inherent volatility in facilitated emissions, we apply a three-year moving average across transactions for our target metric, building up from 2019 data.

**All the above targets reference the International Energy Agency's NZE 2021 target scenario<sup>10</sup>**

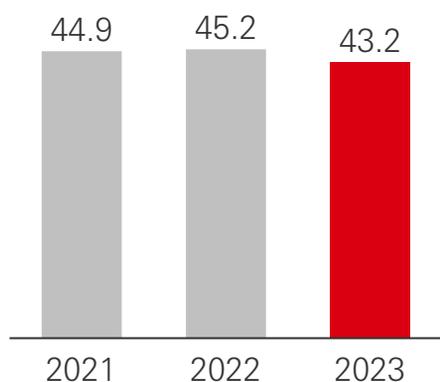
# Social

## Employees

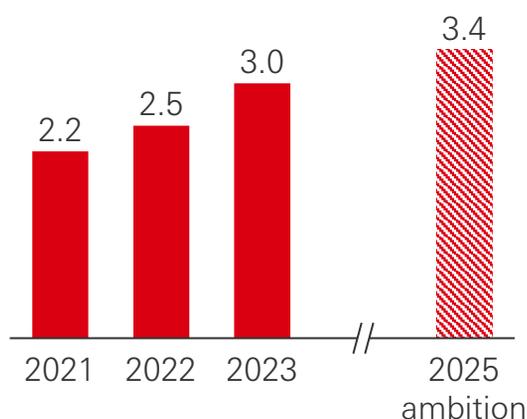
### FY23 gender diversity



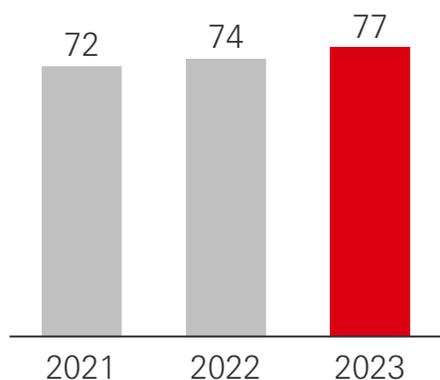
### UK mean gender pay gap, %



### UK & US Black heritage senior colleagues<sup>11</sup>, %

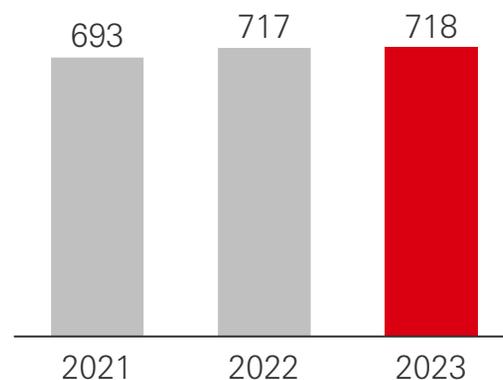


### Employee engagement index<sup>12</sup>, %



### Customer inclusion

#### No. of no-cost accounts for customers ('000)<sup>13</sup>



# Governance

The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting.

## Customer satisfaction<sup>14, 15</sup>



3 out of 6

WPB markets<sup>16</sup> sustained top-3 rank and/or improved customer satisfaction



5 out of 6

CMB markets sustained top-three rank and/or improved in customer satisfaction

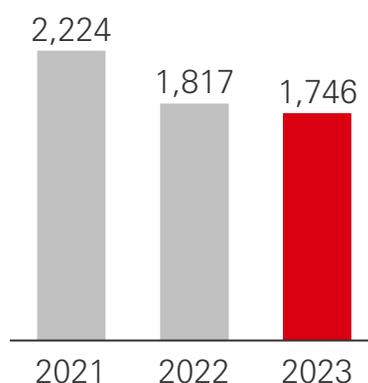
## Human rights<sup>17</sup>



Our Group approach to human rights is guided by the UN Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

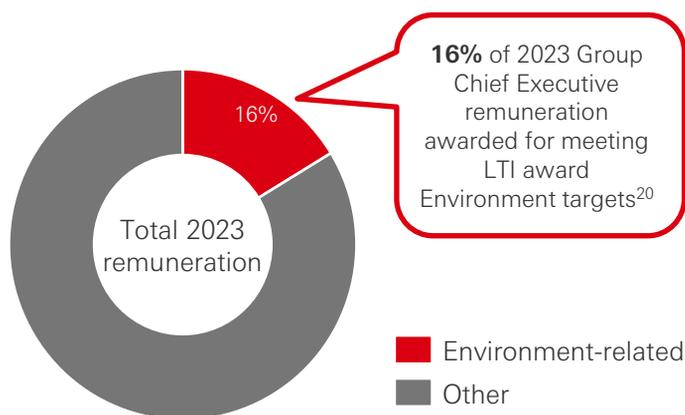
## Whistleblowing

(No. of whistleblowing concerns raised)



## Executive director remuneration<sup>18</sup>

### Total Group Chief Executive remuneration, 2023<sup>19</sup>



### Annual incentive scorecard for 2024

Measure	Weighting
Execution of our sustainability commitments against Board approved plans	5%
Employee experience - Gender and ethnicity representation and Inclusion index score	10%

### Long-term incentive scorecard for 2024-2026

Environment measures	Weighting
Carbon reduction (own emissions)	12.5%
Sustainable finance and investment	12.5%

## Safeguarding the financial system



98%

Of employees received financial crime training, including on anti-bribery and corruption<sup>21</sup>



1.35 billion

Average transactions monitored per month for signs of financial crime

# Footnotes

1. As of 9 July 2024; Sustainalytics ESG Risk Ratings are scored on a scale of 0-100, where lower scores are better. Our score of 24.2 classifies HSBC as "Medium Risk". Up-to-date ESG ratings and relevant reports can be found at [www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre](http://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre)
2. In October 2020, we announced our ambition to provide and facilitate between \$750bn to \$1tn of sustainable finance and investment by 2030. For further details and breakdown, see the ESG review on page 49 of the HSBC Holdings Annual Report and Accounts 2023 and ESG Datapack 2023.
3. This absolute greenhouse gas emission figure covers scope 1, scope 2 and scope 3 business travel emissions. For further details of how this ambition links with the scorecards, see page 284 of the HSBC Holdings Annual Report and Accounts 2023.
4. For further details of our financed emissions methodology, exclusions, and limitations, see our Financed Emissions and Thermal Coal Exposures Methodology at <https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2023/annual/pdfs/hsbc-holdings-plc/240221-financed-emissions-methodology-update-published-february-2024.pdf?download=1>
5. Our absolute and intensity emission metrics and targets are measured based on the drawn exposures of the counterparties in scope for each sector. For oil and gas; and power and utilities, the baseline, 2021, 2022 and target type figures represent revised combined on-balance sheet financed and facilitated emissions. For iron, steel and aluminium; cement; aviation; automotive; and thermal coal mining, the baseline, 2021, 2022 and target type figures represent on-balance sheet financed emissions (no revisions applied).
6. For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO<sub>2</sub>e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO<sub>2</sub>e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO<sub>2</sub>e/t cement'); for the iron, steel and aluminium sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of metal ('tCO<sub>2</sub>e/t metal'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO<sub>2</sub>e/million rpk'); for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO<sub>2</sub>e/million vkm'); and for the thermal coal mining sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO<sub>2</sub>e').
7. While the iron, steel and aluminium 2030 target is aligned with the IEA NZE 2021 scenario, we also reference the Mission Possible Partnership Technology Moratorium scenario, whose 2030 reference range is shown in parentheses.
8. Our aviation unit includes passenger and cargo tonnes, converted into revenue passenger kilometre ('rpk'), to align with our target pathway. This is comparable to revenue tonne kilometre (rtk) using a 100kg per passenger conversion factor as we already include belly and dedicated cargo in our production figures. The conversion factor changed from 95kg per passenger in the previous disclosure to align with industry practice.
9. The thermal coal mining scope differs from the other sectors. We include solely emissions from thermal coal production and coal power generation, rather than the total emissions of a counterparty within a sector, to reflect the absolute financed emissions reduction thermal coal mining sector target.
10. Available at: <https://www.iea.org/reports/net-zero-by-2050>
11. In our leadership structure, we classify senior leadership as those at career band 3 and above; middle management as those at global career band 4; and junior management as those at global career bands 5 and 6.
12. Our headline measure of employee engagement captures how employees feel about HSBC: whether they are proud to say they work here, whether they would recommend working at HSBC, and how motivated they feel to do their best work.
13. Number of no-cost accounts held for customers who do not qualify for a standard account or who might need additional support due to social or financial vulnerability.
14. The six markets comprise: the UK, Hong Kong, Mexico, mainland China, India and Singapore. Rank positions are provided using data gathered through third-party research agencies.
15. We benchmark our NPS against our key competitors to create a rank position in each market. This table is based is on the number of markets where we are in the top three or have improved rank from the previous year.
16. Our WPB NPS ranking in mainland China is based on 2022 results. Due to data integrity challenges, we are unable to produce a 2023 ranking. The next mainland China results will be in 2024.
17. For further details of our approach, see the 'Human rights' section on pages 89-90 of the HSBC Holdings Annual Report and Accounts 2023.
18. For full details, please refer to the Directors' remuneration report on page 279 of the HSBC Holdings Annual Report and Accounts 2023.
19. Total CEO remuneration is the 2023 'Single figure of remuneration'.
20. The 16% figure forms part of the £5.2m LTI award payment to Group Chief Executive in 2023, and relates equally to the two environment targets in the 2020-2023 LTI, 'Carbon reduction (own measures)' and 'Sustainable finance and investment.'
21. The completion rate shown relates to the 'Fighting financial crime' training module in 2023 and covers permanent and non-permanent employees. The latest global conduct training 'Conduct matters and taking responsibility – 2023' was launched in December 2023 and will run through the first quarter.

# Key contacts

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# Disclaimer

## Important notice

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## Forward-looking statements

This factbook may contain projections, estimates, forecasts, targets, commitments, ambitions, opinions, prospects, results, returns and other forward-looking statements with respect to the financial condition, results of operations, capital position, ESG related matters, strategy and business of the Group which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "project", "plan", "estimate", "seek", "intend", "target", "believe", "potential" and "reasonably possible" or the negatives thereof or other variations thereon or comparable terminology (together, "forward-looking statements"), including the strategic priorities and any financial, investment and capital targets and any ESG targets, commitments and ambitions described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market or economic conditions, regulatory changes, increased volatility in interest rates and inflation levels and other macroeconomic risks, geopolitical tensions such as the Russia-Ukraine war and the Israel-Hamas war and potential further escalations, specific economic developments, such as the uncertain performance of the commercial real estate sector in mainland China, or as a result of data limitations and changes in applicable methodologies in relation to ESG related matters). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained herein.

Additional detailed information concerning important factors, including but not limited to ESG related factors, that could cause actual results to differ materially from this factbook is available in our Annual Report and Accounts for the fiscal year ended 31 December 2023 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 22 February 2024 (the "2023 Form 20-F") and in our 1Q 2024 Earnings Release, which we furnished with the SEC on Form 6-K on 30 April 2024 (the "1Q 2024 Earnings Release").

## Alternative Performance Measures

This factbook contains non-IFRS measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with SEC rules and regulations ("Alternative Performance Measures"). The primary Alternative Performance Measures we use are presented on a "constant currency" basis which is computed by adjusting comparative period reported results for the effects of foreign currency translation differences, which distort period-on-period comparisons.

Reconciliations between Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 2023 Form 20-F and 1Q 2024 Earnings Release, each of which is available at [www.hsbc.com](http://www.hsbc.com).

Information in this factbook was prepared as at 9 July 2024.