Environmental, social and governance review

Our ESG review sets out our approach to our environment, customers, employees and governance. It explains how we aim to achieve our purpose, deliver our strategy in a way that is sustainable, and build strong relationships with all of our stakeholders.

How we present our TCFD disclosures
Our overall approach to TCFD can be found on page 17 and additional information is included on pages 69 and 440. Further details have been embedded in this section and the Risk review section on pages 221 to 230. Our TCFD disclosures are highlighted with the following symbol: TCFD

Our approach to ESG

We continue to work to incorporate environmental, social and governance principles throughout the organisation and to embed sustainability into the way we operate.

About the ESG review

Our purpose is: 'Opening up a world of opportunity'.

Our purpose is guided by our values: we value difference; we succeed together; we take responsibility; and we get it done.

Our approach to ESG is shaped by our purpose and values and a desire to create sustainable long-term value for our stakeholders. We collaborate and aim to build strong relationships with all of our stakeholders, which include the people who work for us, bank with us, own us, regulate us, and live in the societies we serve and on the planet we all inhabit to deliver the ESG approach.

Transition to net zero
We have continued to take steps to implement our climate ambition to become net zero in our operations and our supply chain by 2030, and align our financed emissions to net zero by 2050. In January 2024, we published our net zero transition plan, which is an important milestone in our journey to achieving our net zero ambition. The plan will help our people, customers, investors and other stakeholders to understand our long-term vision, the challenges, uncertainties and dependencies that exist, the progress we are making towards our own transition and what we plan to do in the future.

In this ESG review, we publish on-balance sheet financed emissions for thermal coal mining, in addition to other sectors we have already been reporting on, noting the challenge of evolving methodologies and data limitations. We also publish combined on-balance sheet financed and facilitated emissions for the oil and gas, and power and utilities sectors. We expect to iterate and mature our approach to supporting sector transitions over time. We also continue to work on improving our data management processes.

We continue to review policy implementation as we apply our policies in practice and our operationalisation of such policies continues to be enhanced. We take a risk-based approach when identifying transactions and clients to which our energy policy and thermal coal phase-out policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality.

We are also working with peers and industry bodies to help mobilise the systemic change needed to deliver action on climate change, nature and the just transition.

Environmental – Transition to net zero

- In January 2024, we published our net zero transition plan. This provides an overview of the progress we have made to date and what we plan to do next, although we acknowledge there is still much more to do.
- We have now set combined on-balance sheet financed emissions and facilitated emissions targets for two emissions-intensive sectors: oil and gas, and power and utilities, and report the combined progress for both sectors.

Read more in the Environmental section on page 44.

Social – Building inclusion and resilience

- In 2023, 34.1% of senior leadership roles were occupied by women, with a target to achieve 35% by 2025, although progress has not been as fast paced as we would have liked. We also continued on a journey to meet our ethnicity goals.
- Employee engagement, which is our headline measure, increased by three points in 2023 and is now seven points ahead of the external financial services benchmark.

Read more in the Building inclusion and resilience section on page 75.

Governance – Acting responsibly

- We continue to raise awareness and develop our understanding of our salient human rights issues. In 2023, we provided practical guidance and training, where relevant, to our colleagues across the Group on how to identify and manage human rights risk.
- We were ranked as a top three bank against our competitors in 58% of our key six markets, although we still have work to do to improve our rank positions.

Read more in the Governance section on page 87.

Building inclusion and resilience
Our social approach is centred around fostering inclusion and building resilience for our colleagues, our customers, and in the communities we serve.

We are building a workforce that is representative of the communities that we serve and we have targets and programmes in place to ensure fair and inclusive recruitment and to support the equitable progression of under-represented groups. We also strive to create an inclusive and accessible banking experience for all of our customers, and to help them access the finance they need without unnecessary barriers.

Employee resilience is central to our success, so we provide a wide range of resources to support colleagues' mental, physical and financial well-being, as well as training and support so that they are equipped with the skills they need to further their careers. We support customer resilience with products, services and education that build their capabilities so that they can understand their finances and manage them effectively.

Acting responsibly
Our governance approach focuses on acting responsibly and recognises topics such as human rights, conduct and data integrity.

Our policies and procedures help us to provide the right outcomes for customers, including those with enhanced care needs, which in 2023 took into account pressures from the increased cost of living. Customer experience is at the heart of how we operate and is measured through customer satisfaction and customer complaints.

We are continuing our journey to embed ESG principles across the organisation, including incorporating climate risks within the risk management framework, training our workforce, incorporating climate-related targets within executive scorecards, and engaging with customers and suppliers.

How we decide what to measure

We listen to our stakeholders in a number of different ways, which we set out in more detail within the 'ESG overview' on page 14. We use the information they provide us to identify the issues that are most important to them and consequently also matter to our own business.

Our ESG Committee and other relevant governance bodies regularly discuss the new and existing themes and issues that matter to our stakeholders. Our management team then uses this insight, alongside the framework of the ESG Guide (which refers to our obligations under the Environmental, Social and Governance Reporting Guide contained in Appendix C2 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited), and the LR9.8.6R(8) of the Financial Conduct Authority's ('FCA') Listing Rules, and other applicable laws and regulations to choose what we measure and publicly report in this ESG review. Under the ESG Guide, 'materiality' is considered to be the threshold at which ESG issues become sufficiently important to our investors and other stakeholders that they should be publicly reported. Our approach to materiality also considers disclosure standards and other applicable rules and regulations as part of our materiality assessment for specific ESG topics and relevant disclosures.

Given the recent developments in the ESG regulatory environment across various jurisdictions in which we operate, combined with the relative immaturity of processes, systems, data quality and controls, our focus remains on supporting a globally consistent set of mandatory sustainability standards. We aim to continue to evolve our reporting to recognise market developments, such as the International Sustainability Standard Board ('ISSB') or the Corporate Sustainability Reporting Directive ('CSRD'), and support the efforts to harmonise the disclosures. In this *Annual Report and Accounts*, we continue to report against the core World Economic Forum ('WEF') Stakeholder Capitalism Metrics, and Sustainability Accounting Standards Board ('SASB') metrics and will continue to review our approach as the regulatory landscape evolves.

Consistent with the scope of financial information presented in our *Annual Report and Accounts*, the ESG review covers the operations of HSBC Holdings plc and its subsidiaries. Given the relative immaturity of ESG-related data and methodologies in general, we are on a journey towards improving completeness and robustness.

For further details of our material ESG topics, see 'Engaging with our stakeholders and our material ESG topics' on page 15.

For further details of our approach to reporting, see 'Additional information' on page 439.

Our reporting around ESG

We report on ESG matters throughout our *Annual Report and Accounts*, including the 'ESG overview' section of the Strategic Report (pages 14 to 19), this ESG review (pages 41 to 98), and the 'Climate risk' and 'Insights from climate scenario analysis' sections of the Risk review (pages 221 to 230). In addition, we have other supplementary materials, including our *ESG Data Pack*, which provides a more granular breakdown of ESG information.

Detailed data	**Additional reports**
ESG Data Pack 2023, including SASB Index 2023 and WEF Index 2023	UK Pay Gap Report 2023
	Modern Slavery and Human Trafficking Statement 2023
	Green Bond Report 2023
	HSBC UN Sustainable Development Goals Bond and Sukuk Report 2023

For further details of our supplementary materials, see our ESG reporting centre at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Assurance relating to ESG data TCFD

HSBC Holdings plc is responsible for preparation of the ESG information and all the supporting records, including selecting appropriate measurement and reporting criteria, in our *Annual Report and Accounts, ESG Data Pack* and the additional reports published on our website.

We recognise the importance of ESG disclosures and the quality of data underpinning them. We also acknowledge that our internal processes to support ESG disclosures are in the process of being developed and currently rely on manual sourcing and categorisation of data. Certain aspects of our ESG disclosures are subject to enhanced verification and assurance procedures including the first, second and third line of defence. Assurance assists in reducing the risk of restatement, although it cannot be fully eliminated given the challenges in data, evolving methodologies and emerging standards. We aim to continue to enhance our approach in line with external expectations.

For 2023, ESG data is subject to stand-alone independent PwC limited assurance in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, on the following specific ESG-related disclosures and metrics:

- our Green Bond Report 2023 (published in December 2023);
- our progress towards our ambition to provide and facilitate $750bn to $1tn of sustainable finance and investment by 2030 (see page 49);
- our on-balance sheet financed emissions for 2021 and 2022 for six sectors, our on-balance sheet financed emissions for 2020 for thermal coal mining, and our facilitated emissions for two sectors for 2019 to 2022 (see page 61);
- our thermal coal financing drawn balance exposures for 2020 (see page 67); and
- our own operations' scope 1, 2 and 3 (business travel) greenhouse gas emissions data (see page 64), as well as supply chain emissions data.

The work performed for independent limited assurance is substantially less than the work performed for a reasonable assurance opinion, like those provided over financial statements.

Our data dictionaries and methodologies for preparing the above ESG-related metrics and independent PwC's limited assurance reports can be found at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Environmental TCFD

Transition to net zero

We support the transition of our customers, industries and markets to a net zero and a sustainable future, while moving to net zero ourselves.

At a glance

Our approach to transition to net zero
Our net zero ambition represents one of our four strategic pillars. In January 2024, we published our net zero transition plan. It provides an overview of our approach to net zero and the actions we are taking to help meet our ambition. It sets out how we are working to embed net zero across key areas of our organisation to help ensure that we can play a role in the transition to net zero in the markets we serve.

Supporting our customers
To help achieve the scale and speed of change required to transition to net zero, we know we need to support our customers not just with finance, but with the services, insights and tools to help them to transition. In 2023, we continued to provide sustainable financing and investment to our customers in line with our ambition to provide and facilitate $750bn to $1tn by 2030. We report our progress against our 2030 financed emissions targets and our wider progress towards net zero by 2050, including how we plan to engage with customers in high-emitting sectors.

Embedding net zero into the way we operate
We take a risk-based, proportionate and iterative approach to embedding net zero into our organisation, focusing our efforts on where we can help drive material and implementable change, and applying learnings as we go along. Our approach will continue to mature over time with evolving science, methodologies, industry standards and regulatory requirements, and improvements in data and in technology infrastructure.

Partnering for systemic change
Our ability to achieve our own net zero ambition is heavily reliant on the mobilisation of all stakeholders, public and private, across multiple geographies. We continue to support systemic change through new and existing partnerships, and we engage through industry alliances and initiatives to help build a supportive enabling environment.

Impact on reporting and financial statements
We have assessed the impact of climate risk on our balance sheet and have concluded that there is no material impact on the financial statements for the year ended 31 December 2023. The effects of climate change are a source of uncertainty. We capture known and observable potential impacts of climate-related risks in our asset valuations and balance sheet calculations. These are considered in relevant areas of our balance sheet, including expected credit losses, classification and measurement of financial instruments, goodwill and other intangible assets; and in making the long term viability and going concern assessment. As part of assessing the impact on our financial statements we conducted scenario analysis to understand the impact of climate risk on our business (see page 65). For further details of our climate risk exposures, see page 221.

For further details of how management considered the impact of climate-related risks on its financial position and performance, see 'Critical estimates and judgements' on page 343.

In this section

Overview TCFD

Our approach to the transition

The Paris Agreement aims to limit the rise in global temperatures to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels. To limit the rise to 1.5°C, the global economy would need to reach net zero greenhouse gas emissions by 2050. We are working to achieve a 1.5°C-aligned phase-down of financed emissions from our portfolio.

In October 2020, we announced our ambition to become a net zero bank by 2050 and in 2021 we included the transition to net zero as one of the four key pillars of our corporate strategy.

Our starting point in the transition to net zero is one of a heavy financed emissions footprint. Our history means our balance sheet is weighted towards the sectors and regions which matter the most in terms of emissions, and whose transitions are therefore key to the world's ability to reach net zero on time. This means we will have a complex transition, with markets and sectors at different starting points and moving at different speeds. However, it also provides us with an opportunity to work with our customers to help make an impact – in both the emissions challenge and the financing challenge.

Responding to the challenges and opportunities presented by net zero requires us to work across HSBC to implement and embed our net zero approach, to manage associated risks, and to help sustain and grow value for our customers, our shareholders and our wider stakeholders. We want to make financing, facilitating and investment choices that can lead to a meaningful impact on emissions reduction in the real economy, not just in our portfolio. This requires engaging with our customers on their transitions to help finance decarbonisation in the sectors and geographies with the most change ahead.

In January 2024, we published our net zero transition plan. It provides an overview of our approach to net zero and the actions we are taking to help meet our ambition. It sets out how we intend to use our strengths as an organisation to help deliver a broader impact on decarbonisation, how we are working to embed net zero across key areas of our organisation, and the principles that we aim to use to guide the implementation of our approach.

Our net zero strengths
We aim to rebalance our capital deployment towards achieving net zero over the coming decades. We believe we can do this best by promoting change in three key areas that play to our strengths as an organisation: transitioning industry; catalysing the new economy; and decarbonising trade and supply chains.

Our implementation plan
We are working to embed net zero across our organisation. This includes embedding net zero into: the way that we support our customers, both through customer engagement and the provision of financing solutions; the way that we operate as an organisation, including risk management, policies, governance and own operations; and how we partner externally in support of systemic change. It also means focusing first on the sectors and customers with the highest emissions and transition risks, and evolving and expanding our efforts over time.

Our net zero principles
In implementing our approach to net zero, we aim to be guided by a set of principles which are aligned with our core values: science-based, transparent and accountable; integrating nature; and just and inclusive.

For further details of our approach to the transition, see our Net Zero Transition Plan 2024 at www.hsbc.com/who-we-are/our-climate-strategy/our-net-zero-transition-plan.

Our net zero strengths Where we believe we can best promote change	Transitioning industry	Catalysing the new economy	Decarbonising trade and supply chains
Our implementation plan Embedding net zero into how we engage, operate and collaborate	Supporting our customers	Embedding net zero into the way we operate	Partnering for systemic change

Understanding our climate reporting

The availability of high-quality climate-related data, transparent reporting standards and consistent methodology will play a vital role in helping deliver the economic transformation required to limit global warming to 1.5°C at the speed and scale that is needed. We understand that our existing data, systems, controls and processes require significant enhancements to drive effective change, but we recognise the necessity to balance this with providing early transparency on climate disclosures.

Our stakeholder dependency
Critical to our approach is a recognition that as a bank we cannot do this alone. Our ability to transition relies on decarbonisation in the real economy – both the supply and demand side – happening at the necessary pace. Our customers and the industries and markets we serve will need to transition effectively, supported by strong government policies and regulation, and substantially scaled investment. Engagement and collaboration are therefore key to how we respond.

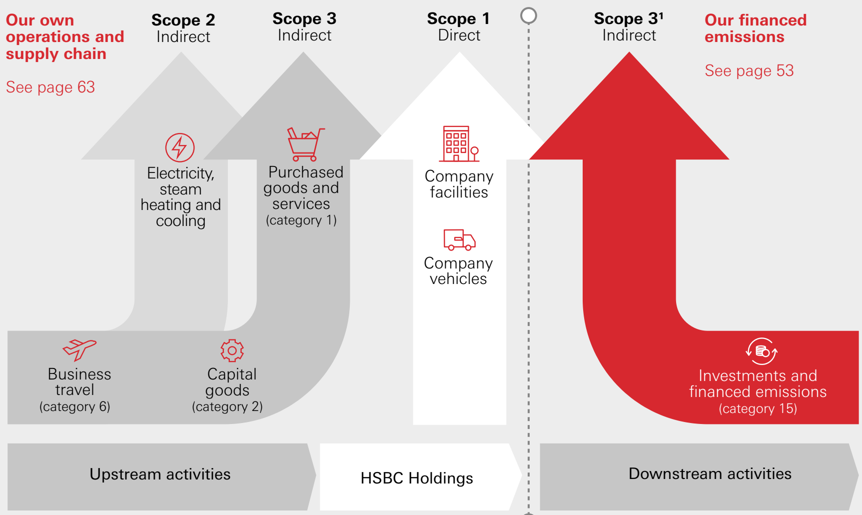
We acknowledge that to achieve our climate ambition we need to be transparent about the opportunities, challenges, related risks we face and progress we make. Our reporting must evolve to keep pace with market developments, and we will aim to work through challenges and seek to improve consistency across different markets. Standard setters and regulators will play a critical role. Some of the limitations and challenges that our organisation, and the wider industry, currently face with regard to climate reporting are highlighted on pages 47 to 48.

Explaining scope 1, 2 and 3 emissions

To measure and manage our greenhouse gas emissions, we follow the Greenhouse Gas Protocol global framework, which identifies three scopes of emissions. Scope 1 represents the direct emissions we create. Scope 2 represents the indirect emissions resulting from the use of electricity and energy to run a business. Scope 3 represents indirect emissions attributed to upstream and downstream activities. Our upstream activities include business travel and emissions from our supply chain including transport, distribution and waste. Our downstream activities include those related to investments and including financed emissions.

Under the protocol, scope 3 emissions are also broken down into 15 categories, of which we provide reporting emissions data for three related to upstream activities. These are: purchased goods and services (category 1); capital goods (category 2); and business travel (category 6). We also report data on downstream activities for financed emissions (category 15).

For further breakdown of our scope 1, 2 and 3 emissions, see our ESG Data Pack *at www.hsbc.com/esg.*



1 *Our analysis of financed emissions comprises 'on-balance sheet financed emissions' and 'facilitated emissions'.*

Accelerating investment in Baltic offshore wind energy

Polish multi-energy company Orlen Group and Canadian power producer Northland Power have set up a joint venture to build the Baltic Power project – the first offshore wind farm in Polish waters of the Baltic Sea.

In September 2023, we played a key role in supporting the construction and operation of 76 offshore turbines when we acted as a mandated lead arranger for a $3.8bn (€4.4bn) credit facility. We helped coordinate a syndicate of 25 Polish and international financial institutions to finance the project.

With a target capacity of almost 1.2 gigawatts, the wind farm is expected to represent a significant step in reducing Poland's reliance on fossil fuels and generate enough clean electricity to power the equivalent of more than 1.5 million homes annually.

Understanding our climate reporting continued

Keeping up-to-date with real economy progress
Net zero-aligned scenarios are dynamic by nature; they are typically updated every few years to incorporate significant shifts that have occurred in the real economy. Key drivers of this include changes in the economic environment, new data on technology deployment across sectors and geographies, new policies, and increased investment in clean energy and/or in fossil fuels.

The reference scenario we have selected to date for our published 2030 targets, for on-balance sheet and facilitated emissions, is the International Energy Agency's ('IEA') NZE 2021 scenario, which is 1.5°C-aligned with limited overshoot. In September 2023, the IEA's NZE 2023 scenario was published as an update to reflect developments since 2021. As outlined in our net zero transition plan, going forwards we intend to review each updated set of 1.5°C-aligned scenarios to further develop and enhance our understanding of the latest outlooks for evolving pathways to achieve net zero by 2050. This will help us to consider whether, how and when to iterate and update our approach to scenario selection and target setting, portfolio alignment, and policies to keep pace with the latest science and real-world developments. We anticipate standard setter and industry guidance on the treatment of updated scenarios in target-setting to emerge.

We recognise that the so-called 'hard-to-abate' sectors, such as cement, iron, steel and aluminium, and aviation have a large dependence on nascent technologies and the presence (or not) of enabling policies and regulations. We may consider tracking progress relative to 1.5°C-aligned ambition ranges for these sectors in the future, which could include industry-specific scenarios alongside the IEA NZE scenario.

Critical dependencies
Progress in the real economy towards net zero will likely be non-linear and will depend heavily on external factors including the policy and regulatory landscape, the speed of technological innovation, major economic shifts and geopolitical events. There is also a risk of government or customer net zero pledges or transition plans not turning into the necessary emissions reductions in the coming decade, or in the case of hard-to abate sectors, being pared back if technologies do not scale in time. In addition, climate science, the quality of data, and the scenarios upon which we have based our approach will change. We recognise that while we have limited control of these external dependencies, we can be clear on where we intend to focus our efforts to help drive meaningful change, and that we expect to iterate and mature our approach over time.

Our internal and external data challenges
Our climate ambition requires us to continue to enhance our capabilities including governance, processes, systems and controls. In addition, there is a heightened need for subject matter experts for climate-related topics as well as upskilling of key colleague groups who are supporting customers through their net zero transition. We also need new sources of data, some of which may be difficult to assure using traditional verification techniques. This challenge, coupled with diverse external data sources and structures, further complicates data consolidation. Our internal data on customer groups used to source financial exposure and emissions data is based on credit and relationship management attributes, and is not always aligned to the data needed to analyse emissions across sector value chains. As a consequence, this can result in an inconsistent basis in our financed emissions calculations.

We continue to invest in our climate resources and skills. Our activities are underpinned by efforts to develop our data and analytics capabilities and to help ensure that we have the appropriate processes, systems, controls and governance in place to support our transition.

We continue to increase automation of our processes, with a particular focus on developing our ESG data capabilities to help address data gaps and improve consistency. This includes sourcing more reliable data from external providers. We are also developing our processes, systems, controls and governance to meet the demands of future ESG reporting. Certain aspects of our reporting rely on manual sourcing and categorisation of data that is not always aligned with how our businesses are managed. We also have a dependency on emissions data from our clients. Given the manual nature of the process, enhanced verification and assurance procedures are performed on a sample basis over this reporting, including the first and second line of defence. Our climate models undergo independent review by an internal model review group, and we obtain limited assurance on our financed emissions and sustainable finance disclosures from external parties, including our external auditors.

Policy implementation
We continue to review policy implementation as we apply our policies in practice, and our operationalisation of such policies continues to be enhanced. We take a risk-based approach when identifying transactions and clients to which our energy and thermal coal phase-out policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality. This helps to focus our efforts on areas where we believe we can help drive meaningful change, while taking into account experience from policy implementation over time.

An evolving approach to embedding net zero
We acknowledge that our assessment of client transition plans – which to date has focused on clients in scope of our thermal coal phase-out and energy policies – is at an early stage with initial learnings on methodology and client engagement. We are also at the early stages of embedding transition plans alongside financed emissions into transaction and portfolio level business and risk processes. Our net zero transition plan provides further details of work underway and planned.

Limited alignment on sustainable finance taxonomies

Sustainable finance metrics, taxonomies and best practices lack global consistency. As standards develop over time and as the regulatory guidance around them evolves across jurisdictions, our methodologies, disclosures and targets may need to evolve. This could lead to differences in year-on-year reporting and restatements.

We continue to engage with standard setters in different regions to support the development of transparent and consistent taxonomies to best incentivise science-based decarbonisation, particularly in high transition risk sectors. We aim to align to enhanced industry standards as they are further developed, and increase transparency across the different types of green and sustainable finance and investment categories going forward.

Understanding our climate reporting continued

Financed emissions reporting challenges
The methodologies and data used to assess financed emissions and set targets continue to evolve alongside changes to industry guidance, market practice and regulation. We plan to refine our analysis using appropriate data sources and current methodologies available for the sectors we analyse. We have developed an internal recalculation policy (see page 56) to define the circumstances under which a recalculating of financed emissions is necessary to help support the consistency, comparability and relevance of our reported emissions data over time.

We have now set combined on-balance sheet financed emissions and facilitated emissions targets for two emissions-intensive sectors: oil and gas, and power and utilities, and report the combined progress for both sectors. We continue to report on-balance sheet financed emissions and targets for cement, iron, steel and aluminium, aviation, automotive and in 2023 we added thermal coal mining financed emissions.

Emissions related to our insurance business are partially captured within the disclosures of HSBC Asset Management, which manages the vast majority of our insurance assets. The Partnership for Carbon Accounting Financials ('PCAF') standard for insurance associated emissions (part C) is not applicable to our insurance business as HSBC Insurance focuses on the manufacturing of life insurance products.

In November 2023, our asset management business updated its 2022 thermal coal phase-out policy and released a new energy policy. It continues to focus on its portfolios' scope 1 and scope 2 decarbonisation target for 2030 with the aim of aligning with net zero emissions by 2050 or sooner. The commitment covers listed equity and corporate fixed income where data is most reliable and methodologies are most mature.

In January 2023, we withdrew our commitment to the Science Based Targets initiative ('SBTi'), which we had made in 2016, because we determined that it would not be feasible for us to meet SBTi's requirement to submit a complete set of sector targets for validation by its deadline. We continue to engage with SBTi on guidance for financial institutions and we participated in SBTi's consultation process on its revised standards during the year.

Disclosure revisions
We are committed to timely and transparent reporting. However, we recognise that challenges on data sourcing, as well as the evolution of our processes and industry standards, may result in us having to restate certain disclosures. In 2023, there has been an impact on certain climate disclosures, as follows:

- Financed emissions: we improved our methodology for calculating financed emissions using more granular product identification to isolate exposure in scope, more consistent emission factors for estimates, and a revised aggregation method for emission intensity. Previously reported on-balance sheet numbers included non-lending exposures for market products in error. The more granular product identification will help ensure these are not included in future.
- Financed emissions: to reflect these enhancements we have set out the recalculated metrics for the oil and gas, and power and utilities sectors in the financed emissions section. The oil and gas baseline for on-balance sheet financed emissions is now 28.4 million tonnes of carbon dioxide equivalent ('Mt CO_2e') for 2019 versus 33.0 Mt CO_2e reported in the *Annual Report and Accounts 2022*. The power and utilities baseline for on-balance sheet financed emissions is now 537.5 tonnes of carbon dioxide equivalent per gigawatt hour ('tCO_2e/GWh') for 2019 versus 589.9 tCO_2e/GWh reported in the *Annual Report and Accounts 2022*. For other sectors, changes were not material enough to warrant a recalculation.
- Thermal coal exposures: we have now revised the basis of preparation for our thermal coal exposures. Aligned with our thermal coal phase-out policy, we applied a risk-based approach to identify clients and report on relevant exposures. Our thermal coal financing drawn balance exposure was approximately $1bn† as at 31 December 2020. We continue to work on our 2021 and 2022 numbers based on our revised basis of preparation and expect to report on these in future disclosures.
- Thermal coal power financed emissions: we have discontinued separate tracking and reporting of thermal coal power financed emissions. A review of the counterparties included within the on-balance sheet financed emissions calculation showed that the majority of thermal coal power entities in scope are included in other financed emission sector targets. We previously set separate targets to reduce on-balance sheet financed emissions for thermal coal power and thermal coal mining aligned to our thermal coal phase-out policy. We plan to maintain a financed emissions target for thermal coal mining only, and have set an absolute on-balance sheet reduction target for 2030 from a 2020 baseline. We used 2020 as a baseline to align with those applied to our drawn balance exposure targets. These targets reflect the percentage reduction that the IEA indicates in its net zero emissions scenario for global emissions to 2030.
- Shipping: following a reduction in our exposure to the shipping sector after the strategic sale of part of our European shipping portfolio in 2023, and work undertaken to assess the materiality of our remaining portfolio from a financed emissions perspective, we have concluded that the remaining exposure as of year-end 2023 is not material enough to warrant setting a stand-alone target. This aligns with Net-Zero Banking Alliance ('NZBA') guidelines on sector inclusion for target setting.

Continuing to evolve our climate disclosures
We understand the need to provide early transparency on climate disclosures but we must balance this with the recognition that our existing data and reporting processes require significant enhancements. Due to ongoing data availability and quality challenges, we continue to assess our financed emissions for our real estate and agriculture sectors.

We are engaging with standard setters to support the development of transparent and consistent climate-related industry standards in areas such as product labelling, sustainability disclosures, sustainable finance taxonomy and emissions accounting. Voluntary industry initiatives can also help shape action and collaboration, and often form the basis of future climate policy and regulation. For example, we supported the TCFD, which is now referenced in climate disclosure rules around the world.

In 2024, we will continue to review our approach to disclosures, and enhance as appropriate.

For details of assurance over our ESG data, see page 43.

For details of our approach to calculating financed emissions and the relevant data and methodology limitations, see page 55.

For details of our sustainable finance and investment ambition, see page 49.

For details of our approach to thermal coal financing exposures, see page 67.

For further details of our asset management policies, see page 67.

† Data is subject to independent limited assurance by PwC in accordance with ISAE 3000/ ISAE 3410. For further details, see our Financed Emissions and Thermal Coal Exposures Methodology and PWC's limited assurance report, which are available at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Supporting our customers

Sustainable finance and investment TCFD

We recognise that we have an important role to play in supporting the transition to a net zero global economy. As a global organisation with a presence in the regions and sectors where most significant change is needed, we are well placed to help transition industry and catalyse the new economy to reach net zero.

Progress on our sustainable finance and investment ambition

We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. Our sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions.

Since 1 January 2020, we have provided and facilitated $267.8bn of sustainable finance and $26.6bn of ESG and sustainable investing, as defined in our *Sustainable Finance and Investment Data Dictionary 2023*. This included 38% where the use of proceeds were dedicated to green financing, 12% to social financing, and 15% to other sustainable financing. It also included 26% of sustainability-linked financing and 9% of net new investment flows managed and distributed on behalf of investors. In 2023, our underwriting of green, social, sustainability and sustainability-linked bonds for clients decreased over the year, measured on a proportional share basis, in line with the wider bond market environment, although it remained at 15% of our total bond underwriting. On-balance sheet sustainable lending transactions increased by 7% compared with 2022. In 2023, transactions totalling $0.7bn were identified as no longer fulfilling our eligibility criteria. These were declassified and removed from the cumulative progress total, and reported as a negative entry in 2023.

Continued progress towards achieving our sustainable finance and investment ambition is dependent on market demand for the products and services set out in our *Sustainable Finance and Investment Data Dictionary 2023*.

Sustainable finance and investment summary[1]	2023 ($bn)	2022 ($bn)	2021 ($bn)	2020 ($bn)	Cumulative progress since 2020 ($bn)
Balance sheet-related transactions provided	**42.7**	42.2	26.0	10.4	**121.3**
Capital markets/advisory (facilitated)	**33.3**	34.5	48.7	30.0	**146.5**
ESG and sustainable investing (net new flows)	**7.7**	7.5	7.7	3.7	**26.6**
Total contribution[2]	**83.7**	84.2	82.4	44.1	**294.4**
Sustainable finance and investment classification by theme					
Green use of proceeds[3,4]	**37.1**	29.0	27.1	18.9	**112.1**
Social use of proceeds[3]	**8.4**	6.7	11.3	9.7	**36.1**
Other sustainable use of proceeds[3,5]	**10.7**	12.6	11.7	8.3	**43.3**
Sustainability-linked[6]	**19.8**	28.4	24.6	3.5	**76.3**
ESG and sustainable investing[7]	**7.7**	7.5	7.7	3.7	**26.6**
Total contribution[2,8]	**83.7**	84.2	82.4	44.1	**294.4**

1 *The 2023 data in this table has been prepared in accordance with our* Sustainable Finance and Investment Data Dictionary 2023*, which includes green, social and sustainability activities. The amounts provided and facilitated include: the limits agreed for balance sheet-related transactions provided, the proportional share of facilitated capital markets/advisory activities and the net new flows of sustainable investments within assets under management.*

2 *The $294.4bn cumulative progress since 2020 is subject to PwC's limited assurance in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. For our* Sustainable Finance and Investment Data Dictionary 2023 *and PwC's limited assurance report, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.*

3 *For green, social and other sustainable use of proceeds, the capital markets products are aligned to the International Capital Markets Association's ('ICMA') Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines or the Climate Bonds Initiative as applicable. The lending labelled products are aligned to the Green Loan Principles ('GLP') or Social Loan Principles of the Loan Market Association ('LMA'), Asia-Pacific Loan Market Association ('APLMA') and the Loan Syndications and Trading Association ('LSTA') as applicable; or for our sustainable trade instruments, are aligned to HSBC's internal sustainable trade instrument principles which are based on the GLP and reference the UN SDGs. Also included are facilities where HSBC identifies that the use of proceeds would meet eligibility criteria as defined and approved by appropriate governance committees but these are not labelled or marketed as green or social.*

4 *Included within the total cumulative contribution towards our ambition are transactions to customers within the six high transition risk sectors (i.e. automotive, chemicals, construction and building materials, metal and mining, oil and gas, and power and utilities) as described on page 223. Of which approximately $37bn is defined as green use of proceeds in line with the* Sustainable Finance and Investment Data Dictionary 2023.

5 *Sustainable use of proceeds can be used for green, social or a combination of green and social purposes.*

6 *Our sustainability-linked labelled products are aligned to either the ICMA Sustainability-Linked Bond Principles or the Sustainability-Linked Loan Principles of the LMA, APLMA and the LSTA as applicable. The coupon or interest rate is dependent on whether the borrower achieves predefined sustainability performance targets. The funds can be used for general purposes.*

7 *Net new flows of both HSBC-owned (Asset Management) sustainable investment funds and Wealth and Global Private Banking investments assessed against the* Sustainable Finance and Investment Data Dictionary 2023.

8 *Additional detailed information on our sustainable finance and investment progress can be found in the* ESG Data Pack *at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.*

Sustainable finance and investment continued

Sustainable finance and investment definitions
Our data dictionary defining our sustainable finance and investment continues to evolve, and is reviewed annually to take into account the evolving standards, taxonomies and practices we deem appropriate. This involves reviewing and strengthening our product definitions, where appropriate, adding and deleting qualifying products, making enhancements to our internal standards, and developing our reporting and governance.

Industry and regulatory guidance on definitions for sustainable finance continue to evolve. In 2023, the Glasgow Financial Alliance for Net Zero ('GFANZ'), NZBA and the UK government released work-in-progress definitions of transition finance. We will continue to monitor these and other developments in sustainable finance definitions.

Our progress will be published each year, and we will seek to continue for it to be independently assured.

Mobilising capital to support our customers
In 2023, we continued to focus on providing our customers with products, services and initiatives to help enable emissions reduction in the real economy.

For example, we increased our funding from $5bn to $9bn for our sustainable finance scheme that supports businesses of all sizes in China's Greater Bay Area to transition to low-carbon operations. The scheme, launched in 2022, provides successful loan applicants access to a range of additional services including training, subsidised third-party assessments and assistance from a team with sustainable financing expertise. For our Wealth and Personal Banking customers, we launched green mortgages in Mexico, electric vehicle loans in India and a referral service to our electric vehicle leasing partner in the UK.

In 2023, we introduced an internal briefing series called Net Zero in Practice, which covers new technologies relevant to the net zero transition, drawing on expertise from across the organisation and highlighting financing opportunities and case studies.

We continue to be a participant in the Just Energy Transition Partnerships ('JETPs') in Indonesia and Vietnam, and in the Nexus for Water, Food and Energy in Egypt. These initiatives aim to play a catalytic role in mobilising finance to accelerate the energy transition. For further details of our involvement with the JETPs, see page 68.

In 2023, we won three awards at the *Environmental Finance* Bond Awards. We retained the *Euromoney* award for Best Bank for Sustainable Finance in Asia for the sixth year in a row, and won the global award for Best Bank for Public Sector Clients in recognition of our innovation in sustainability and tokenised public-sector bonds.

Our sustainable finance and investment data dictionary
We define sustainable finance and investment as any form of financial service that integrates ESG criteria into business or investment decisions. This includes financing, investing and advisory activities that support the achievement of UN Sustainable Development Goals ('SDGs'), including but not limited to the aims of the Paris Agreement on climate change.

Details of our revised definitions of the contributing activities for sustainable finance and investment and how we calculate the amounts we count are available in our *Sustainable Finance and Investment Data Dictionary 2023*.

For our ESG Data Pack *and* Sustainable Finance and Investment Data Dictionary*, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.*

Developing sustainable food supply chains in south-east Asia

Singapore-based Glife Technologies has developed a digital business-to-business food-sourcing platform that connects farmers from marginalised communities in south-east Asia to the hospitality industry.

The distribution network, served by an app, aims to improve the efficiency and sustainability of supply chains by aggregating orders and sourcing in bulk direct from farmers, in order to help control costs and reduce the risk of food waste from damage or contamination.

In June 2023, we provided a working capital loan and access to our cross-border network to help Glife expand its platform into new markets, including Malaysia and Indonesia. The loan also aims to help Glife finance social projects seeking to improve food security and creating more sustainable food systems. The loan was drawn from HSBC's New Economy fund, which is dedicated to investing in high-growth, pre-profit new economy businesses in Singapore.

Sustainable finance and investment continued

Responsible and sustainable investment
We offer a broad suite of ESG capabilities across asset management, global markets, wealth, private banking and securities services, to help institutional and individual investors to generate financial returns, manage risk and pursue ESG-related opportunities.

Our Asset Management business is committed to further developing our sustainable product range across asset classes, as well as enhancing our existing product suite for ESG and climate-related criteria where it is in the investors' interests to do so. In 2023, we launched 10 funds within our ESG and sustainable strategies, which adhere to, and are classified within, our *Sustainable Finance and Investment Data Dictionary 2023*.

HSBC Asset Management managed over $684bn assets at the end of 2023, of which $73.3bn comprise assets of funds and mandates invested in our ESG and sustainable strategies.

Our ESG and sustainable investing approach across different investment products can include but is not limited to the UN SDGs, including climate. For the avoidance of doubt, assets invested pursuant to, or considered to be in alignment with, HSBC's ESG and sustainable investing approach do not necessarily qualify as 'sustainable investments' as defined by the EU Sustainable Finance Disclosures Regulation ('SFDR') or other relevant regulations. Our ESG and sustainable investing approach is an HSBC internal classification approach used to establish our own ESG and sustainable investing criteria (recognising the subjectivity inherent in such an approach and the variables involved). It is also used to promote consistency across asset classes and business lines where relevant, and should not be relied on externally to assess the sustainability characteristics of any given product. There is no single global standard definition of, or measurement criteria for, ESG and sustainable investing or the impact of ESG and sustainable investing products.

We seek to take an active stewardship role to help drive positive change in the companies on our priority list in which we invest on behalf of our customers. The priority list, which is defined in our Global Stewardship Plan, can be found at: www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/-/media/files/attachments/uk/policies/stewardship-plan-uk.pdf.

HSBC Asset Management's fixed income, equity and stewardship teams held over 2,000 meetings with companies in its portfolios. This included engaging with companies on the priority list across several thematic priorities, such as climate change, human rights, public health, inclusive growth and shared prosperity, biodiversity and nature, trusted technology and data, and diversity, equity and inclusion.

For our private banking and wealth customers, we expanded our investment offering with the launch of eight ESG and sustainable investing mutual funds and exchange-traded funds in 2023. We also enhanced our ESG and sustainable investing structured products offering linked to indices such as the MSCI World Islamic ESG Select 8% Risk Control Index. Throughout 2023, we published regular ESG and sustainability-related market insights and updates such as #WhyESGMatters and Learning about ESG to help clients better understand the implications for their investments.

HSBC Life, our insurance business, continues to expand the availability of ESG investment fund options within its investment-linked products. In 2023, eight new ESG funds were introduced across Hong Kong, France and Singapore with a range of investment themes, including environmental, circular economy and sustainable energy.

In June, under the United Nations Environment Programme Finance Initiative ('UNEP FI') Principles for Sustainable Insurance, HSBC Life co-led a team of insurance organisations to publish an industry position paper focused on the role and opportunity for life and health insurers to help build a more inclusive and preventative healthcare model. This included examples of good industry practice to: help insurers improve access to healthcare; close the health protection gap; drive better health outcomes across populations; and mitigate potential health risks due to climate change and other environmental factors.

For further details of our asset management policies, see page 67.

Helping customers to understand ESG in their investments

We have launched new metrics to help our Global Private Banking and Wealth customers understand the ESG performance of their investments. In selected markets in 2023, we also introduced a sustainability preference questionnaire to help identify and understand our customers' sustainable investing objectives and ambitions. By improving clarity on ESG performance, which traditional financial metrics fail to capture, we aim to provide customers with meaningful insights to enable them to make informed investment decisions. Examples of these metrics, available on digital platforms in selected markets, are:

- 'ESG rating and score', which measures a company's resilience to material long-term, industry ESG risks and opportunities, with data provided by MSCI.
- 'Carbon intensity', which measures a company's carbon emissions per million of revenue, with data provided by S&P Trucost.

In addition, we have also introduced 'HSBC ESG and sustainable investing classifications', which help customers to understand and identify ESG and sustainable investing products in their investment portfolio according to HSBC's definition.

Sustainable finance and investment continued TCFD

Unlocking climate solutions and innovation
We recognise the need to find new solutions and increase the pace of change for the world to achieve the Paris Agreement goal of being net zero by 2050.

We are working with a range of partners to accelerate investment in sustainable infrastructure, natural resources and climate technology to help reduce emissions and address climate change.

Sustainable infrastructure
Addressing climate change requires the rapid development of a new generation of sustainable infrastructure.

HSBC continues to support the FAST-Infra Initiative, which we helped conceive, working with the IFC, OECD, the World Bank's Global Infrastructure Facility and the Climate Policy Initiative, under the auspices of the One Planet Lab. In 2023, the initiative, which aims to mobilise large-scale financing to develop sustainable infrastructure, invited pilot photovoltaic and wind power projects around the world to apply for the provisional FAST-Infra label. The label is awarded to projects that meet specific sustainability criteria. HSBC is supporting the introduction and widespread adoption of the labelling system as a standard for sustainable infrastructure assets globally.

Label applicants included a solar photovoltaic project submitted by Pentagreen Capital, our sustainable infrastructure debt financing partnership with Singapore-based investment firm Temasek. The project sponsor was Citicore Solar Energy Corporation, a subsidiary of the Philippines-focused renewable energy developer and operator Citicore Renewable Energy Corporation. Pentagreen acted as lead arranger of a $100m green loan facility and committed an initial $30m to help fund Citicore's development of six solar power projects capable of generating 490 megawatts of electricity for the island of Luzon in the Philippines. The commitment marks Pentagreen's first investment in the construction of ready-to-build clean energy projects.

In 2023, the Multilateral Investment Guarantee Agency of the World Bank Group issued HSBC Holdings a guarantee of $1.8bn in regulatory capital relief on mandatory reserves held by its subsidiary in Mexico. The benefits of the capital relief are expected to be deployed to exclusively support eligible climate finance projects in Mexico, including renewable energy, energy efficiency, clean transportation and sustainable agriculture.

The HSBC Alternatives business, part of HSBC Asset Management, continued to develop its energy transition infrastructure capabilities in Asia, targeting investments in renewable energy generation, storage, grids, charging and hydrogen infrastructure. To help support the transition to green energy in North Asia, the energy transition infrastructure strategy made its first investment in solar photovoltaic power project developer Tekoma Energy.

Natural capital as an emerging asset class
Climate Asset Management, a joint venture we launched with climate investment and advisory firm Pollination in 2020, continues to create investment opportunities for investors to help protect biodiversity and support the transition to net zero.

It offers two investment strategies that aim to build resilience across landscapes while generating returns. Its nature-based carbon strategy targets nature restoration and conservation projects in developing economies, prioritising community benefits while generating high-quality carbon credits. Its natural capital strategy invests in agriculture, forestry and environmental assets and aims to deliver impact at scale alongside long-term financial returns.

On behalf of these strategies in 2023, Climate Asset Management allocated more than $400m to projects in Kenya, Uganda, Malawi, Spain, Australia and Portugal.

Backing new technology and innovation
At the COP28 Summit in the UAE, HSBC pledged its support for the Energy Transition Accelerator Financing Platform, which aims to scale up the development of renewable energy projects in developing countries. Established in 2021 with initial support from the Abu Dhabi Fund for Development and the International Renewable Energy Agency, the platform brings together public and private institutions. HSBC signed alongside the European Bank for Reconstruction and Development, the International Finance Corporation and the Multilateral Investment Guarantee Agency. We will work with platform partners to expand the pipeline of investable projects in core HSBC markets, including in Asia and the Middle East, bringing financing solutions that support the transition to net zero.

We also became a founding member of the Global Climate Finance Centre, a newly launched UAE-based think tank created to connect public and private finance to help accelerate the transition to net zero.

HSBC Alternatives made direct investments in assets that help to promote the transition to a net zero climate. The venture capital strategy invests across four themes: power transformation, transport electrification, supply chain sustainability and climate risk mitigation. The strategy raised additional funds from institutional and private wealth clients over the course of 2023. As of 31 December 2023, the strategy had deployed capital into eight start-up companies. These included US-based Electric Era, which provides electric vehicle fast-charging technology, and Israel-based SeeTree, which has developed a software platform that tracks the health and productivity of trees.

Financed emissions TCFD

We announced our ambition to become a net zero bank in October 2020, including an aim to align our financed emissions to net zero by 2050 or sooner. We have published initial financed emissions targets for 2030, and plan to review them in five-year increments thereafter.

Our analysis of financed emissions comprises 'on-balance sheet financed emissions' and 'facilitated emissions', which we distinguish where necessary in our reporting. Our on-balance sheet financed emissions include emissions related to on-balance sheet lending, such as project finance and direct lending. Our facilitated emissions include emissions related to financing we help clients to raise through capital markets activities. Our analysis covers financing from Global Banking and Markets, and Commercial Banking.

Financed emissions link the financing we provide to our customers and their activities in the real economy, and provide an indication of the associated greenhouse gas emissions. They form part of our scope 3 emissions, which include emissions associated with the use of a company's products and services.

In 2021, we started measuring financed emissions for oil and gas, and power and utilities. Following the December 2023 release of the PCAF Global GHG Accounting Standard for capital markets, we now include facilitated emissions for these sectors, in recognition of our role as service provider when customers issue debt and equity to investors. For target setting we now track the combined progress for on-balance sheet financed and facilitated emissions.

In 2022, we disclosed the on-balance sheet financed emissions targets for the following additional sectors: cement; iron, steel and aluminium; aviation; and automotive. We also set a target, and now measure, on-balance sheet financed emissions for the thermal coal mining sector. As part of our financial reporting, we present the progress for these sectors against the financed emissions baselines that we now measure ourselves against.

Following a reduction in our exposure to the shipping sector after the strategic sale of part of our European shipping portfolio in 2023, and work undertaken to assess the materiality of our remaining portfolio from a financed emissions perspective, we have concluded that the remaining exposure as of year-end 2023 is not material enough to warrant setting a stand-alone target. This aligns with NZBA guidelines on sector inclusion for target setting.

We have announced a number of planned business disposals in recent years, and we will continue to consider how these may impact future disclosures, including recalculations.

For all sectors other than oil and gas and thermal coal mining, we have set emissions intensity targets. These targets are linked to real world production and help us to deploy capital towards decarbonisation solutions.

Our approach to financed emissions

In our approach to assessing our financed emissions, our key methodological decisions were shaped in line with industry practices and standards. We recognise these are still developing.

Coverage of our analysis

For each sector, our analysis focuses on the parts of the value chain where we believe the majority of emissions are produced to help reduce double counting of emissions. By estimating emissions and setting targets for customers that directly account for, or indirectly influence, the majority of emissions in each industry, we can focus our engagement and resources where we believe the potential for change is highest. For each sector, our reported emissions now typically include all the major greenhouse gases, including carbon dioxide, methane and nitrous oxide, among others. These are reported as tonnes of CO_2 equivalent, in line with NZBA guidelines.

To calculate annual on-balance sheet financed emissions, we use drawn balances as at 31 December in the year of analysis related to wholesale credit and lending, which include business loans and project finance as the value of finance provided to customers. We excluded products that were short term by design, and typically less than 12 months in duration, consistent with guidance from the PCAF, to reduce volatility. For facilitated emissions we considered all capital market transactions in scope for the year of analysis. These included debt and equity capital markets, and syndicated loans.

For further details of our financed emissions methodology, exclusions, and limitations, see our Financed Emissions and Thermal Coal Exposures Methodology at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

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	Scope of emissions	Value chain in scope				Coverage of greenhouse gases ('GHGs')
Oil and gas	1, 2 and 3	**Upstream (e.g. extraction)**	Midstream (e.g. transport)	Downstream (e.g. fuel use)	**Integrated/ diversified**	All GHGs
Power and utilities	1 and 2	**Upstream (e.g. generation)**	Midstream (e.g. transmission and distribution)	Downstream (e.g. retail)		All GHGs
Cement	1 and 2	Upstream (e.g. raw materials, extraction)	**Midstream (e.g clinker and cement manufacturing)**	Downstream (e.g. construction)		All GHGs
Iron, steel and aluminium	1 and 2	Upstream (e.g. raw materials, extraction)	**Midstream (e.g. ore to steel)**	Downstream (e.g. construction)		All GHGs
Aviation	1 for airlines, 3 for aircraft lessors	Upstream (e.g. parts manufacturers)	Midstream (e.g. aircraft manufacturing)	**Downstream (e.g. airlines and air lessors)**		All GHGs
Automotive	1, 2 and 3	Upstream (e.g. suppliers)	**Midstream (e.g. motor vehicle manufacture)**	Downstream (e.g. retail)		All GHGs
Thermal coal mining	1, 2 and 3	**Upstream (e.g. extraction)**	Midstream (e.g. processing)	Downstream (e.g. retail)		All GHGs

Key: **Included in analysis**

Financed emissions continued

Setting our targets
Our target-setting approach to date, for on-balance sheet financed emissions and facilitated emissions, has been to utilise a single net zero reference scenario (IEA NZE 2021) to underpin both energy supply-related sectors (oil and gas, power and utilities, and thermal coal mining) and our published targets for demand-side sectors in transport and heavy industry.

The impact of our capital markets activities is now reflected in our combined financed emissions targets for the oil and gas, and power and utilities sectors. Our facilitated emissions, included in our combined metrics, are weighted at 33%, in accordance with the PCAF standard. This approach dampens volatility, apportions responsibility between underwriters and asset owners, and allows for flexibility in deploying on and off-balance sheet financing in line with clients' needs. 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. This means that transactions facilitated in 2028 and 2029 will still have an impact on the 2030 progress number and will need to be taken into consideration as we manage progress towards our target. We aim to achieve our target in 2030 notwithstanding the application of a three-year average.

Our approach for financed emissions accounting does not rely on purchasing offsets to achieve any financed emissions targets we set.

An evolving approach
We believe methodologies for calculating financed emissions and setting targets should be transparent and comparable, and should provide science-based insights that focus engagement efforts, inform capital allocation and support the development of solutions that are both timely and impactful. We continue to engage with regulators, standard setters and industry bodies to help shape our approach to measuring financed emissions and managing portfolio alignment to net zero. We also work with data providers and our clients to help us gather data from the real economy to improve our analysis.

Scenarios used in our analysis are modelled on assumptions of the available carbon budget and actions that need to be taken to limit the long-term increase in average global temperatures to 1.5°C with limited overshoot. We expect that the scenarios we use will be updated periodically. We plan to refine our own analysis of financed emissions as industry guidance on scenarios, data and methodologies more broadly evolve in the years ahead.

Agriculture
For the agriculture sector, due to ongoing data availability and quality challenges, and lack of developed methodologies, we are not in a position to report our financed emissions or set a target at this time. We aim to build data availability and continue to work with partners and industry bodies to develop data and methodologies across a wider section of the agriculture value chain – such as farm-related and downstream emissions, including from the food and beverage sector – while assessing the make-up of our portfolio.

Residential real estate
For residential real estate, where our customers are consumers not corporates, our approach needs to consider financial inclusivity, and our ability to provide customers access to suitable mortgages in addition to decarbonisation aims. We expect to measure and report our residential real estate financed emissions in future disclosures. We continue to consider our approach to setting an appropriate target to measure our contribution to helping the sector transition.

Commercial real estate
For commercial real estate, we continue to work towards outlining a baseline and a 2030 financed emissions ambition or ambition range, starting with our major markets and where sufficient data is available to track decarbonisation progress. We expect to review our approach and coverage periodically in line with evolving data, methodologies, scenarios and real-world progress. Methodologies for embedded carbon need to be developed given the materiality of financing new property development within our portfolio, from a financed emissions perspective.

Investing in battery health and monitoring solutions

The global push towards electrification is accelerating the demand for systems powered by safe, reliable and sustainable batteries.

In August 2023, HSBC Asset Management, as part of its climate tech venture capital strategy, helped a Germany-based analytics software start-up secure $7.8m (€7.2m) of investment in its battery monitoring platform, with HSBC Asset Management's fund providing $4.1m (€3.8m).

ACCURE Battery Intelligence uses AI, field data and modelling to forecast and manage the health and performance of batteries, and predict failures, fires and other incidents. With their software already supporting 3.5 gigawatt-hours of storage, the fundraising will help expand and develop the platform across energy, electric vehicle, transit, marine, insurance and other industries worldwide.

Financed emissions continued

Data and methodology limitations

Our financed emissions estimates and methodological choices are shaped by the availability of data for the sectors we analyse.

- We are members of the PCAF, which defines and develops greenhouse gas accounting standards for financial institutions. Its Global GHG Accounting and Reporting Standards for Financed Emissions and for Facilitated Emissions provide detailed methodological guidance to measure and disclose financed and facilitated emissions.
- We have found that data quality scores vary across the different sectors and years of our analysis, although not significantly. While we expect our data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be fluctuations within sectors year on year, and/or differences in the data quality scores between sectors due to changes in data availability.
- The majority of our clients do not yet report the full scope of greenhouse gas emissions included in our analysis, in particular scope 3 emissions. In the absence of client-reported emissions, we estimated emissions using proxies based on company production and revenue figures. Although we sought to minimise the use of non-company-specific data, we applied industry averages in our analysis where company-specific data was unavailable through our vendor datasets. As data improves, estimates will be replaced with reported figures.
- Third-party datasets that feed into our analysis may have up to a two-year lag in reported emissions figures, and we are working with data providers to help reduce this. Mapping external datasets to our internal client entities is challenging due to complex company ownership structures.
- The methodology and data used to assess financed emissions and set targets are new and evolving, and we expect industry guidance, market practice, and regulations to continue to change. We plan to refine our analysis using appropriate data sources and current methodologies available for the sectors we analyse.
- We remain conscious that the attribution factor used in the financed emissions calculation is sensitive to changes in drawn amounts or market fluctuations, and we plan to be transparent around drivers for change to portfolio financed emissions where possible.
- To calculate sector-level baselines and annual updates, our portfolio-level emissions intensity was previously weighted by the ratio of our financing in relation to the value of the financed company. We believe this introduced volatility. We have now calculated sector level emissions intensity metrics using a portfolio-weighted approach. Due to data limitations, we are unable to obtain production data for all of our clients. We therefore calculate an emissions intensity figure using the 75th percentile to meet this data gap.
- The classification of our clients into sectors is performed with inputs from subject matter experts, and will also continue to evolve with improvements to data and our sector classification approach. Our internal data on customer groups used to source financial exposure and emissions data is based on credit and relationship management attributes and is not always aligned to the data needed to analyse emissions across sector value chains. As a consequence, this can result in an inconsistent basis in our financed emissions calculations. As the sub-sector, and therefore the value chain classification is based on judgement, this may be revised as better data becomes available. Emissions are calculated at a counterparty group level and each client is mapped to a single sector. Companies with multiple activities such as conglomerates, with near to equal business activity split across multiple sectors, are excluded as these can have different activities covered by multiple sector targets. Once we define a methodology for conglomerates these may be covered according to their activity split.
- The operating environment for climate analysis and portfolio alignment is maturing. We continue to work to improve our data management processes, and are implementing steering mechanisms to align our provision of finance with the goals and timelines of the Paris Agreement.

For further details of our financed emissions methodology, see our Financed Emissions and Thermal Coal Exposures Methodology at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Tackling operational emissions in industry

We are supporting one of the largest producers of textile raw materials in Indonesia to reduce the greenhouse gas emissions in its operations. PT. Indo-Rama Synthetics Tbk, which specialises in the integrated production of spun yarn and polyester, wanted to expand its operations and meet its customer demand in a sustainable way.

To help PT. Indo-Rama Synthetics Tbk invest in reducing energy consumption, we provided a $20m green loan in September 2023 so that it can install energy efficient machinery and technology in the expansion of its yarn spinning factory.

Financed emissions continued

Our approach to financed emissions recalculations

The PCAF recommends that financial institutions should, in line with the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard requirement, establish a recalculation policy. To adhere to this recommendation, we have defined the circumstances under which we consider a recalculation of baseline and/or progress against financed emissions target metrics is necessary to help ensure the consistency, comparability and relevance of the reported greenhouse gas emissions data over time. Our recalculation policy covers revisions of metrics linked to the targets due to changes in financed emissions accounting, such as changes to methodology, errors, and improvements to data. We expect our recalculation policy to evolve with further industry guidance.

The table below outlines the action we take when key areas of change, individually or in aggregate, breach our defined significance thresholds for the baseline year metric linked to the target. Enhancements to internal or external data, such as changes to the classification of the population to a different business activity type or more, or improved quality data reported by clients, would not constitute a change to the financed emissions estimation methodology or an error.

Key reasons for change	What we expect to disclose
Changes to the financed emissions methodology such as changes to design choices	– The reasons why applying the new metrics provides reliable and more relevant information – The actions being taken to remediate same or similar errors in the future – The nature of the change(s) and errors in financed emissions accounting impacting the baseline progress metric and all prior year progress metrics disclosed as far as is practicable
Errors such as a failure to carry out our methodology or errors in internal financial data	– The aggregate amount of any adjustments impacting the baseline progress metric and all prior year progress metrics disclosed as far as is practicable – The change in financed emissions accounting baseline progress metric and all prior year progress metrics disclosed as far as is practicable

In 2023, we improved our methodology for calculating financed emissions using more granular product identification to isolate exposure in scope, more consistent emission factors for estimates, and a revised aggregation method for emissions intensity. Previously some reported on-balance sheet numbers included non-lending exposures for market products in error. The more granular product identification will help ensure these are not included in future.

To reflect these enhancements we have set out the recalculated metrics for the oil and gas, and power and utilities sectors in the table below. For other sectors, changes were not material enough to warrant a recalculation.

The oil and gas baseline for on-balance sheet financed emissions is now 28.4 million tonnes of carbon dioxide equivalent ('Mt CO_2e') for 2019 versus 33.0 Mt CO_2e reported in the *Annual Report and Accounts 2022*. Of this change, 62% (2.9 Mt CO_2e) was related to the inclusion of non-lending products in error and the remaining 38% (1.8 Mt CO_2e) was due to the enhanced product mapping and streamlined approach for emissions estimates.

The power and utilities baseline for on-balance sheet financed emissions is now 537.5 tonnes of carbon dioxide equivalent per gigawatt hour ('tCO_2e/GWh') for 2019 versus 589.9 tCO_2e/GWh reported in the *Annual Report and Accounts 2022*. This change reflects the implementation of the revised aggregation method and enhanced product mapping.

Revisions

Sector	Reporting metrics	Previously reported 2019	Previously reported 2020	Recalculated metrics 2019	Recalculated metrics 2020	Percentage change 2019	Percentage change 2020
Oil and gas	On-balance sheet financed – Mt CO_2e	33.0	30.1	28.4	25.0	(14)%	(17)%
	Facilitated (100% weighting) – Mt CO_2e	29.5	N/A	43.2	N/A	47%	N/A
Power and utilities	On-balance sheet financed – tCO_2e/GWh	589.9	509.6	537.5	511.1	(9)%	—%
	Facilitated (100% weighting) – tCO_2e/GWh	360.0	N/A	420.7	N/A	17%	N/A

Financed emissions continued

Targets and progress

We have set out in the table below our combined on-balance sheet financed and facilitated emissions targets for the oil and gas, and power and utilities sectors. These show the revised baselines.

For facilitated emissions, we track progress to target using a three-year average moving window (average of 2020, 2021 and 2022 for the 2022 progress number) and figures weighted at 33%. This means that transactions facilitated in 2028 and 2029 will still have an impact on the 2030 progress number and will need to be taken into consideration as we manage progress towards our target. We aim to achieve our target in 2030 notwithstanding the application of a three-year average.

The facilitated emissions values total 17.5 Mt CO_2e in 2021 and 14.4 Mt CO_2e in 2022 for the oil and gas sector, and 398.3 tCO_2e/GWh for 2021 and 377.6 tCO_2e/GWh in 2022 for the power and utilities sector. These values are then combined with the on-balance sheet numbers for the relevant year to track progress to target. We set out the annual figures before the application of the three-year average in the facilitated emissions table on page 61.

We have also set out our defined targets for the on-balance sheet financed emissions of the following sectors: cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining. We disclose emissions in 2021 and 2022 and progress achieved in 2022 versus baseline for each sector.

We have implemented a revised approach to calculate the sector-level intensity metric in 2023, which has been applied for the recalculated power and utilities baseline metric, and for 2021 and 2022 actual data for all intensity-based sectors. Emissions intensity is a weighted average according to the portfolio weight of each investment, as a proportion of the total portfolio value.

The progress figures show the trend in financed emissions before targets were set.

Targets were set for oil and gas, and power and utilities in February 2022, for thermal coal mining in December 2022, and for the other sectors in February 2023. On the following pages, we provide more granular details of our financed emissions within these sectors.

When assessing the changes from 2019 to 2022, it is important to emphasise the long-term commitment that is needed to meet our 2030 interim targets, and how changes to exposure and market fluctuations impact yearly updates. Movement from one year to the next may not reflect future trends for the financed emissions of our portfolio. In the hard-to-abate sectors, where decarbonisation progress is expected to be slower, we are taking steps to engage with clients on their transition plans.

As we are at the beginning of our journey to track and measure progress, we believe it would be premature to infer future trends from the 2019 to 2022 progress at this stage.

Sector[1]	Baseline	2021	2022	2022 % change vs. baseline	2030 target	Unit[2]	Target scenario
Combined on-balance sheet financed and facilitated emissions at 33% with three-year moving average							
Oil and gas	42.6 in 2019	37.9	31.9	(25)%	(34)%	Mt CO_2e	IEA NZE 2021
Power and utilities	513.4 in 2019	405.1	396.8	(23)%	138.0	tCO_2e/GWh	IEA NZE 2021
On-balance sheet financed emissions							
Cement	0.64 in 2019	0.70	0.71	10%	0.46	tCO_2e/t cement	IEA NZE 2021
Iron, steel and aluminium	1.8 in 2019	2.4	2.5	38%	1.05 (1.43)[3]	tCO_2e/t metal	IEA NZE 2021
Aviation	84.0 in 2019	85.9	86.5	3%	63.0[4]	tCO_2e/million rpk	IEA NZE 2021
Automotive	191.5 in 2019	215.7	216.6	13%	66.0	tCO_2e/million vkm	IEA NZE 2021
Thermal coal mining	4.0 in 2020	N/A	N/A	N/A	(70)%[5]	Mt CO_2e	IEA NZE 2021

1 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).

2 For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO_2e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO_2e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO_2e/t cement'); for the iron, steel and aluminium sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of metal ('tCO_2e/t metal'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO_2e/million rpk'); for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO_2e/million vkm'); and for the thermal coal mining sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO_2e').

3 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.

4 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.

5 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.

Financed emissions continued

We plan to report financed emissions and progress against our targets annually and to be transparent in our disclosures about the methodologies applied and any challenges or dependencies. However, financed emissions figures may not be reconcilable or comparable year on year in future, and baselines and targets may require recalibration as data, methodologies and reference scenarios develop.

Consistent with PCAF guidance on financed emissions accounting, we only consider the outstanding drawn financing amount given this has a direct link to real economy emissions.

A number of clients have material undrawn balances that, if drawn, could significantly increase the financed emissions related to those clients. We expect to assess how to manage these exposures on a forward-looking basis as we progress towards our 2030 targets. In addition, for the intensity-based sectors, the emissions intensity is sensitive to material clients and changes to drawn balances year on year can therefore influence the trend.

We are developing portfolio modelling capabilities that integrate risk, profitability and financed emissions to inform decision making and determine how to best steer our portfolios to meet our financed emissions targets and commercial and strategic ambitions. As part of this we are testing and developing an analytics capability that will provide an up-to-date view of our position relative to our 2030 targets and an indication of the financed emissions impact of a transaction to consider alongside risk-return metrics.

Oil and gas

For the oil and gas sector, our analysis included scope 1, 2 and 3 emissions, including carbon dioxide and methane, for upstream and integrated companies. We revised our baseline for 2019 and progress figures to reflect combined on-balance sheet financed and facilitated emissions and our revised approach.

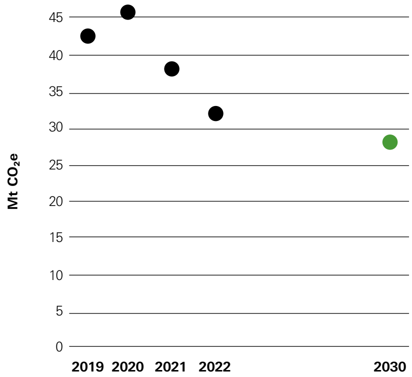
We have set a target to reduce absolute on-balance sheet financed emissions and facilitated emissions for our oil and gas portfolio by 34% by 2030 relative to a 2019 baseline. This is consistent with a global 1.5°C-aligned pathway as defined by the IEA NZE 2021 scenario. This target is unchanged with the inclusion of facilitated emissions. We plan to update our target following the periodic release of new 1.5°C-aligned scenarios in the years ahead to reflect shifts in the real economy.

Our core approach as we progress towards our portfolio decarbonisation targets is to engage with major oil and gas customers to understand their transition plans and to help support and accelerate those efforts. This is in line with the Group's energy policy, which supports the phasing down of fossil fuel sources with the highest emission intensity as well as financing restrictions for projects relating to new oil and gas fields, and infrastructure.

In 2022, absolute combined on-balance sheet financed and facilitated emissions decreased by 25% to 31.9 Mt CO_2e relative to the 2019 baseline, and by 16% from 2021 to 2022. This decline was achieved through a risk-weighted assets reduction strategy and aided by market conditions, with stronger oil and gas cash flows and higher interest rates resulting in reduced demand for bank debt and capital markets financing. Market dynamics will continue to create volatility in future years as we make progress towards our financed emissions target.

Oil and gas
Mt CO_2e

2022 progress from baseline
(25)%



Power and utilities

For the power and utilities sector, our analysis included scope 1 and 2 emissions for upstream power generation companies. Although scope 1 emissions are most material for the sector, most companies report scope 1 and 2 emissions together making it challenging to split out the data. We revised our baseline for 2019 and progress figures to reflect combined on-balance sheet financed and facilitated emissions and our revised approach.

We have set a target to reduce the financed emissions intensity of our on-balance sheet and facilitated power and utilities portfolio to 138 tCO_2e/GWh by 2030. This target is unchanged with the inclusion of facilitated emissions. We have chosen an intensity-based target as electricity demand is expected to more than double by 2050 due to both population growth and electrification required to decarbonise mobility, buildings, and industry. We have focused on power generation companies because they control sector output. By engaging with them, we believe we can help drive the most material emissions impact in the real economy.

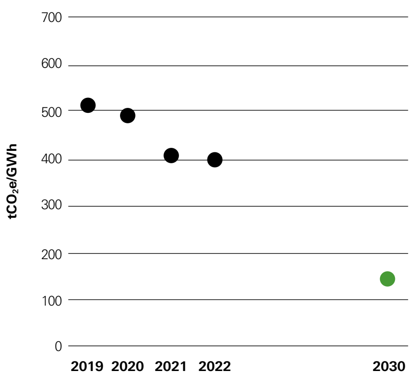
Our target is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario. We plan to refresh our target following the periodic release of new 1.5°C-aligned scenarios in the years ahead.

In 2022, our combined on-balance sheet financed and facilitated emissions intensity decreased by 23% to 396.8 tCO_2e/GWh relative to the 2019 baseline. This reduction was driven by an increase in financing of renewable energy projects and companies, and a decrease in financing of high emissions intensity clients. Over the period from 2022 to 2021 the fall in sector portfolio financed emissions was a more modest 2%.

Over the reported period, the average emissions intensity of clients for whom we helped raise funds in the capital markets was lower than for clients financed directly on our balance sheet. This means the combined on-balance sheet financed and facilitated emissions intensity from 2019 to 2022 was lower than for on-balance sheet financing alone.

Power and utilities
tCO_2e/GWh

2022 progress from baseline
(23)%



Key:
- HSBC sector target
- HSBC sector portfolio emissions

Financed emissions continued

Cement

For the cement sector, our analysis included scope 1 and 2 emissions for midstream companies with clinker and cement manufacturing facilities.

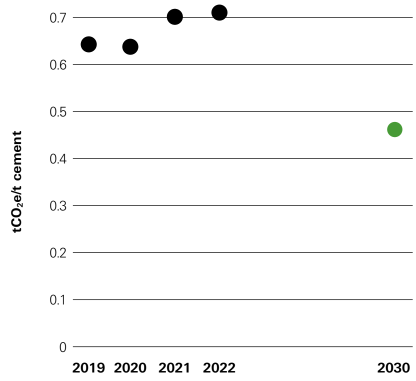
In line with the IEA NZE 2021 scenario, we target an on-balance sheet financed emissions intensity of 0.46 tonnes of carbon dioxide equivalent per tonne of cement ('tCO_2e/t cement') by 2030, using 2019 as our baseline. While some emissions reductions can be achieved through energy efficiency, we believe that to significantly reduce fuel and process emissions from cement manufacturing, and to meet our targets, large-scale investments are required in new technologies, including clinker substitution, alternative fuel use such as bioenergy, and carbon capture use and storage.

Our 2022 emissions intensity was 10% higher than the 2019 baseline due to higher drawn balances for emissions intensive clients, but at 0.71 tCO_2e/t cement in 2022, it was marginally up by 1% from 2021.

Our cement portfolio is relatively concentrated in customer numbers, and even where customers have set science-based targets there is still a risk of pledges not turning into the necessary emissions reductions if technologies do not scale in time. It will be important, therefore, to regularly review progress on technology scaling across the industry over the years ahead to 2030. For cement and the other intensity-based sectors we plan to integrate net zero considerations into our transaction processes and controls and we expect this to help guide our activities towards progressive alignment of the portfolio with our 2030 targets.

Cement
tCO_2e/t cement

2022 progress from baseline
10%



Iron, steel and aluminium

We covered scope 1 and 2 for midstream iron, steel and aluminium production in our analysis. Due to the low significance of the aluminium sector's financed emissions within our portfolio, we combined them with our iron and steel financed emissions. In the event that aluminium becomes a more material part of our portfolio in the future, we may consider creating a separate target for aluminium production given the varied decarbonisation pathway for this metal.

For the iron, steel and aluminium sector, we target an on-balance sheet financed emissions intensity of 1.05 tonnes of carbon dioxide equivalent per tonne of metal ('tCO_2e/t metal') by 2030, using the IEA NZE 2021 scenario as our core scenario and 2019 as our baseline.

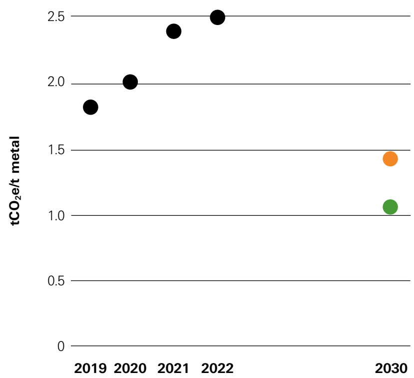
Due to the challenges of decarbonising this hard-to-abate sector, we also outline an alternative scenario from the Mission Possible Partnership ('MPP').

The emissions intensity in 2022 rose by 38% to 2.5 tCO_2e/t metal against our 2019 baseline and by 4% versus 2021. This was due to increased financing to the aluminium sector, which has a higher carbon intensity than that of steel.

We aim to actively manage our portfolio to achieve our 2030 financed emissions target for our iron, steel and aluminium portfolio, taking into account the actions our customers are taking to achieve emissions reductions.

Iron, steel and aluminium
tCO_2e/t metal

2022 progress from baseline
38%



Aviation

In the aviation sector, we included passenger airlines' scope 1 and aircraft lessors' scope 3 downstream emissions. We excluded military and dedicated cargo flights as the emissions intensity of such cargo flights is different to that of passenger airlines. This approach is in line with industry practice to ensure consistency of financed emissions measurement and target setting.

Aligned with the IEA NZE 2021 scenario, we target an on-balance sheet financed emissions intensity of 63.0 tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO_2e/million rpk') by 2030, using 2019 as our baseline. To reach these intensity levels and help meet our targets, we believe the sector needs significant policy support, investments in alternative fuels, such as sustainable aviation fuel, and new aircraft to reduce emissions.

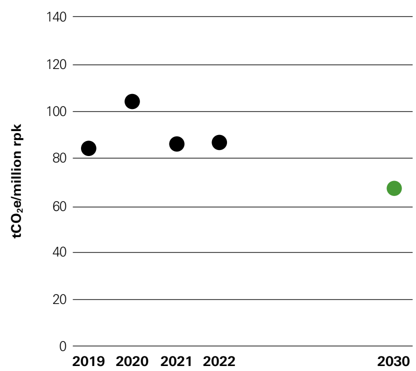
The industry is also adopting the unit of revenue tonne kilometre ('rtk') to take into account the transport of cargo for airlines in scope of the target. We will consider this as part of our methodology enhancement.

At 86.5 tCO_2e/million rpk in 2022, the emissions intensity increased by 3% versus the 2019 baseline and was marginally up by 1% from 2021. In 2020 there was a peak in emissions intensity due to the impact of the Covid-19 pandemic, as planes carried fewer passengers.

We plan to engage with our major customers on their transition plans, as well as integrate financed emissions implications into transaction and portfolio management for the sector.

Aviation
tCO_2e/million rpk

2022 progress from baseline
3%



Key:
- HSBC sector target
- HSBC sector portfolio emissions
- Mission Possible Partnership ('MPP') pathway

Financed emissions continued

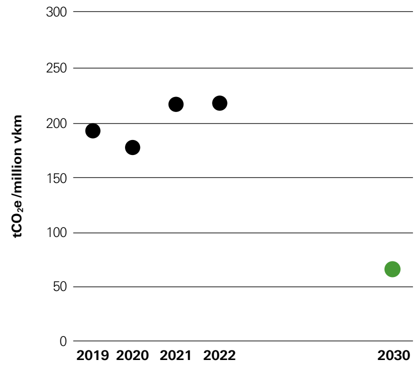
Automotive
For the automotive sector, we looked at scope 1, 2 and 3 emissions from the midstream manufacturing of vehicles, and tank-to-wheel exhaust pipe emissions for light-duty vehicles. We excluded heavy-duty vehicles from our analysis as the target pathway derived from the IEA excludes them, as they have a different decarbonisation pathway relative to light-duty vehicles. This approach is in line with industry practice to ensure consistency of financed emissions measurement and target setting. We will consider including heavy-duty vehicle manufacturers as well as heavy-duty vehicle production at a later stage of our analysis, as data and methodologies develop.

We target an on-balance sheet financed emissions intensity of 66.0 tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO_2e/million vkm') by 2030 using 2019 as our baseline. This is in line with the IEA NZE 2021 scenario, which is a 1.5C° aligned pathway, modified to match the share of new in-year vehicle sales for light-duty vehicles. Decarbonisation of the automotive sector, and therefore our ability to meet our targets, needs large-scale investments in new electric vehicle and battery manufacturing plants, widespread charging infrastructure, and government policies to support electric vehicles.

Our 2022 emissions intensity rose by 13% to 216.6 tCO_2e/million vkm against our 2019 baseline and stayed level with 2021. This increase, after an 8% reduction in 2020 versus 2019, was caused by a shift in the portfolio towards companies producing more emissions-intensive vehicles. This can be the case for manufacturers that produce more sports utility vehicles or fewer electric vehicles.

Automotive
tCO_2e/million vkm

2022 progress from baseline
13%



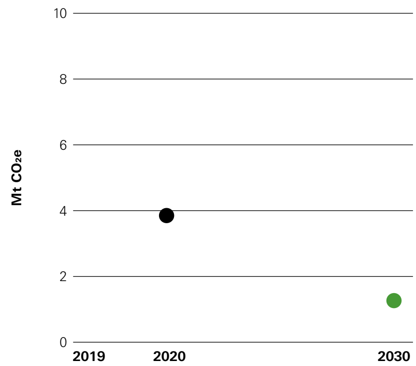
Thermal coal mining
For the thermal coal mining sector, our analysis focused on scope 1, 2 and 3 emissions in upstream companies, including those involved in extraction. The majority of our financed emissions relate to scope 3 emissions associated with coal mining.

We set an absolute on-balance sheet reduction target of 70% for 2030, from an absolute 2020 baseline measure of 4.0 Mt CO_2e. We used 2020 as a baseline to align with the baseline used for our drawn balance exposure targets in the thermal coal phase-out policy. The financed emissions target is aligned with the IEA NZE 2021 scenario.

When calculating our financed emissions from thermal coal mining, we focused on thermal coal extraction and processing companies, and diversified mining companies. We aim to measure and focus on our customers with the most material thermal coal-related emissions in order to help drive a meaningful impact in the real economy.

Thermal coal mining
Mt CO_2e

2022 progress from baseline
N/A



Key:
- HSBC sector target
- HSBC sector portfolio emissions

Financed emissions continued

On-balance sheet financed emissions

The table below summarises the results of our assessment of on-balance sheet financed emissions using 2021 and 2022 data. For thermal coal mining, disclosures commenced in 2020 to align with thermal coal exposure reporting metrics. The PCAF data quality score has not improved for 2022 due to limited availability of actual reported emissions from our customers.

On-balance sheet financed emissions – wholesale credit lending and project finance[1,2]

					PCAF data quality score[3,†]	
Sector	**Year**	**Scope 1–2 (Mt CO_2e)[†]**	**Scope 3 (Mt CO_2e)[†]**	**Emissions intensity[4]**	**Scope 1 and 2**	**Scope 3**
Oil and gas	2021	2.1	18.4	N/A	2.8	2.9
	2022	1.3	16.2	N/A	3.2	3.2
Power and utilities	2021	8.1	N/A	407.0	2.9	N/A
	2022	7.6	N/A	401.7	3.3	N/A
Cement	2021	2.2	N/A	0.70	2.8	N/A
	2022	4.5	N/A	0.71	2.9	N/A
Iron, steel and aluminium	2021	2.0	N/A	2.4	3.0	N/A
	2022	2.7	N/A	2.5	3.0	N/A
Aviation	2021	2.7	0.16	85.9	3.0	3.3
	2022	2.6	0.15	86.5	3.3	2.4
Automotive	2021	0.07	3.6	215.7	2.8	2.9
	2022	0.12	5.4	216.6	2.7	2.9
Thermal coal mining	**2020**	0.17	3.8	N/A	3.0	3.0

Facilitated emissions

The table below summarises the results of our assessment of facilitated emissions from 2019 to 2022 for the oil and gas, and power and utilities sectors.

Applying a 100% weighting, the oil and gas values for scope 1 to 3 emissions decreased from 43.2 Mt CO_2e in 2019 to 15.2 Mt CO_2e in 2022. For the power and utilities sector, the values for scope 1 and 2 emissions fell from 8.5 Mt CO_2e in 2019 to 3.8 Mt CO_2e in 2022. For all 100%-weighted facilitated values, please refer to the *ESG Data Pack*. The total capital markets activity analysed applying a 100% weighting in 2019 was $22.6bn, representing 5.5% of capital markets activity at 31 December 2019. In 2020, it was $26.0bn, representing 6.2% of capital markets activity at 31 December 2020. In 2021, it was $18.1bn, representing 4.1% of capital markets activity at 31 December 2021. In 2022, it was $10.4bn representing 3.2% of capital markets activity at 31 December 2022.

Facilitated emissions – ECM, DCM and syndicated loans (33% weighting)

					PCAF data quality score[3,†]	
Sector	**Year[5]**	Scope 1–2 (Mt CO_2e)[†]	Scope 3 (Mt CO_2e)[†]	Emissions intensity[4]	Scope 1 and 2	Scope 3
Oil and gas	2019	1.6	12.7	N/A	2.3	2.7
	2020	2.7	24.0	N/A	2.0	2.1
	2021	0.90	10.5	N/A	2.9	3.1
	2022	0.36	4.7	N/A	3.3	3.3
Power and utilities	2019	2.8	N/A	420.7	2.5	N/A
	2020	2.1	N/A	410.1	2.5	N/A
	2021	1.5	N/A	364.1	2.9	N/A
	2022	1.2	N/A	358.7	2.9	N/A

1 The total amount of short-term finance excluded for the thermal coal mining sector was $0.37bn in 2020; for all other sectors it was $7.0bn in 2021 and $8.5bn in 2022.

2 The total loans and advances analysed in 2020 for the thermal coal mining sector were $2.89bn, representing 0.28% of total loans and advances to customers at 31 December 2020. For all other sectors in 2021, they were $24.1bn representing 2.3% of total loans and advances to customers at 31 December 2021 and in 2022, they were $23.6bn representing 2.6% of total loans and advances to customers at 31 December 2022. The total loans and advances analysed for the purpose of the financed emissions calculation and reporting have not been adjusted for assets held for sale.

3 PCAF scores where 1 is high and 5 is low. This is a weighted average score based on financing for on-balance sheet financed emissions.

4 Emissions intensity under the new aggregation method.

5 Due to timing differences the approach for calculating 2021-2022 facilitated emissions has been enhanced compared to that of 2019-2020. Enhancements are mainly data and process-related for the later years to include more consistent and higher quality data sources and are therefore applied prospectively in line with our recalculation policy. Small methodology changes were applied as well but these do not materially change our 2019-2020 numbers.

† Data is subject to independent limited assurance by PwC in accordance with ISAE 3000/ ISAE 3410. For further details, see our Financed Emissions and Thermal Coal Exposures Methodology and PWC's limited assurance report, which are available at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Financed emissions continued

Integrating net zero into transaction and portfolio decision making

In 2023, we began to embed net zero factors alongside standard risk-return and other considerations when evaluating specific transactions starting with oil and gas, power and utilities, and thermal coal mining sectors.

We have been testing and developing an analytics capability that, where relevant, begins to provide front-line business teams and management with insight on the up-to-date on-balance sheet financed emissions and facilitated emissions position of a sector, the impact of a transaction where material, and implications relative to pathways in line with our 2030 targets.

We continued our efforts to design and implement a differentiated approach to understand and assess the transition plans and risks of our corporate customers, including state-owned enterprises. These assessments help us to identify opportunities, manage climate risks and define areas to drive strategic engagement with each corporate customer.

In 2023, we completed assessments for most customers in scope of our thermal coal phase-out policy. We also completed assessments for customers that make the most material contribution to our financed emissions in the oil and gas, and power and utilities sectors.

Once completed, these assessments can be used to support business decisions in relation to our financed emissions portfolio management and alignment, and our climate risk management efforts.

Our processes and controls will continue to evolve as we look at net zero considerations for sectors, customers and deals with higher climate impact and risk. These considerations include: adherence with our sustainability risk policies; climate-related credit risk; customer transition plan assessment outcomes (where relevant); reputational risk considerations; and financed and, where applicable, facilitated emissions implications (where transactions are in scope of our financed emissions disclosures and 2030 targets). We have dedicated governance, with escalation pathways for deals deemed high risk, including in terms of financed emissions implications and reputation risk.

Reducing landfill waste and emissions in the Philippines

We are supporting a company that is seeking to tackle the problem of overflowing landfills, which will help reduce methane emissions and create potential new jobs in the Philippines.

In June 2023, we provided a subsidiary of Prime Infrastructure Capital, a sustainable infrastructure firm with services that span energy, water distribution and waste management, with a $24.5m green loan. The loan was provided to finance its acquisition and expansion of a waste management facility in Cebu, Philippines.

The company has increased the facility's capacity to treat and recycle domestic and industrial solid waste, and is developing its capabilities to convert organic and agricultural feedstock waste into sustainable, refuse-derived fuel.

The funding is expected to help to divert waste away from landfill, which will reduce methane emissions generated by decomposing organic waste.

Reducing emissions in our assets under management

In July 2021, our asset management business, HSBC Asset Management, signed up to the Net Zero Asset Managers initiative, which encourages investment firms to commit to managing assets in line with achieving net zero emissions by 2050 or sooner. HSBC Asset Management continues to work towards its ambition of reducing scope 1 and 2 financed emissions intensity by 58% by 2030 for 38% of its total assets under management. These listed equity and corporate fixed income assets amounted to $193.9bn at 31 December 2019. We use 2019 as the baseline year for our calculations. Implementation of the net zero targets remains subject to consultation with stakeholders including investors, fund boards and regulators.

In 2023, HSBC Asset Management worked to develop solutions for clients to address climate ambitions while investing. Further data science expertise will be added to support sustainability through the creation of a Sustainable Investment Solutions Lab. HSBC Asset Management reported an update through the Principles for Responsible Investment annual submission, as required under its Net Zero Asset Managers commitment. As part of its thermal coal policy, it fulfilled a commitment to initiate engagement with all listed issuers held in active fundamental portfolios with more than 10% revenue exposure to thermal coal.

Embedding net zero into the way we operate

Net zero in our own operations TCFD

Part of our ambition to be a net zero bank is to achieve net zero carbon emissions in our operations and supply chain by 2030.

Reduce, replace and remove
We have three elements to our strategy: reduce, replace and remove. We plan to first focus on reducing carbon emissions from consumption, and then replacing remaining emissions with low-carbon alternatives in line with the Paris Agreement.

We plan to remove the remaining emissions that cannot be reduced or replaced by procuring, in accordance with prevailing regulatory requirements, high-quality offsets at a later stage. We are working on our carbon credits strategy by engaging with a range of market participants.

Our energy consumption
In October 2020, we announced our ambition to reduce our energy consumption by 50% by 2030, against a 2019 baseline, and in 2023 we achieved 26.3%. We continue to work to do this by optimising the use of our real estate portfolio, and carrying out a strategic reduction in our office space and data centres. We are using new technology and emerging products to make our spaces more energy efficient.

As part of our ambition to achieve 100% renewable electricity across our operations by 2030, we continue to look for opportunities to procure green electricity in each of our markets. In 2023, our fourth UK renewable power purchase agreement ('PPA') went live in Sorbie, Scotland. A key challenge remains the limited opportunity to pursue PPAs or green tariffs in key markets due to regulations.

Business travel
Our ambition is to halve travel emissions by 2030, compared with pre-pandemic levels. In 2023, our travel emissions remained below 50% of our 2019 baseline, despite the lifting of international travel restrictions. We are closely managing the gradual resumption of travel through internal reporting and review of emissions, internal carbon budgets and the introduction of emissions information at the point of booking. With hybrid working embedded across the organisation, the use of virtual working practices has reduced the need for our colleagues to travel to meet with other colleagues and customers.

We continue to focus on reducing the environmental impact from the vehicles we use in our global markets, and accelerate the use of electric vehicles. In 2023, we reduced the company car fleet size by 9% compared with 2022. We are now aiming to ensure that all new vehicles ordered are fully electric or hybrid vehicles where possible.

Engaging with our supply chain
Our supply chain is critical to achieving our net zero ambitions, and we are partnering with our suppliers on this journey. Since 2020, we have been encouraging our largest suppliers to make their own carbon commitments, and to disclose their emissions via the CDP (formerly the Carbon Disclosure Project) supply chain programme. In 2023, suppliers representing 70.6% of total supplier spend completed the CDP questionnaire, compared with 63.5% in 2022.

We will continue to engage with our supply chain through CDP, and through direct discussions with our suppliers on how they can further support our transition to net zero.

In 2023, we launched our supplier net zero guides, providing further details to support suppliers in understanding our net zero ambitions, as set out in our supplier code of conduct. We are developing internal decarbonisation plans for the highest-emitting procurement categories (IT hardware, real estate, data centre and servers, and telecom services), to be included in category strategies and to support future supplier selection.

Focus on natural resources
Alongside our net zero operations ambition, our aim is to be a responsible consumer of natural resources. Through design, construction and operational standards, we strive to ensure that, wherever possible, our premises do not adversely affect the environment or natural resources. We have identified specific focus areas including waste, paper and sustainable diets, and are exploring key opportunities to reduce our wider environmental impact over the coming decade.

Our presence in environmentally sensitive areas
As a global organisation, our branches, offices and data centres may be located in areas of high or very high water stress and/or protected areas of biodiversity, as we support our customers and communities in these locations.

Approximately 55% of our global offices, branches and data centres are located in areas identified as being subject to high and very high water stress, accounting for 50% of our annual water consumption. These are predominantly urban or city centre locations with large, concentrated populations. Our industry is a low user of potable water, and we have implemented measures to further reduce water consumption through the installation of flow restrictors, auto-taps and low or zero flush sanitary fittings.

In addition, 0.9% of our global office, branch and data centre portfolio lies in protected areas of biodiversity. We strive through our design, construction and operational standards to ensure that, where possible, our premises do not adversely affect the environment or natural resources in these areas.

Our environmental and sustainability management policies

Our buildings policy recognises that regulatory and environmental requirements vary across geographies and may include environmental certification. The policy is supported by Corporate Services procedures on environmental and sustainability management, seeking to ensure that HSBC's properties continually reduce their overall direct impact on the environment. Detailed design considerations documented in our Global Engineering Standards aim to reduce or avoid depletion of critical resources, such as energy, water, land and raw materials. Suppliers are required to adhere to strict environmental management principles and reduce their impact on the environment in which they operate.

Net zero in our own operations continued

Emissions from our energy and travel
We report our emissions following the Greenhouse Gas Protocol, which incorporates the scope 2 market-based emissions methodology. We report greenhouse gas emissions resulting from the energy used in our buildings and employees' business travel. Due to the nature of our primary business, carbon dioxide is the main type of greenhouse gas applicable to our operations. While the amount is immaterial, our current reporting also incorporates methane and nitrous oxide for completeness. Our environmental data for our own operations is based on a 12-month period to 30 September.

In 2023, we reduced emissions from our energy consumption and travel to 293,333 tonnes CO_2e, which represents a 57.3% reduction compared with our 2019 baseline. This was mainly attributed to:

– travel volumes remaining low compared with pre-pandemic levels;
– an increase in our consumption of renewable electricity to 58.4%; and
– the reduction of energy consumption as a result of strategic footprint reductions and the implementation of over 450 energy conservation measures, which amounted to an estimated energy avoidance in excess of 12 million kWh.

Emissions from business travel increased compared with 2022, due to the easing of pandemic-related travel restrictions which resulted in a return to travel. A decrease in scope 1 emissions was partly attributed to a correction in the classification of road-based business travel in the UK and India from scope 1 to scope 3.

In 2023, we collected data on energy use and business travel for our operations in 34 countries and territories, which accounted for approximately 96.0% of our full-time employees ('FTEs'). To estimate the emissions of our operations in entities where we have operational control and a small presence, we scale up the emissions data from 96.0% to 100%. We then apply emission uplift rates to reflect uncertainty concerning the quality and coverage of emission measurement and estimation. This is consistent with both the Intergovernmental Panel on Climate Change's Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories and our internal analysis of data coverage and quality.

Energy and travel greenhouse gas emissions in tonnes CO_2e

		2023	2022	2019 baseline
Scope 1[1]	▼	**16,918**	19,329	22,066
Scope 2 (market-based)[1]	▼	**167,174**	223,334	392,270
Scope 3	▲	**1,090,280**	1,052,264	1,139,260
Category 1: Purchased goods and services[1,2]	▼	**859,256**	865,747	829,635
Category 2: Capital goods[1,2]	▼	**121,783**	144,232	37,617
Category 6: Business travel[1]	▲	**109,241**	42,285	272,008
Total	▼	**1,274,372**	1,294,927	1,553,596
Included energy UK	▼	**5,909**	9,264	10,432

1 Our data is now presented on an absolute value basis and not rounded values. Data in 2023 is subject to an independent limited assurance by PwC in accordance with International Standard on Assurance engagements 3410 (Assurance Engagements on Greenhouse Gas Statements). For further details, see GHG Reporting Guidance 2023 and third-party limited assurance report at www.hsbc.com/our-approach/esg-information/esg-reporting-and-policies. In respect of data in 2019 and 2022, see our relevant Annual Report and Accounts.

2 Supply chain emissions calculated using a combination of supplier emissions data and industry averages. A data quality score is applied to this calculation where 1 is high and 5 is low, based on the quality of emissions data. This is a weighted average score based on HSBC supplier spend and is in line with HSBC's financed emissions reporting methodology. Data quality scores can be found in the ESG Data Pack.

For further details of our methodologies, our PwC limited assurance reports and relevant environment key facts, see our ESG Data Pack *at www.hsbc.com/esg.*

Greenhouse gas emissions in tonnes CO_2e per FTE

		2023	2022	2019 baseline
Scope 1, 2 and 3 (Category 6)	▲	**1.3**	1.3	2.9
Scope 1, 2 and 3 (Category 1, 2 and 6)	▼	**5.8**	5.9	6.6

Energy consumption in kWh in 000s

		2023	2022	2019 baseline
Total	▼	**772,736**	797,264	913,556
UK only	▼	**209,939**	222,322	281,271

Emissions from our supply chain
Our calculation methodology uses supplier emissions data where we have it from suppliers, through CDP. Where we do not have actual emissions data, we use industry average carbon intensities and spend data to determine their contribution to our supply chain emissions. As more of our suppliers report their emissions, we should be able to include more accurate data and fewer industry averages in the calculation. We have applied a data quality score to the sources of data we used to determine counterparty emissions. For further details, see our GHG (Greenhouse Gas) Reporting Guidance at www.hsbc.com/esg.

In 2022, we disclosed our supply chain emissions for the first time, using supplier emissions data and industry averages where actual data was not available. This approach is heavily dependent on external data sources to calculate estimates of our supply chain emissions.

In 2023, emissions from our supply chain reduced by 3% compared with 2022. This is due to a reduction in spend and an increase in the availability of actual emissions data from our suppliers. Emissions have increased by 13% compared with 2019, as industry averages remain significantly elevated. Due to volatility in industry average data, we will undertake a review of our data sources and methodology during 2024. As supplier emissions reporting matures, we will be able to include more actual data and fewer industry averages in the methodology. Our initial supply chain emission figures may require updating as data availability changes over time and methodologies and climate science evolve.

For further details of our methodologies and relevant environmental key facts, see the ESG Data Pack *at www.hsbc.com/esg.*

Managing climate risk TCFD

Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy. We manage climate risk across all our businesses and are incorporating climate considerations within our traditional risk types in line with our Group-wide risk management framework.

Our material exposure to climate risk relates to wholesale and retail client financing activity within our banking portfolio. We are also exposed to climate risk in relation to asset ownership by our insurance business and employee pension plans. Our clients are exposed to climate-related investment risk in our asset management business.

In the table below, we set out our duties to our stakeholders in our four most material roles.

For further details of our approach to climate risk, see 'ESG risk' on page 141 and 'Climate risk' on page 221.

Banking
We manage the climate risk in our banking portfolios through our risk appetite and policies for financial and non-financial risks.

Employee pensions
Our pension plans manage climate risk in line with their fiduciary duties towards members and local regulatory requirements.

Asset management
Climate risk management is a key feature of our investment decision making and portfolio management approach.

Insurance
We consider climate risk in our portfolio of assets.

Climate risk

This helps enable us to identify opportunities to support our customers, while continuing to meet stakeholder expectations.

We monitor climate risk exposure internally for our largest plans based on asset sector allocation and carbon emissions data where available.

We also engage with companies on topics related to climate change.

We have established an evolving ESG programme to meet changing external expectations and customer demands.

Banking
Our banking business is well positioned to support our customers managing their own climate risk through financing. For our wholesale customers, we use our transition engagement questionnaire to understand clients' climate strategies and risks. We have set out a suite of policies to guide our management of climate risk. We continue to develop our climate risk appetite and metrics to help manage climate exposures in our wholesale and retail portfolios. We also develop and use climate scenario analysis to gain insights on the long-term effects of transition and physical risks across our wholesale and retail banking portfolios (for further details, see page 225).

Asset management
HSBC Asset Management recognises that climate risk may manifest as transition and physical risks over the short, medium and long term. The impact of climate-related risk will vary depending on characteristics such as asset class, sector, business model and geography. Where applicable and relevant, HSBC Asset Management incorporates climate-related indicators, such as carbon intensity and management of carbon emissions, into investment decisions as well as insights from its climate-related engagement.

Work continues on the integration of ESG and climate analysis into HSBC Asset Management's actively managed product offerings to help ensure the climate risks faced by companies are considered when making investment decisions and to assess ESG risks and opportunities that could impact investment performance.

HSBC Asset Management engages with investee companies on a priority list as defined in its Global Stewardship Plan, and votes at company general meetings, including on the topic of climate change. It also works with collaborative engagement initiatives such as Climate Action 100+ and Nature Action 100.

For further details of the HSBC Global Asset Management (UK) Limited's annual TCFD Report, see https://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/uk/common/tcfd-report-2022.pdf.

Employee pensions
The Trustee of the HSBC Bank (UK) Pension Scheme, our largest plan with $36bn assets under management, aims to achieve net zero greenhouse gas emissions across its defined benefit and defined contribution assets by 2050. To help achieve this, it is targeting an interim emissions reduction of 50% by 2030, from 2019 levels, for its equity and corporate bond mandates. This commitment was made in the context of wider efforts to manage the impact of climate change on the Scheme's investments and the consequent impact on the financial interests of members.

The Scheme, which has reported emission reductions for its listed equity and corporate bond mandate portfolios between 2019 and 2022 through its annual TCFD Report, will continue to report against the 2030 targets and aims to widen the coverage of its assessment and reporting over time. In 2023, its asset managers were formally notified of the Trustee's ESG risk mitigation priorities and encouraged to develop commensurate risk mitigation strategies. The manager monitoring and selection processes now explicitly include assessment of these strategies where financially material.

For further details of the HSBC Bank (UK) Pension Scheme's annual TCFD statements and climate action plan, see http://futurefocus.staff.hsbc.co.uk/active-dc/information-centre/other-information.

Insurance
In 2023, our Insurance business updated its sustainability procedures to align with the Group's updated energy and thermal coal-phase out policies. We also delivered ESG product marketing guidelines with insurance examples and training.

In response to various ESG regulatory initiatives and developments, HSBC's insurance manufacturing entities in the EU, which are in Malta and France, have continued to implement key disclosure-related regulatory requirements, including pre-contractual reporting, client periodic reporting and sustainable investment impact statements. Related requirements for the UK are expected to be introduced in 2024.

Sustainability risk policies TCFD

Our sustainability risk policies help to set out our appetite for financing and advisory activities in certain sectors. Our policies are important mechanisms for delivering our net zero ambitions, as well as for managing sustainability risks.

Our policies
Our sustainability risk policies comprise our core net zero-aligned policies – thermal coal phase-out and energy – and our broader sustainability risk policies covering: agricultural commodities, chemicals, forestry, mining and metals, and World Heritage Sites and Ramsar-designated wetlands. We also apply the Equator Principles when financing relevant projects.

Our sustainability risk policies focus on mitigating the negative impacts of specific sectors on people and the environment. Our net zero policies, including energy and thermal coal phase-out, also support our ambition to transition to net zero. Engaging with customers on their transition plans is a key aspect of our net zero policy approach. These policies aim to provide clear signals to our customers on how our appetite and expectations for different activities are changing, as well as how we will consider their plans for the future.

We continue to review policy implementation as we apply our policies in practice, and our operationalisation of such policies continues to be enhanced. We take a risk-based approach when identifying transactions and clients to which our energy and thermal coal phase-out policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality. This helps to focus our efforts on areas where we believe we can help drive meaningful change, while taking into account experience from policy implementation over time.

We regularly review our policies, incorporating feedback and building on experience from policy implementation over time.

Where we identify activities that could cause material negative impacts, we expect customers to demonstrate that they are identifying and mitigating risks responsibly, and we will look to take required actions as outlined in our policies, which may include applying financing restrictions or enhanced due diligence.

For further details of how we manage sustainability risk, as well as our full policies, see www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk.

Governance and implementation
Our Group Risk and Compliance function has specialists who review and support implementation of our sustainability risk policies. Our relationship managers are the primary point of contact for many of our business customers and are responsible for managing customers' adherence to the sustainability risk policies. They are supported by sustainability risk managers across the Group who have local or regional responsibility for advising on, and overseeing, the management of risks as outlined in the policies. Where considered appropriate, policy matters are escalated to relevant internal governance committees.

Oversight of the development and implementation of policies is the responsibility of relevant governance committees comprising senior members of the Group Risk and Compliance function and global businesses.

Biodiversity and natural capital-related policies
Our sustainability risk policies impose restrictions on certain financing activities that may have material negative impacts on nature. While a number of our sustainability risk policies have such restrictions, our forestry and agricultural commodities policies focus specifically on a key nature-related impact: deforestation. These policies require customers involved with major deforestation-risk commodities to operate in accordance with sustainable business principles. We also require palm oil customers to obtain certification under the Roundtable on Sustainable Palm Oil, and commit to 'No Deforestation, No Peat and No Exploitation' (see 'Our respect for human rights' on page 89).

Our energy policy
Our energy policy covers the broader energy system, including upstream oil and gas, fossil fuel power generation, hydrogen, renewables and hydropower, nuclear, biomass and waste-to-energy sectors.

The policy seeks to balance three objectives: driving down global greenhouse gas emissions; enabling an orderly transition that builds resilience in the long term; and supporting a just and affordable transition, recognising the local realities in all the communities we serve.

The energy policy was first published in December 2022 and updated in January 2024. We review the policy annually to help ensure that it remains aligned with our net zero by 2050 ambition and strategic objectives.

For further details of our oil and gas, and power and utilities financed emissions targets, see the 'Targets and progress' section in 'Financed emissions on page 57.

For further details of our energy policy, see www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk.

Sustainability risk policies continued

Our thermal coal phase-out policy
As set out in the thermal coal phase-out policy, we are committed to phasing out the financing of thermal coal-fired power and thermal coal mining in EU and OECD markets by 2030, and globally by 2040.

Our policy aims to support thermal coal phase-out aligned to science-based timeframes, recognising the different pace between advanced and emerging economies. In turn our policy supports progress towards our financed emissions targets for the power and utilities and thermal coal mining sectors.

The policy was first published in December 2021 and is reviewed annually, with the most recent update in January 2024, to help ensure that it remains aligned with our commitments and takes into consideration relevant changes in external factors.

For our thermal coal phase-out policy, see www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/240125-hsbc-thermal-coal-phase-out-policy.pdf.

For further details of our thermal coal phase-out policy January 2024 update, see page 71 of our Net Zero Transition Plan 2024, which is available at www.hsbc.com/who-we-are/our-climate-strategy/our-net-zero-transition-plan.

Thermal coal financing exposures
We intend to reduce thermal coal financing drawn balance exposure from a 2020 baseline by at least 25% by 2025 and aim to reduce it by 50% by 2030.

In our *Annual Report and Accounts 2022* we acknowledged that our processes, systems, controls and governance were not yet designed to fully identify and disclose thermal coal exposures and that we planned to reassess the reliability of our data and review our basis of preparation to help ensure that we are reporting all relevant thermal coal exposures aligned to our thermal coal phase-out policy.

We have now revised the basis of preparation for our thermal coal exposures. Aligned with our thermal coal phase-out policy, we applied a risk-based approach to identify clients and report on relevant exposures. This includes the use of globally recognised third-party data sources to screen clients and applies materiality considerations to product type, customer type and exposure type, which informs inclusion and exclusion requirements.

Specifically, for product types, short-term lending exposures are excluded from our thermal coal financing exposures reporting in line with our financed emissions methodology. For customer types, exclusions are applied for certain customer types such as sovereigns and individuals. For exposure types, a threshold of $15m for drawn balances is applied for thermal coal financing exposures reporting. For the avoidance of doubt, the $15m threshold applies only to exposure reporting analysis and does not apply to the application of the thermal coal phase-out policy.

For further details of our Financed Emissions and Thermal Coal Exposures Methodology, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Considering materiality criteria helps us to focus our efforts on areas where we believe we can help drive meaningful change, while taking into account experience from policy implementation over time.

Applying our revised basis of preparation, our thermal coal financing drawn balance exposure was approximately $1bn† as at 31 December 2020. We continue to work on our 2021 and 2022 numbers based on our revised basis of preparation and expect to report on these in future disclosures.

For further details of our approach to financed emissions, see 'Our Approach to financed emissions' on page 53.

† Data is subject to independent limited assurance by PwC in accordance with ISAE 3000/ISAE 3410. For further details, see our Financed Emissions and Thermal Coal Exposures Methodology and PwC's limited assurance report, which are available at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Asset Management policy

HSBC Asset Management published its own policy on thermal coal in September 2022, and its own energy policy in November 2023. As an asset manager, it is subject to separate regulatory and legal obligations to deliver customers' investment interests and deliver fair outcomes.

Under its thermal coal policy, HSBC Asset Management will not hold listed securities of issuers with more than de minimis revenue exposure to thermal coal in its actively managed funds beyond 2030 for EU and OECD markets, and globally by 2040. The policy also includes enhanced due diligence on the transition plans of investee companies with thermal coal exposure. Companies held in investment portfolios that do not develop credible plans to transition away from thermal coal could face voting sanctions and ultimately a divestment of holdings.

Under its energy policy, HSBC Asset Management will engage with – and assess the transition plans of – oil and gas, and power and utilities companies held in its portfolios. For its active fundamental sustainable named funds, it will exclude listed issuers whose overall operations are substantially in unconventional oil and gas, subject to data availability, and with the level and scope of exclusions to be set out in fund prospectuses. In its alternatives business, it will not undertake new direct investments in projects associated with the energy-related activities identified as excluded from new finance or advisory services under the Group energy policy. HSBC Asset Management's policy work will continue to support the Group's sustainability objectives and the commitment made under the Net Zero Asset Managers initiative to support investing aligned with net zero by 2050. We continue on the journey of policy implementation, including engaging with the companies in which we invest, and improving the data we rely on to monitor the policies.

For further details of the energy policy, see www.assetmanagement.hsbc.lu/-/media/files/attachments/common/energy-policy-en.pdf.

For further details of the thermal coal policy, see www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/coal-policy-en.pdf.

Partnering for systemic change

Supporting systemic change to deliver net zero

We recognise that collective action is critical to achieve net zero. We seek to collaborate with a range of partners to develop a supportive environment for achieving net zero and mobilising finance for climate action and nature-based solutions. Our partnerships vary in scope and form depending on the sector and geography, as well as our presence in local markets. We act independently and voluntarily in our decision making, based on our own business interests, priorities and objectives, and in accordance with the laws and regulations of the markets in which we operate.

Working with the public sector
We engage with governments and public bodies to support the implementation of policies and regulations, including promoting good practice to develop globally consistent approaches to nature and climate-related financial regulation. In 2023, this included:

- working with the UK Net Zero Council, a cross-government business partnership, to help address market barriers to delivering net zero, including high start-up costs for renewable energy projects, regulatory challenges and uncertainty around policy frameworks; and
- continuing to engage with Just Energy Transition Partnerships contributing to Indonesia's comprehensive investment and policy plan and Vietnam's resource mobilisation plan, which provide roadmaps for minimising the negative impact on local communities of phasing out fossil fuels and how banks can support the transition.

Working with industry
We participate in cross-industry alliances and initiatives to stimulate industry engagement in nature and climate-related issues, and improve consistency in global financial standards, guidance and frameworks to accelerate implementation. In 2023, these included:

- We are supporting the widespread adoption of the GFANZ net zero transition plan framework, as a member of its Principals Group. We also jointly led a working group to develop guidance for financial institutions on financing the managed phase-out of coal-fired power plants in Asia-Pacific.
- As Chair of the Sustainable Markets Initiative's ('SMI') Financial Services Taskforce, we have been actively involved in the publication of industry guidance to help encourage investment in critical ecosystems and sustainable agricultural practices. These include sponsorship of a report by Pollination on financing coastal nature-based solutions, as well as contributing to the Mangrove Breakthrough initiative's financial roadmap and the SMI Agribusiness Task Force's blended finance framework for regenerative farming.
- As a member of the Taskforce on Nature-related Financial Disclosures ('TNFD'), we have piloted the TNFD beta framework to better understand our exposure to nature-related risks, including on subsets of customers. We are currently focused on assessing and preparing for mandatory nature-related disclosure requirements, and we continue to engage with TNFD and explore ways it can help us and our clients to strengthen nature-related reporting.

In 2023, we also supported financial product development to help mobilise the allocation of capital towards halting and reversing nature loss:

- We worked with the ICMA to help develop global guidance for issuers launching blue bonds – debt instruments that raise capital to finance sustainable marine and ocean-based projects – including eligibility criteria, standards for evaluating the impact of projects, and the steps needed to build the integrity of the blue economy and mobilise investment.
- We partnered with Earth Security to explore the barriers, opportunities and design options for creating a 'mangrove bond' in Queensland, Australia to help generate funding to enhance mangrove ecosystems. This led to the publication of a practical blueprint for investors, banks, corporates and governments to develop new sustainable fixed income and investment product opportunities.

Working with civil society and non-governmental organisations
As part of our global philanthropy, we have partnered with a range of organisations to support the acceleration of climate action and investments in nature.

Our five-year Climate Solutions Partnership initiative with the World Resources Institute, WWF and over 50 local partners, continues to support the scaling up of nature-based solutions and the transition of the energy sector in Asia. This includes engaging with local enterprises across Asia to make climate commitments and take corporate action. Under the Asia Sustainable Palm Oil Links programme, we are working closely with smallholders and traders to transition to more sustainable practices and reduce nature-related losses.

We have also established several new partnerships focused on transitioning industry, decarbonising global trade and catalysing the new economy. These include:

- a three-year partnership with the Apparel Impact Institute to mobilise blended finance for projects to reduce supply chain emissions in the global fashion industry;
- a founding membership of the Capacity-building Alliance for Sustainable Investment, a global platform providing local capacity building services and technical assistance to support growth of transition financing in emerging markets and developing economies; and
- a two-year partnership with Repower, a global non-profit initiative analysing the technical and commercial feasibility of various options for repowering and repurposing coal-fired power plants to accelerate the transition to clean energy.

Unlocking the potential of Chinese ecosystems

We have been working with the SEE Foundation in China on a multi-stakeholder pilot project to enhance the climate resilience and biodiversity of forests, inland wetlands, and mangroves in several selected local provinces. The project aims to restore and promote sustainable management of key ecosystems and improve ecosystem services such as carbon sinks, as a model for other areas in China and around the world. Its efforts to reduce emissions, and generate jobs through the support of sustainable local enterprises, has also unlocked government and public funding for expansion and gained recognition from the World Bank and the Chinese government.

Our approach to climate reporting TCFD

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

The table below sets out the 11 TCFD recommendations and summarises where additional information can be found.

We have considered our 'comply or explain' obligation under both the UK's Financial Conduct Authority's Listing Rules and Sections 414CA and 414CB of the UK Companies Act 2006, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures, including its annexes and supplemental guidance, save for certain items, which we summarise below and in the additional information section on page 440.

Recommendation	Response	Disclosure location
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities (Companies Act 2006 – Sections 414CA and 414CB 2A (a))		
Process, frequency and training	– The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. It considered ESG at eight meetings during the year.	Pages 88 and 256
	– Board members receive ESG-related training as part of their induction and ongoing development, and seek out further opportunities to build their skills and experience in this area.	Page 88
Sub-committee accountability, processes and frequency	– The Group Audit Committee ('GAC') considered ESG and climate reporting matters at eight meetings during 2023. Furthermore, as an area of expanded assurance, the GAC, supported by the executive-level ESG Committee, provided close oversight of the disclosure risks in relation to ESG and climate reporting, amid rising stakeholder expectations.	Page 267
	– The Group Risk Committee ('GRC') received reports on climate risk management, energy and thermal coal phase-out policies, while maintaining oversight of delivery plans to ensure that the Group develops robust climate risk management capabilities. It considered ESG risk at five meetings in 2023.	Pages 275 and 278
	– The diagram on page 88 provides an illustration of our ESG governance process, including how the Board's strategy on climate is cascaded and implemented throughout the organisation. It identifies examples of forums that manage both climate-related opportunities and risks, along with their responsibilities and the responsible chair.	Page 88
Examples of the Board and relevant Board committees taking climate into account	– The Board considered whether to establish a Board committee dedicated to ESG issues, but instead decided that the best way to support the oversight and delivery of the Group's climate ambition and ESG strategy was to retain governance at Board level.	Page 254
	– In 2023, the Board oversaw the implementation of ESG strategy through regular dashboard reports and detailed updates including: review and approval of the net zero transition plan, deep dives on the sustainability execution programme, reviews of net zero-aligned policies and climate-aligned financing initiatives.	Page 254
b) Describe management's role in assessing and managing climate-related risks and opportunities (Companies Act 2006 – Sections 414CA and 414CB 2A (a))		
Who manages climate-related risks and opportunities	– The ESG Committee supports the development and delivery of our ESG strategy, key policies and material commitments by providing oversight, coordination and management of ESG commitments and initiatives. It is co-chaired by the Group Chief Sustainability Officer and the Group Chief Financial Officer.	Page 222
	– In 2023, we enhanced our ESG governance with the establishment of a new Sustainability Execution Committee, which focuses on defining and measuring the success of our climate ambition, and developing commercial opportunities that support it through the sustainability execution programme.	Page 88
	– The Group Chief Risk and Compliance Officer is the senior manager responsible for the management of climate risk under the UK Senior Managers Regime, which involves holding overall accountability for the Group's climate risk programme.	Page 222
How management reports to the Board	– The Board delegates day-to-day management of the business and implementation of strategy to the Group Chief Executive. The Group Chief Executive is supported in his management of the Group by recommendations and advice from the Group Executive Committee, an executive forum comprising members of senior management that include chief executive officers of the global businesses, regional chief executive officers and functional heads.	Page 250
	– The Group Executive Committee further enhanced its governance model of ESG matters with the introduction of a new Sustainability Execution Committee and supporting forums. These support senior management in the operationalisation of the Group's sustainability strategy, through the oversight of the sustainability execution programme.	Page 254
Processes used to inform management	– The Group Risk Management Meeting oversees the enterprise-wide management of all risks, including updates relating to the Group's climate risk profile and risk appetite, top and emerging climate risks, and key climate initiatives.	Page 88
	– The Environmental Risk Oversight Forum oversees global risk activities relating to environmental risk management, including the transition and physical risks from climate change. Equivalent forums have been established at regional level, where appropriate.	Page 88

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term (Companies Act 2006 – Sections 414CA and 414CB 2A (d))		
Processes used to determine material risks and opportunities	– To support the requirements for assessing the impacts of climate change, we continue to develop a set of capabilities to execute climate stress testing and scenario analysis. These are used to improve our understanding of our risk exposures for risk management and business decision making.	Page 37
	– We also develop and use climate scenario analysis to gain insights on the long-term effects of transition and physical risks across our wholesale and retail banking portfolios.	Page 65
	– Our sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions.	Page 50
Relevant short-, medium-, and long-term time horizons	– We have continued to take steps to implement our climate ambition to become net zero in our operations and our supply chain by 2030, and align our financed emissions to net zero by 2050.	Page 42
	– In 2023, we continued to provide sustainable financing and investment to our customers in line with our ambition to provide and facilitate $750bn to $1tn by 2030.	Page 44
	– Our assessment of climate risks covers three distinct time periods, comprising: short term, which is up to 2025; medium term, which is between 2026 and 2035; and long term, which is between 2036 and 2050. These time periods are aligned to the Climate Action 100+ framework v1.2.	Page 141
Transition or physical climate-related issues identified	– We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. Our sustainable finance data dictionary includes a detailed definition of contributing activities.	Page 50
	– For transition risk, we have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors. As at 31 December 2023, the overall exposure to six high transition risk sectors was $112bn. Our relationship managers engage with our key wholesale customers through a transition engagement questionnaire (formerly the transition and physical risk questionnaire) to gather information and assess the alignment of our wholesale customers' business models to net zero and their exposure to physical and transition risks. We use the responses to the questionnaire to create a climate risk score for our key wholesale customers.	Page 223
	– We measure the impacts of climate and weather events to our buildings on an ongoing basis using historical, current and scenario modelled forecast data. In 2023, there were 27 major storms that had a minor impact on five premises with no impact on the availability of our buildings.	Page 229
Risks and opportunities by sector and/or geography	– For transition risk, we have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors. These are automotive, chemicals, construction and building materials, metals and mining, oil and gas, and power and utilities.	Page 223
	– Within our mortgage portfolios, properties or areas with potentially heightened physical risk are identified and assessed locally, and potential exposure is monitored through quarterly metrics. We have also set risk appetite metrics for physical risk in our largest mortgage markets, the UK and Hong Kong, as well as those with local regulatory requirements, including Singapore.	Page 224
	– We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. For a detailed breakdown of our sustainable finance progress, see the *ESG Data Pack*.	Page 50
Concentrations of credit exposure to carbon-related assets (supplemental guidance for banks)	– We report our exposure to the six high transition risk sectors in the wholesale portfolio. For details, see the *ESG Data Pack*.	Page 223
	– The UK is our largest mortgage market, which at September 2023 made up 40.0% of our global mortgage portfolio. We estimate that 0.2% of our UK retail mortgage portfolio is at very high risk of flooding and 3.5% is at high risk. This is based on approximately 94.2% climate risk data coverage by value of our UK portfolio as at September 2023.	Page 224
Climate-related risks (transition and physical) in lending and other financial intermediary business activities (supplemental guidance for banks)	– Our material exposure to climate risk relates to wholesale and retail client financing activity within our banking portfolio.	Page 65
	– We are also exposed to climate risk in relation to asset ownership by our insurance business and employee pension plans.	Page 65
	– HSBC Asset Management recognises that climate risk may manifest as transition and physical risks over the short, medium and long term. The impact of climate-related risk will vary depending on characteristics such as asset class, sector, business model and geography. Where applicable and relevant, HSBC Asset Management incorporates climate-related indicators, such as carbon intensity and management of carbon emissions, into investment decisions as well as insights from its climate-related engagement.	Page 65
	– In climate scenario analysis on page 227, we show the relative size of exposures at default in 2023 and the increase in cumulative ECL under each scenario compared with a counterfactual scenario by 2035 (expressed as a multiple).	Page 227

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning (Companies Act 2006 – Sections 414CA and 414CB 2A (e))		
Impact on strategy, business, and financial planning	– Our net zero ambition represents one of our four strategic pillars. We aim to achieve net zero in our financed emissions by 2050, and in our own operations and supply chain by 2030.	Page 44
	– Scenario analysis supports our strategy by assessing our potential exposures to risks and vulnerabilities under a range of climate scenarios. It helps to build our awareness of climate change, plan for the future and meet our growing regulatory requirements. Developments in climate science, data, methodology and scenario analysis techniques will help us shape our approach further. We therefore expect this view to change over time.	Page 225
	– We continue to enhance our climate scenario analysis exercises so that we can have a more comprehensive understanding of climate headwinds, risks and opportunities to support our strategic planning and actions.	Page 225
	– We have used climate scenarios to inform our organisation's business, strategy and financial planning. In 2023, we continued to incorporate certain aspects of sustainable finance and financed emissions within our financial planning process.	Page 222
	– We do not fully disclose impacts from climate-related opportunities on financial planning and performance including on revenue, costs and the balance sheet, quantitative scenario analysis, detailed climate risk exposures for all sectors and geographies or physical risk metrics. This is due to transitional challenges in relation to data limitations, although nascent work is ongoing in these areas. We expect these data limitations to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented.	Page 440
Impact on products and services	– We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030.	Page 50
Impact on supply chain and/or value chain	– We will continue to engage with our supply chain through CDP, and through direct discussions with our suppliers on how they can further support our transition to net zero.	Page 63
	– We recognise that collective action is critical to achieve net zero. We seek to collaborate with a range of partners to develop a supportive environment for achieving net zero and mobilising finance for climate action and nature-based solutions. Our partnerships vary in scope and form depending on the sector and geography, as well as our presence in local markets.	Page 68
	– HSBC Asset Management engages with investee companies on a priority list as defined in its Global Stewardship Plan, and votes at company general meetings, including on the topic of climate change.	Page 65
Impact on adaptation and mitigation activities	– In October 2020, we announced our ambition to reduce our energy consumption by 50% by 2030, against a 2019 baseline. As part of our ambition to achieve 100% renewable electricity across our operations by 2030, we continue to look for opportunities to procure green electricity in each of our markets. In 2023, our fourth UK renewable PPA went live in Sorbie, Scotland. A key challenge remains the limited opportunity to pursue PPAs or green tariffs in key markets due to regulations.	Page 63
	– We regularly review and enhance our building selection process and global engineering standards and will continue to assess historical claims data to help ensure our building selection and design standards address the potential impacts of climate change.	Page 229
Impact on operations	– We have three elements to our strategy: reduce, replace and remove. We plan to first focus on reducing carbon emissions from consumption, and then replacing remaining emissions with low-carbon alternatives in line with the Paris Agreement. We plan to remove the remaining emissions that cannot be reduced or replaced by procuring, in accordance with prevailing regulatory requirements, high-quality offsets at a later stage.	Page 63
	– We use stress testing to evaluate the potential for impact on our owned or leased premises. Our scenario stress test, conducted in 2023, analysed how eight climate change-related hazards could impact 1,000 of our critical and important buildings. These hazards were coastal inundation, extreme heat, extreme winds, wildfires, riverine flooding, pluvial flooding, soil movement due to drought, and surface water flooding.	Page 229
Impact on investment in research and development	– Throughout 2023, we published regular ESG and sustainability-related market insights and updates such as #WhyESGMatters and Learning about ESG to help clients better understand the implications for their investments.	Page 51
	– We recognise the need to find new solutions and increase the pace of change for the world to achieve the Paris Agreement goal of being net zero by 2050. We are working with a range of partners to accelerate investment in sustainable infrastructure, natural resources and climate technology to help reduce emissions and address climate change.	Page 52
Impact on acquisitions or divestments	– We have updated our merger and acquisition process to consider potential climate and sustainability-related targets, net zero transition plans and climate strategy, and how this relates to HSBC.	Page 222
Impact on access to capital	– We have considered the impact of climate-related issues on our businesses, strategy and financial planning. Our access to capital may be impacted by reputational concerns as a result of climate action or inaction. In addition, if we are perceived to mislead stakeholders on our business activities or if we fail to achieve our stated net zero ambitions, we could face reputational damage, impacting our revenue-generating ability and potentially our access to capital markets. We expect to further enhance the disclosure in the medium term as more data becomes available. To manage these risks we have integrated climate risk into our existing risk taxonomy, and incorporated it within the risk management framework through the policies and controls for the existing risks where appropriate.	Page 440
Transition plan to a low-carbon economy	– We published our Group-wide net zero transition plan in January 2024. In this plan, we provided an overview of our approach to net zero and the actions we are taking to help meet our ambitions. We want to be clear about our approach, the change underway today and what we plan to do in the future. We also want to be transparent about where there are still unresolved issues and uncertainties. We are still developing our disclosures, including considerations of possible additional data in relation to our financial plans, budgets, and related financial approach for the implementation of the transition plan in the medium term (e.g. amount of capital and other expenditures supporting our decarbonisation strategy). The UK Transition Plan Taskforce published its final transition plan disclosure framework in October 2023. We will continue to evolve our transition plan disclosures to take into account new and evolving regulatory developments.	Page 440

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (Companies Act 2006 – Sections 414CA and 414CB 2A (f))		
Embedding climate into scenario analysis	– Scenario analysis supports our strategy by assessing our potential exposures to risks and vulnerabilities under a range of climate scenarios. It helps to build our awareness of climate change, plan for the future and meet our growing regulatory requirements.	Page 225
	– In our 2023 climate scenario analysis exercises, we explored five scenarios that were created to examine the potential impacts from climate change for the Group and its entities.	Page 225
Key drivers of performance and how these have been taken into account	– Climate scenario analysis allows us to model how different potential climate pathways may affect and impact the resilience of our customers and our portfolios, particularly in respect of credit losses. Under the Current Commitments scenario, we expect lower levels of losses relating to transition risks, although we would expect an increase in the effects of climate-related physical risks over the longer term.	Page 227
	– Scenario analysis results have been used to support the Group's ICAAP. This is an internal assessment of the capital the Group needs to hold to meet the risks identified on a current and projected basis, including climate risk.	Page 229
	– In addition, scenario analysis informs our risk appetite statement metrics. As an example, it supports the calibration of physical risk metrics for our retail mortgage portfolios and it is used to consider climate impact in our IFRS 9 assessment.	Page 229
Scenarios used and how they factored in government policies	– Our scenarios are: the Net Zero scenario, the Current Commitments scenario, the Delayed Transition Risk scenario, the Downside Physical Risk scenario and the Near Term scenario.	Page 225
	– Our scenarios reflect different levels of physical and transition risks over a variety of time periods. The scenario assumptions include varying levels of governmental climate policy changes, macroeconomic factors and technological developments. However, these scenarios rely on the development of technologies that are still unproven, such as global hydrogen production to decarbonise aviation and shipping.	Page 225
How our strategies may change and adapt	– The nature of the scenarios, our developing capabilities, and limitations of the analysis lead to outcomes that are indicative of climate change headwinds, although they are not a direct forecast.	Page 225
	– Developments in climate science, data, methodology and scenario analysis techniques will help us shape our approach further. We therefore expect this view to change over time.	Page 225
	– Climate scenario analysis plays a crucial role helping us to identify and understand the impact of climate-related risks and potential opportunities as we navigate the transition to net zero.	Page 229
	– Our target-setting approach to date, for on-balance sheet financed emissions and facilitated emissions, has been to utilise a single net zero reference scenario (IEA NZE 2021) to underpin both energy supply-related sectors (oil and gas, power and utilities, and thermal coal mining) and our published targets for demand-side sectors in transport and heavy industry.	Page 53
	– We recognise that the so-called 'hard-to-abate' sectors, such as cement, iron, steel and aluminium, and aviation have a large dependence on nascent technologies and the presence (or not) of enabling policies and regulations. We may consider tracking progress relative to 1.5°C-aligned ambition ranges for these sectors in the future, which could include industry-specific scenarios alongside the IEA NZE scenario.	Page 48
	– We do not currently fully disclose the impacts of transition and physical risk quantitatively, due to transitional challenges including data limitations and evolving science and methodologies. In 2023, we have disclosed the impairment impacts for our wholesale, retail and commercial real estate portfolios in different climate scenarios. In addition, we have disclosed losses on our retail mortgage book under three scenarios and flood depths for specific markets. For our wholesale book, we have disclosed potential implications on our expected credit losses for 11 sectors under two scenarios. We have also disclosed a heat map showing how we expect the risks to evolve over time.	Page 440
Risk management		
a) Describe the organisation's processes for identifying and assessing climate-related risks (Companies Act 2006 – Sections 414CA and 414CB 2A (b))		
Process	– We continue to integrate climate risk into policies, processes and controls across many areas of our organisation, and we will continue to update these as our climate risk management capabilities mature over time.	Page 222
	– We updated our climate risk management approach to incorporate net zero alignment risk and developed guidance on how climate risk should be managed for non-financial risk types. While we have made progress in enhancing our climate risk framework, further work remains. This includes the need to develop additional metrics and tools to measure our exposure to climate-related risks, and to incorporate these tools within decision making.	Page 222
	– In 2023, we enhanced our internal climate scenario analysis exercise by focusing our efforts on generating more granular insights for key sectors and regions to support core decision-making processes, and to respond to our regulatory requirements. In climate scenario analysis, we consider, jointly, both physical risks and transition risks.	Page 225
	– We continue to review policy implementation as we apply our policies in practice, and our operationalisation of such policies continues to be enhanced. We take a risk-based approach when identifying transactions and clients to which our energy and thermal coal phase-out policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality.	Page 66
Integration into policies and procedures	– We continue to integrate climate risk into policies, processes and controls across many areas of our organisation, and we will continue to update these as our climate risk management capabilities mature over time.	Page 222
Consider climate-related risks in traditional banking industry risk categories (supplementary guidance for banks)	– We provide further details of how we have embedded the management of climate risk across key risk types, including wholesale credit risk, retail credit risk, treasury risk, traded risk, reputational risk, regulatory compliance risk, resilience risk, model risk, and financial reporting risk.	Page 223

ESG review

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
b) Describe the organisation's processes for managing climate-related risks (Companies Act 2006 – Sections 414CA and 414CB 2A (b))		
Process and how we make decisions	– The Group Risk Management Meeting and the Group Risk Committee receive regular updates on our climate risk profile and progress of our climate risk programme.	Page 222
	– The Environmental Risk Oversight Forum (formerly the Climate Risk Oversight Forum) oversees risk activities relating to climate and sustainability risk management, including the transition and physical risks from climate change. Equivalent forums have been established at a regional level.	Page 222
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management framework (Companies Act 2006 – Sections 414CA and 414CB 2A (c))		
How we have aligned and integrated our approach	– Our climate risk approach is aligned to our Group-wide risk management framework and three lines of defence model, which sets out how we identify, assess and manage our risks.	Page 221
	– We are developing our climate risk capabilities across our businesses, by prioritising sectors, portfolios and counterparties with the highest impacts.	Page 221
	– In 2023, we updated our climate risk materiality assessment, to understand how climate risk may impact across HSBC's risk taxonomy.	Page 221
	– In addition to this assessment, we also consider climate risk in our emerging risk reporting and scenario analysis.	Page 221
How we take into account interconnections between entities and functions	– Our climate risk approach is aligned to our Group-wide risk management framework and three lines of defence model, which sets out how we identify, assess and manage our risks.	Page 221
	– Through our climate risk programme, we continued to embed climate considerations throughout the organisation, including through risk policy updates and the completion of our annual climate risk materiality assessment. We also developed risk metrics to monitor and manage exposures, and further enhanced our internal climate scenario analysis.	Page 139
	– We continue to make progress in enhancing our climate risk capabilities, and recognise it is a long-term iterative process. This includes updating our approach to reflect how the risks associated with climate change continue to evolve in the real world, and maturing how we embed climate risk factors into strategic planning, transactions and decision making across our businesses.	Page 221
Metrics and targets		
a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process (Companies Act 2006 – Sections 414CA and 414CB 2A (h))		
Metrics used to assess the impact of climate-related risks on our loan portfolio	– We have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors. As at 31 December 2023, the overall exposure to six high transition risk sectors was $112bn.	Page 223
	– The UK is our largest mortgage market, which at September 2023 made up 40.0% of our global mortgage portfolio. We estimate that 0.2% of our UK retail mortgage portfolio is at very high risk of flooding, and 3.5% is at high risk. This is based on approximately 94.2% climate risk data coverage by value of our UK portfolio as at September 2023.	Page 224
	– In 2023, we further developed our risk metrics to monitor our performance against our net zero targets for both financed emissions and own operations.	Page 222
Metrics used to assess progress against opportunities	– We continue to track our progress against our ambition to provide and facilitate $750bn to $1tn of sustainable finance and investment by 2030, aligned to our published data dictionary. For a detailed breakdown of our sustainable finance progress, see the *ESG Data Pack*.	Page 18
	– We do not currently fully disclose the proportion of revenue or proportion of assets, capital deployment or other business activities aligned with climate-related opportunities, including revenue from products and services designed for a low-carbon economy, forward-looking metrics consistent with our business or strategic planning time horizons. In relation to sustainable finance revenue and assets we are disclosing certain elements. We expect the data and system limitations related to financial planning and performance, and climate-related opportunities metrics to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented. We expect to further enhance this disclosure in the medium term.	Page 440
Board or senior management incentives	– To help us achieve our ESG ambitions, a number of measures are included in the annual incentive and long-term incentive scorecards of the Group Chief Executive, Group Chief Financial Officer and Group Executives.	Page 16
Internal carbon price	– We do not currently disclose internal carbon prices due to transitional challenges such as data challenges. But we considered carbon prices as an input for our climate scenario analysis exercise. We expect to further enhance this disclosure in the medium term.	Page 440
Metrics used to assess the impact of climate risk on lending and financial intermediary business (supplemental guidance for banks)	– As part of our 2023 internal climate scenario analysis, we completed a detailed climate risk assessment for the UK, Hong Kong, mainland China and Australia, which together represent 75% of the balances in our global retail mortgage portfolio. Our analysis shows that over the longer term, we expect minimal losses to materialise when considering the Current Commitments scenario.	Page 228
	– In insights from climate scenario analysis on page 227, we showed the relative size of exposures at default in 2023 and the increase in cumulative ECL under each scenario compared with a counterfactual scenario by 2035 (expressed as a multiple).	Page 227
	– We do not fully disclose metrics used to assess the impact of climate-related physical (chronic) and transitions (policy and legal, technology and market) risks on retail lending, parts of wholesale lending and other financial intermediary business activities (specifically credit exposure, equity and debt holdings, or trading positions, each broken down by industry, geography, credit quality and average tenor). We are aiming to develop the appropriate systems, data and processes to provide these disclosures in future years. We disclose the exposure to six high transition risk wholesale sectors and the flood risk exposure and Energy Performance Certificate breakdown for the UK portfolio.	Page 440

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks (Companies Act 2006 – Sections 414CA and 414CB 2A (h))		
Our own operations	– We report greenhouse gas emissions resulting from the energy used in our buildings and employees' business travel. In 2023, we also continue to disclose our scope 3 (category 1 and category 2) supply chain emissions. Our initial supply chain emission figures may require updating as data availability changes over time and methodologies and climate science evolve.	Page 64
Greenhouse gas emissions for lending and financial intermediary business (supplemental guidance for banks)	– Our analysis of financed emissions comprises 'on-balance sheet financed emissions' and 'facilitated emissions'. Our on-balance sheet financed emissions include emissions related to on-balance sheet lending, such as project finance and direct lending. Our facilitated emissions include emissions related to financing we help clients to raise through capital markets activities.	Page 53
	– Work continues on the integration of ESG and climate analysis into HSBC Asset Management's actively managed product offerings to help ensure the climate risks faced by companies are considered when making investment decisions and to assess ESG risks and opportunities that could impact investment performance.	Page 65
	– We currently disclose four out of 15 categories of scope 3 greenhouse gas emissions including business travel, supply chain and financed emissions. In relation to financed emissions, we publish on-balance sheet financed emissions for a number of sectors as detailed on page 18. We also publish facilitated emissions for the oil and gas, and power and utilities sectors. Future disclosures on financed emissions and related risks are reliant on our customers publicly disclosing their greenhouse gas emissions, targets and plans, and related risks. We recognise the need to provide early transparency on climate disclosures but balance this with the recognition that existing data and reporting processes require significant enhancements.	Page 440
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets (Companies Act 2006 – Sections 414CA and 414CB 2A (g))		
Details of targets set and whether they are absolute or intensity based	– We continue to track our progress against our ambition to provide and facilitate $750bn to $1tn of sustainable finance and investment by 2030, aligned to our published data dictionary.	Page 18
	– We have continued to take steps to implement our climate ambition to become net zero in our operations and our supply chain by 2030, and align our financed emissions to net zero by 2050.	Page 42
	– For financed emissions we do not plan to set 2025 targets. We set targets in line with the Net-Zero Banking Alliance ('NZBA') guidelines by setting 2030 targets. While the NZBA defines 2030 as intermediate, we use different time horizons for climate risk management. For climate, we define short term as time periods up to 2025; medium term is between 2026 and 2035; and long term is between 2036 and 2050. These time periods align to the Climate Action 100+ disclosure framework. In 2023, we disclosed interim 2030 targets for financed emissions for a number of sectors as we outline on page 18.	Page 17
	– We do not currently disclose a target for capital deployment. In relation to capital deployment, since 2015, we have issued more than $2bn of our own green bonds and structured green bonds with the capital invested into a variety of green projects, including: green buildings, renewable energy and clean transportation projects. In 2023, we further progressed our internal review and enhancement of the green bond framework, with further refinement including internal and external review to be undertaken in 2024. This will be subject to continuous review and monitoring to ensure that they remain up to date and reflect updated standards, taxonomies and best practices. Any such developments in standards, taxonomies and best practices over time could result in revisions in our reporting going forward and lead to differences year-on-year as compared to prior years. See the HSBC Green Bond Report for further information.	Page 440
	– We do not currently disclose internal carbon pricing target due to transitional challenges such as developing the appropriate systems and processes, but we considered carbon prices as an input for our climate scenario analysis exercise. We expect to further enhance the disclosure in the medium term as more data becomes available.	Page 440
	– We do not currently disclose targets used to measure and manage physical risk. This is due to transitional challenges including data limitations of physical risk metrics. For retail, we do not use targets to measure and manage physical risk. In 2023 we introduced internally a global 'soft trigger' monitoring and review process for physical risk exposure where a market reaches or exceeds a set threshold, as this ensures markets are actively considering their balance sheet risk exposure to peril events. We also consider physical and transition risk as an input for our climate scenario analysis exercise. We expect to further enhance our disclosures as our data, quantitative scenario analysis, risk metrics and physical risk targets evolve, and technology solutions are implemented in the medium term.	Page 440
	– We have described the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. However, taking into account the nature of our business, we do not consider water usage to be a material target for our business and, therefore, we have not included a target in this year's disclosure.	Page 440
Other key performance indicators used	– In October 2020, we announced our ambition to reduce our energy consumption by 50% by 2030, against a 2019 baseline, and in 2023 we achieved 26.3%.	Page 63
	– As part of our ambition to achieve 100% renewable electricity across our operations by 2030, we continue to look for opportunities to procure green electricity in each of our markets. In 2023, our fourth UK renewable PPA went live in Sorbie, Scotland.	Page 63

Social
Building inclusion and resilience

We play an active role in opening up a world of opportunity for our customers, colleagues and communities by connecting across our international networks to help build a more inclusive and resilient society.

At a glance

Inclusion is key to opening up a world of opportunity. It involves a commitment to identifying and addressing barriers that may stop people from accessing opportunities because of who they are or where they are from.

Inclusion goes hand in hand with resilience. We aim to help people build the capabilities they need to achieve their goals and to deal with the challenges they face, so we are focused on delivering products, services and education that support our colleagues, customers and communities.

Colleagues
We believe that an inclusive, healthy and rewarding workplace helps the whole Group succeed. We are focused on recruiting and retaining diverse talent by offering fair pay and career progression so we can ensure our colleagues – and particularly our leadership – are representative of the communities we serve. We do this by setting meaningful goals and tracking and monitoring our progress. In 2023, we continued to make progress against all of our goals, although the progress we are making with women in senior leadership roles has not been as fast paced as we would like.

Employee well-being is essential. We offer all colleagues a wide range of resources that help support their mental, physical and financial well-being so they can thrive in and out of work. We are working to ensure that our offices, branches and digital spaces are accessible and safe for all.

We also help our colleagues build resilience by ensuring that they are equipped with the skills and knowledge they need to progress their careers during a period of significant economic transformation.

Customers
We are committed to helping our customers access the financial services they need. They should not find it more difficult to access finance because of their gender, their ethnicity, their sexual orientation, their neurodiversity or their disability. Our ambition is to create a welcoming, inclusive and accessible banking experience for all our customers.

We build resilience by creating products and services that simplify the banking experience, so customers can manage and grow their wealth more easily. We also help protect what people value most – their health, families, homes and belongings. We also build resilience by providing education so customers can understand how to manage their finances more effectively.

Communities
We are developing an updated global philanthropy strategy that allows us to work alongside the communities we operate within, and which aligns with our ESG areas of focus – 'transition to net zero' and 'building inclusion and resilience'.

We believe that fostering inclusion and building resilience helps us to create long-term value and growth. By removing unnecessary barriers and striving to be a fair and equitable organisation, we can attract and retain the best talent, support a wider customer base to achieve their goals and stimulate growth in our communities. This is how we open up a world of opportunity for our colleagues, our customers and our communities.

In this section

Promoting diversity and fostering inclusion

Our approach to diversity and inclusion

Our purpose, 'Opening up a world of opportunity', explains why we exist as an organisation, and is the foundation of our diversity and inclusion strategy. Inclusion is an enabler for our 'energise' strategic pillar, and is embedded in the values of our organisation. By valuing difference and seeking different perspectives, we can more accurately reflect the societies we serve, creating better outcomes for customers and colleagues.

Our data-driven strategy enables us to set aspirational goals to track and monitor our progress. We remain focused on specific Group-wide priorities for which we hold senior executives accountable. Some executives also have local priorities, which ensures our diversity and inclusion agenda remains locally relevant.

How we hold ourselves to account

We set meaningful goals
Our executive Directors and Group Executives are accountable for progressing our agenda through a series of diversity and inclusion aspirational goals that align to three public commitments that we have made. In 2023, we continued to make progress against our three goals by:

- achieving a 34.1% representation of women in senior leadership roles, with a goal of achieving 35% by 2025;
- attaining a 3.0% representation of Black heritage colleagues in senior leadership in the UK and US combined, against a goal to achieve 3.4% by 2025; and
- increasing our Inclusion index as measured in our Snapshot survey, to 78% against a 2023 target of 75%.

We report and track progress
Measuring our performance ensures we consistently and accurately monitor the progress made against our aspirational goals. Our data-backed approach tracks this through:

- an inclusion dashboard, which monitors progress against goals with trend data on hiring, promotion and exit ratios, is reported to the Group Executive Committee on a quarterly basis; and
- semi-annual review meetings where our Head of Inclusion meets each Group Executive to review data, their progress against their aspirational goals, and to support further progress.

We benchmark our performance
External disclosures and benchmarks allow us to measure the progress that we are making and identify opportunities for future prioritisation. In 2023, we:

- scored 87.2% in the Bloomberg Gender-Equality Index measuring our gender-related data, transparency and performance;
- maintained our Stonewall Gold standard and rank as a top global LGBTQ+ inclusion employer; and
- ranked as a Top 75 employer in the UK Social Mobility Index in our first year of entering a submission.

A data-driven approach to inclusion
We are evolving our data-driven approach by enabling more of our colleagues to self-identify across a range of data points. This data has enabled us to set locally relevant priorities and identify areas of our organisation where we need to focus our attention. We invite colleagues to self-identify on a broad range of data points where we can, although given the international nature of our business, there are some jurisdictions where we are unable to invite colleagues to share their diversity data with us. We have enabled 91% of our colleagues to disclose their ethnic background, with 62% of colleagues choosing to do so, where this is legally permissible.

Our approach goes beyond ethnic heritage and considers broader representation within the workplace. We have enabled 90% of the workforce to share whether they have a disability, 71% of our workforce to share their sexual orientation, and all UK-based colleagues to share their socio-economic background.

Our approach to Asian heritage representation

Our roots as an organisation trace back over 150 years to Hong Kong, where HSBC opened its doors to serve clients with international needs. Asia remains a strategic focus for us today.

To better reflect the communities we serve, we have a focus on increasing representation across our global workforce, including Asian heritage representation. Defining Asian heritage can be complex due to the vast range of ethnicities and identities across the region. In 2023, 37.8% of our senior leaders were able to self-identify as being from an Asian heritage background. To deliver our international strategy it is vital that we are both representative of our local communities, and able to mobilise leaders with global perspective and diverse heritage backgrounds across our international network.

Creating a diverse environment

Women in senior leadership
Since achieving our ambition of having 30% of senior leadership positions held by women in 2020, we set a new goal to reach 35% by 2025. We remain on track, with 34.1% of senior leadership roles held by women at the end of 2023, excluding our Canada business, which is planned for sale in 2024. Progress in the past year has not been as fast paced as we would like. A total of 37.7% of all external appointments into senior positions were female, compared with 35.7% in 2022, and women represented 39.6% of all promotions into senior leadership roles in 2023.

Development programmes, including our Accelerating Female Leaders initiative, have helped to increase the visibility, sponsorship and network of our high performing, senior women. Since the start of the programme in 2017, 24% of participants have been promoted and 2% have taken a lateral move to develop their careers. We have also retained over 79% of colleagues who completed the programme.

In our 2023 Accelerating into Leadership programme, which prepares high potential, mid-level colleagues for leadership roles, 43% of participants were women. More than 5,200 women also participated in our Coaching Circles programme, which matches senior leaders with a small group of colleagues to provide advice and support on the development of leadership skills and network building.

Our succession planning for key leadership roles includes an assessment of the diversity of our succession plans. We are improving the gender diversity of those roles critical to our organisation and the successors to those roles. In 2023, 40% of the succession pool for these roles were women, compared with 36% in 2022.

Black colleagues in senior leadership
We remain on track to double the number of Black colleagues in senior leadership roles globally by 2025, having increased the number of Black senior leaders by 62% since 2020.

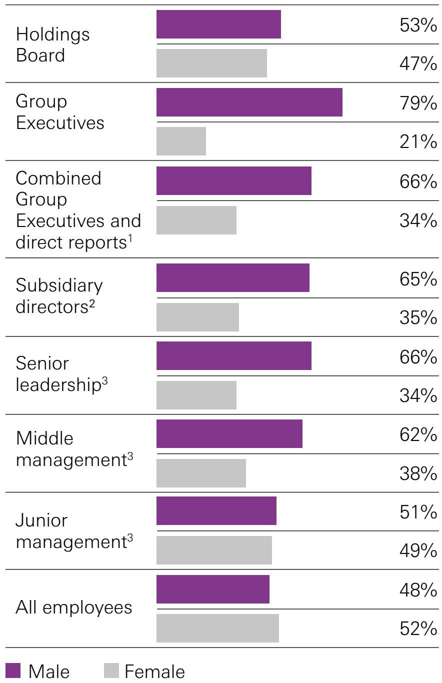
In 2022, we set a new Group-wide ethnicity strategy, which is overseen by a senior working group and led by our Group Chief Risk and Compliance Officer. The aim of the strategy is to ensure we accurately reflect the communities we serve and the societies in which we operate. We continue to identify challenges colleagues from diverse backgrounds face in achieving their aspirations at HSBC.

We have continued to focus on the development of Black heritage colleagues through the delivery of dedicated development programmes. Using data analytics, we have identified that in the UK, Black heritage female colleagues are less likely to hold positions as people managers. To address this, we introduced the Solaris programme to provide coaching and development for our UK-based Black heritage female colleagues. Forty women have successfully completed the programme and 29% have been promoted.

We also partnered with Vivida, a virtual reality firm, to launch an immersive learning programme designed to bring to life the experiences of Black heritage and ethnic minority colleagues, highlighting the pressures, barriers and biases faced by these communities. The programme has been completed by 11,900 colleagues, and was nominated for awards at the 2023 European Diversity Awards and as finalists at The 2024 Learning Awards.

In 2023 EmpowHER was launched, a programme created by Black heritage women for Black heritage women at mid-management levels across the UK business. The programme encourages participants to support each other with the tools and shared experiences to structure their careers, expand their network and seek job opportunities. It also helps to create improved visibility of talent to senior leadership.

Gender diversity data



1 Combined Group Executives and direct reports includes HSBC Group Executives and their direct reports (excluding administrative staff) as of 31 December 2023.

2 Directors (or equivalent) of subsidiary companies that are included in the Group's consolidated financial statements, excluding corporate directors.

3 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.

Representation and pay gaps
We publish this data annually to ensure both transparency and a maintained focus on addressing representation gaps within the organisation. Our gender and ethnicity pay gap reporting shows the difference in average pay between two groups of people (regardless of roles or seniority). We have reported our UK gender representation and pay gap data since 2017 in line with reporting regulations, and have voluntarily extended this to include the US, mainland China, Hong Kong, India, Mexico, Singapore and the UAE, alongside ethnicity data for the UK and US. In 2023, we also included gender pay gap data for Argentina and Malaysia, covering approximately 80% of our workforce (excluding our Canada business held for sale. In 2023, our mean aggregate UK-wide gender pay gap was 43.2%, compared with 45.2% in 2022, and the ethnicity pay gap was 4.5%, compared with 0.4% in 2022. Our UK gender pay gap is driven by several factors including the shape of our workforce, where there are more men than women in senior higher-paid roles, and more women than men in junior roles. While we are confident in our approach to pay equity, until women and ethnic minority colleagues are proportionately represented across all areas and levels of the organisation we will continue to see gaps in average pay. We are committed to paying colleagues fairly regardless of their gender or ethnicity and have processes to ensure that remuneration is free from bias. We review our pay practices and undertake a pay equity review annually, including a regular independent third-party review of equal pay in major markets. If pay differences are identified that are not due to objective, tangible reasons such as performance, skills or experience, we make adjustments.

For further details on our representation data, pay gap data, and actions, see www.hsbc.com/diversitycommitments and the ESG Data Pack *at www.hsbc.com/esg.*

Fostering an inclusive culture

Our inclusion strategy seeks to make HSBC an organisation in which every colleague can feel like they belong, and are empowered to contribute their perspectives and ideas. Our strategy sits above a range of diversity and inclusion strands from gender, ethnicity and faith to disability and socio-economic background – we want to ensure that all colleagues are able to realise their full potential.

We use the Inclusion index in our annual Snapshot survey to measure the extent to which our colleagues feel a sense of belonging and psychological safety within the organisation, alongside their perception of fairness and trust. In 2023, we achieved a score of 78%, which is three percentage points ahead of our annual aspirational goal, and two percentage points ahead of the financial services industry benchmark.

Analysis of our Inclusion index allows us to measure engagement levels of specific colleague groups in greater detail, in particular different diversity strands, to better understand the experiences of our colleagues globally. We found that scores from colleagues who identify as male and female were broadly in line with the overall Group-wide result, at 79% and 77% respectively. From an ethnicity perspective, our Black heritage colleagues were four percentage points below the Group-wide average, while our Asian heritage colleagues' results were on a par with the overall score, at 78%.

Our employee resource groups

Our employee resource groups ('ERGs') foster an inclusive culture and contribute significantly to the experience of tens of thousands of colleagues. They operate globally and are led by colleagues with a range of shared values, identities, interests and goals, including disability, LGBTQ+, ethnicity, faith and gender.

Each of our non-executive Directors and most Group Executives are aligned with one of our global ERGs, ensuring there is a direct link between senior leadership and our colleagues. The non-executive Director dedicated to workforce engagement is closely aligned to our diversity and inclusion strategy and has attended events such as our 2023 Global ERG Summit.

In 2023, our ERGs led numerous initiatives and events, including the Ability network hosting a global summit aimed at driving cultural change to build confidence for colleagues with a disability. Our Nurture ERG, which supports working parents and carers, launched the #LeaveLoudly Campaign globally. Its aim is to drive engagement by counteracting 'presenteeism', acknowledging that everyone has multifaceted lives, and to show that leaders across HSBC support a healthy work-life balance.

Looking to the future on disability

Enhancing the experience of our employees, particularly those with disabilities, is a vital part of our commitment to build an inclusive organisation. A key initiative has been a targeted career development programme to empower colleagues with confidence to drive their careers forward.

Recognising the pivotal role of line managers, we have introduced a learning plan through our Degreed platform to help managers support team members with physical, sensory, long-term, and mental health conditions, as well as those who identify as neurodiverse. Our Ability ERG has hosted support sessions globally, where colleagues shared their experiences and raised awareness for disability inclusion, and the support provided by HSBC.

In collaboration with PurpleSpace, the disability network and professional development hub, we sponsored and published a Leadership Model resource for employee groups. In 2023, we also sponsored the UK Business Disability Forum's roundtable and conference. We have enhanced the support we provide to colleagues through our workplace adjustment programme partnering with Microlink, extending the availability of this service to almost 37,790 colleagues in our global service centres and technology centres in India.

UK socio-economic diversity

We believe that no-one should be limited by their socio-economic background and are committed to driving socio-economic inclusion within our workforce.

In 2022, we began exploring the impact socio-economic background has on our colleagues, working with them, and internal and external stakeholders to develop our understanding on socio-economic diversity.

In 2023, we entered the Social Mobility Index for the first time and gained recognition as a top 75 employer. Our Strive ERG, sponsored by the Group Chief Human Resources Officer, now has over 1,000 members. We have continued to be an active member of Progress Together, focused on helping members progress and retain a socio-economically diverse workforce, including taking part in the largest financial services study of socio-economic diversity.

We launched a career development programme through the Strive ERG, enabling colleagues from different backgrounds to lead with impact and build career confidence.

We continue to improve the socio-economic diversity data we collect by running campaigns encouraging our colleagues and job applicants to share their socio-economic background. In 2023, we extended our socio-economic focus to Asia, with an initial data collection pilot in Singapore through our employee engagement survey. We also launched a new learning plan, available for all employees to better understand what socio-economic diversity is and why it matters.

Supporting colleagues experiencing menopause

Many of our female colleagues will experience menopause symptoms during their career. We do not want menopause to be a silent struggle and we have put in place the right support so it does not need to be. In 2023, we launched a new global framework centred around three principles of: creating awareness; removing barriers; and being adaptable. These form the basis of our menopause toolkit, which is available to all colleagues, and includes guidance on how to access menopause support and guidance for line managers on how to best support those in need.

We recognise that there is much more we can do to support those who are experiencing menopause and those who are supporting others experiencing it. Senior sponsorship is helping to raise awareness and our first step is to provide access to dedicated resources on menopause.

Building a healthy workplace

Listening to our colleagues

Listening to our colleagues is an essential part of building a healthy workplace at HSBC. We capture employee feedback in a variety of ways to understand how our colleagues feel about HSBC and to help us improve the employee experience.

How we listen
Our annual Snapshot survey runs every September and gives all HSBC employees the opportunity to share their experiences of working at the organisation. Our 2023 survey achieved a record response rate of 85%, up from 78% in 2022, with nearly 180,000 colleagues choosing to share their views.

The results of Snapshot are discussed at all levels. Our record participation has enabled us to put more data directly in the hands of our people managers, with more than 11,000 teams able to access their results, while maintaining the confidentiality of individual employees' responses. Managers are supported by a guided action planning tool to help them understand and interpret insights relevant to their team, while directing them towards support resources for them and their teams to explore. Results are also shared with executive leadership teams across the Group, with detailed reporting provided to our Group People Committee and the Board.

We complement the Snapshot survey with our annual Performance and Reward survey, which runs every March. Open to all employees, it captures feedback on our annual performance and pay review cycle, providing valuable insight into how well we are meeting our colleagues' needs and expectations on compensation, development and professional growth.

We also run targeted listening activities for employees at key moments in their careers, capturing detailed feedback from new joiners, internal movers and voluntary leavers.

Employee conduct and harassment
We expect all our employees to treat each other with respect and dignity, and we do not tolerate or condone harassment or bullying in any form. We continually strive to improve awareness and education around such behaviours, and strengthen our understanding and response to these issues across all levels of the organisation. In 2023, our overall Snapshot Speak up index improved slightly to 76%, up one percentage point from 2022.

We encourage our colleagues to speak up about poor behaviour or things that do not seem right, and we have included bullying, harassment, discrimination and retaliation in our 2023 Global Mandatory Training curriculum. Our Snapshot survey revealed an increase in colleagues able to state their opinion without fear of negative consequences, with 72% of colleagues feeling able to do so, up from 70% in 2022.

In 2023, we launched our global code of conduct which is supported by our global anti-bullying and harassment code. This continues to help us to maintain high standards of conduct across the Group.

We have mandatory procedures, both globally and locally, for handling and investigating employee concerns, which include those for bullying and harassment. Cases are continually monitored from our speak-up channels, and data is reported to management committees to ensure there is visibility at leadership level.

In 2023, we had a total of 834 concerns raised relating to bullying, harassment, discrimination and retaliation. Where the concerns were substantiated following an investigation, appropriate action was taken, which included termination of services, where appropriate. In 2023, 38% of concerns raised were either partly or fully substantiated and 24 colleagues were dismissed in relation to bullying, harassment, discrimination or retaliation.

We are committed to addressing this type of behaviour and will continue to take action where we find that an employee has breached our values and high standards of conduct.

Employee engagement:

77%
Employee engagement score
(2022: 74%)

81%
Of colleagues who feel confident about this company's future
(2022: 77%)

85%
Of colleagues who completed our annual Snapshot survey
(2022: 78%)

Promoting mental health awareness

A poll posted by a senior leader on our intranet revealed that 94% of colleagues said they trust leadership more when they open up about their own mental health.

To build on this sentiment, we celebrated World Mental Health Day by running a global awareness campaign 'The Big Mental Health Conversation' in October 2023. We encouraged leaders to post questions on our intranet to gather feedback from colleagues on their experiences and how we can improve mental health support. We surveyed our colleagues during the campaign and half said they were very satisfied with the mental health support HSBC offers. Supporting the mental health of our colleagues continues to be a priority, including ensuring that we continue to signpost how colleagues can access available support. Throughout 2023, we also held over 200 virtual events, featuring internal and external experts providing advice on mental health and topics related to well-being.

Listening to our colleagues continued

Employee engagement
We use eight Snapshot indices to measure key areas of focus and compare against peer institutions. The table below sets out how we performed.

Index	Score[1]	vs 2022[2]	HSBC vs benchmark[3]	Questions that make up the index
Employee engagement	**77%**	**+3**	**+7**	I am proud to say I work for this company. Right now, I feel motivated by this organisation to do the best job I can.[4] I would recommend this company as a great place to work.
Employee focus	**76%**	**+4**	**+4**	I generally look forward to my work day. My work gives me a feeling of personal accomplishment. My work is challenging and interesting.
Strategy	**78%**	**+3**	**+5**	I have a clear understanding of this company's strategic objectives. I am seeing the positive impact of our strategy. I feel confident about this company's future.
Change leadership	**76%**	**0**	**+4**	Leaders in my area set a positive example. My line manager does a good job of communicating reasons behind important changes that are made. Senior leaders in my area communicate openly and honestly about changes to the business.
Speak up	**76%**	**+1**	**0**	I believe my views are genuinely listened to when I share my opinion.[5] I feel able to speak up when I see behaviour which I consider to be wrong. I can state my opinion without the fear of negative consequences.[6]
Trust	**78%**	**+1**	**0**	I trust my direct manager. I trust senior leadership in my area. Where I work, people are treated fairly.
Career	**71%**	**+3**	**+6**	I feel able to achieve my career objectives at this company. I believe that we have fair processes for moving/promoting people into new roles. My line manager actively supports my career development.
Inclusion	**78%**	**+2**	**+2**	I feel a genuine sense of belonging to my team. I feel able to achieve my career objectives at this company. I feel able to be myself at work. I trust my direct manager. Where I work, people are treated fairly. I can state my opinion without the fear of negative consequences.[6]

1 Each index comprises constituent questions, with the average of these questions forming the index score.

2 We revised the questions that comprise some of our indices to ensure the reliability of external benchmark data. New questions were trialled in 2022 so comparisons are all reported on a like-for-like basis; as such, historical comparison figures differ slightly from those reported last year.

3 We benchmark Snapshot results against a peer group of global financial services institutions, provided by our research partner, Ipsos Karian and Box. Scores for each question are calculated as the percentage of employees who agree to each statement. For further details of the constituent questions and past results, see the ESG Data Pack *at www.hsbc.com/esg.*

4 Previously: I feel valued at this company.

5 Previously: My company is genuine in its commitment to encourage colleagues to speak up.

6 Previously: Where I work, people can state their opinion without fear of negative consequences.

For further details of well-being, see page 82, and for further details of inclusion, see page 76.

What employees told us
Seven of our eight Snapshot indices improved in 2023, while our change leadership index remained static. 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. Employee engagement increased by three percentage points compared with 2022, and seven percentage points above the external financial services benchmark. Our employee focus index, which measures how employees feel about their day-to-day work, increased by four percentage points to put HSBC four points ahead of the industry benchmark.

Analysis of the key drivers of our engagement scores showed that engaged colleagues are more likely to feel positive about their career, our strategy and our leadership. Our free text responses also showed that training and progression opportunities was the most cited reason for recommending HSBC, followed by our approach to flexible and hybrid working and the strength of our management.

Negative comments continued to focus around pay and benefits but were mentioned less than in 2022. For further details of our approach to being a great place to work, including pay transparency, see page 81.

Our Snapshot survey showed that 67% of employees plan to stay at HSBC for five or more years, a two percentage point increase since 2022. This aligned with a drop in voluntary turnover in 2023 to 9.3%, compared with 14.1% in 2022, and reflects trends in the wider employment market. Results from our listening channels continued to show that career opportunities and competitive reward packages remain the two key drivers behind our ability to attract and retain talented colleagues.

We are committed to building on our high levels of engagement and feedback throughout 2024.

Being a great place to work

To deliver our purpose, ambition and strategy we need the best people, performing at their best. Creating a great workplace helps us attract, retain and motivate our colleagues so they can deliver for our customers.

Underpinning this is our reward strategy, which we updated in 2022 to create an environment where the best people want to work. Our workforce proposition is rooted in our purpose and values, and the principles of rewarding colleagues responsibly, recognising colleagues' success and supporting our colleagues to grow.

Rewarding colleagues responsibly
We believe in rewarding our colleagues responsibly, which means ensuring that our pay and benefits provide financial security for all. Our annual Performance and Reward survey measures several factors, including how colleagues feel about our reward proposition. In 2023, seven key performance indicators related to our year-end review improved by four or more percentage points, including a nine percentage point increase in colleagues who feel they are paid fairly for the work they do.

As part of our commitment to rewarding colleagues responsibly, we went beyond compliance in assessing statutory minimum wages, to ensure that all colleagues are paid at least a living wage.

A living wage should be sufficient to cover an adequate standard of living considering the cost of goods and services in each country and territory in which we operate. In 2023, we worked with the Fair Wage Network, which provided an independent source of wage levels. As a result, HSBC achieved accreditation as a global living wage employer in 2024. We will continue to review our pay levels to ensure that no colleague falls below a living wage level.

For further details of our approach to colleague remuneration, see page 290.

Recognising colleagues' success
We are committed to recognising the achievements of our colleagues' success. Variable pay, which forms part of total compensation alongside fixed pay, allows us to recognise the performance and behaviours of our colleagues.

At the beginning of each year, we ask colleagues to set goals with support from their line managers to ensure they are aligned with the overall Group strategy and business priorities. As a result, 87% of colleagues said they have a clear understanding of what is expected of them throughout the year.

We expect our people managers to hold regular performance and development conversations to review progress, incorporate feedback and discuss well-being. In 2023, our Snapshot survey revealed that 81% of colleagues said they had regular performance conversations with their manager, while 63% had them at least once a month, up from 57% in 2022. These conversations also provide an opportunity for colleagues to regularly revisit any goals set to maintain the right level of challenge in their day-to-day work.

At year-end, employees are rated on both performance and behaviour. In our Pay and Benefits survey, 72% of colleagues said their year-end performance assessment fairly reflected their performance and 83% agreed that rating decisions were determined in an unbiased way, regardless of any protected characteristics or work patterns. In our Snapshot survey, 81% of employees said they receive feedback that helps them improve their performance, compared with 74% in 2022, and 81% feel motivated to do the best job they can, up from 78% last year.

We have continued to enhance our 'At Our Best' platform that allows colleagues to recognise each other's contributions, by providing mobile access to encourage real-time acts of appreciation. In 2023, colleagues made more than 1.4 million At Our Best recognitions, an increase of 13% from 2022.

Managers are encouraged to recognise colleagues' service anniversaries every five years up to 40 years of service. This also includes the presentation of a special commemorative HSBC medallion. The At Our Best platform supports the global service recognition programme, which in 2023 helped to celebrate more than 30,000 service anniversaries.

Share plans are another way to empower colleagues to participate in the Group's success and to have a share in the rewards. In 2023, we expanded our global share plan to include the Philippines, making it available to 91% of colleagues globally. Our 2020 three-year Sharesave plan, in which 42% of UK employees took part, matured in November 2023. The share price at maturity represented more than double the option price, providing employees with significant share price growth. We ran information webinars, attended by more than 11,000 colleagues, and offered support resources to help our colleagues understand tax considerations and the choices available to them at maturity.

Supporting our colleagues to grow
To help our colleagues to grow personally and professionally, we are committed to providing flexibility and choice around how, when and where they work, supporting their well-being, and helping them develop skills. The sections on the next page detail the ways in which we support our colleagues. For further details of our approach to skills and career development, see page 83.

Increasing social connection in the office

Since the Covid-19 pandemic and the return of colleagues to the office, we identified the need for changes to improve team cohesion and a sense of belonging among our colleagues in Hong Kong. To help address, this we created a new type of work and social space at the HSBC Centre office in Kowloon, Hong Kong.

'The Hub' is a flexible informal space that can be adapted to accommodate a range of different group activities and number of people, from large social events to smaller team training sessions. It is also designed to be a multi-level and interconnected space, with a central social meeting point to enhance the sense of community, improve levels of engagement and encourage greater social connection between colleagues.

Being a great place to work continued

Social well-being and flexible working
In 2023, we focused on embedding hybrid working across the Group and helping colleagues strike the right balance of office and remote working.

Our colleagues continue to embrace hybrid working, with 78% now splitting their time between home and the workplace, compared with 58% in 2022. To support managers and colleagues to continue to find the right balance between individual flexibility and social connection, we have refreshed our training to equip managers with skills to lead flexible teams. In 2023, hybrid workers spent approximately 47% of their time in the workplace, compared with 36% in 2022.

We know that getting the balance right has a positive effect on our colleagues. Colleagues who spend around 40% of their time in the workplace reported the highest positive sentiment across key employee indices, including engagement, trust and inclusion.

We track and measure responses from our Snapshot survey to ensure our broader approach to flexibility works for our customers and teams. A total of 81% of colleagues said they feel a genuine sense of belonging to their team, a two percentage point increase from 2022. A new question in the survey also found that 87% of new joiners feel they receive the right level of face-to-face support in order to succeed.

In the same survey, 76% of colleagues said they are able to integrate their work and personal life positively, a slight increase compared with 75% in 2022. To help the work-life balance of our colleagues, in Australia, we have introduced 20-weeks paid, gender-neutral parental leave for when a child joins their family. Longer periods of paid parental leave have also been introduced in Mexico, Singapore, South Korea, Taiwan and Thailand.

Mental well-being
Supporting the mental health of our colleagues remains a top priority. Cost-of-living pressures and global crises continue to increase mental health challenges in many countries and territories. Our Snapshot survey revealed a slight decrease in mental well-being, with 83% of colleagues rating their mental health as positive, compared with 84% in 2022. However, it also found that 74% of colleagues feel comfortable talking to their manager about their mental health, and 77% said they know how to access mental health support at work. Both increased one percentage point compared with 2022.

We have continued to make the meditation app Headspace and counselling services available to all colleagues globally.

More than 200,000 colleagues took part in mental health awareness training as part of global mandatory training. Our voluntary mental health education modules have been completed by 31,000 employees, with people managers making up 74% of the completions. Our network of mindfulness champions, who are specially trained colleagues who volunteer to run mindfulness sessions, community events and courses for the benefit of fellow colleagues, has almost 200 members with representation in 22 countries and territories. In 2023, we held 1,400 mindfulness sessions, a 26% increase compared with 2022, and these were attended by 25,000 colleagues.

Physical well-being
The Snapshot survey also revealed an increase in physical well-being, with 74% of colleagues rating their physical health as positive, compared with 71% in 2022.

In February 2023, our Pay and Benefits survey showed that 69% of colleagues highly valued the health benefits we offer, and 34% of colleagues wanted more support with physical activity and exercise. In response, we launched a platform called Virgin Pulse, which incentivises colleagues to set and track health goals, and to take part in active challenges. Since launching globally in November 2023, more than 5,700 colleagues have downloaded the app and more than 30 activity challenges have been run.

We have continued to provide access to private medical insurance as well as telemedicine healthcare services in the majority of our countries and territories, covering 98% of permanent employees. In certain countries and territories, we also provide on-site medical centres that the majority of colleagues can access.

Financial well-being
We recognise that financial challenges remain a concern for colleagues, caused by increases in the cost of living globally. Our Snapshot survey revealed a slight increase in financial well-being, with 61% of colleagues reporting positively, compared with 60% in 2022. Just over half (56%) of colleagues said they have at least three months of essential outgoings saved, the same as in 2022.

In 2023, we ran campaigns in all regions to raise awareness of financial education and tools, and more than 1,000 colleagues attended our seminars on psychology and spending habits. We continue to offer retirement or longer-term savings plans to 95% of permanent employees, and our life insurance cover is available to 99.9% of colleagues to help provide financial security for their families.

Prioritising benefits that matter most to colleagues

For a second year our Pay and Benefits survey showed that 59% of colleagues feel their benefits meet their needs and those of their family 'well'. To improve sentiment, we have focused on enhancing benefits in areas that colleagues tell us are most important including health, saving for the future and time off.

Cancer checks were made available to all UK colleagues, as early detection can result in higher survival rates. In the US, we have enhanced our fertility, adoption and surrogacy benefits to support colleagues starting a family. We also expanded our gender dysphoria benefits for LGBTQ+ colleagues in the UK.

Carer leave of five paid working days has also been introduced in the UAE, Egypt, Algeria, Bahrain, Kuwait, Qatar, Türkiye, Saudi Arabia and Mexico.

To help employees plan for their retirement, we became the first international bank to launch a defined contribution pension plan in Vietnam. We also implemented a new defined contribution plan in Guernsey and enhanced our retirement savings plan in Egypt, to support employees to plan for retirement with the benefit of employer contributions.

Awards

CCLA Global 100 Mental Health Benchmark
– Ranked number 1 global employer for the second consecutive year

Developing skills, careers and opportunities

Learning and skills development

We aim to build a dynamic environment where our colleagues can develop skills and undertake experiences that help them fulfil their potential. Our approach helps us meet our key strategic priorities and support our colleagues to achieve their career goals.

Our learning and skills platforms
We continue to evolve the opportunities to learn and develop at HSBC. We use a range of skill development platforms, learning courses and resources to help colleagues take ownership of their development and career, including:

- HSBC University, our home for learning and skills accessed online and through a network of training centres, where learning is organised through technical academies on topics of strategic importance;
- Degreed, our learning experience platform that provides access to internal and external learning content and courses, where colleagues can share, collaborate and learn with individuals and in groups via learning pathways;
- Talent Marketplace, our online platform that uses artificial intelligence ('AI') to match colleagues interested in developing specific skills or career goals with opportunities that exist throughout our global network; and
- Careers at HSBC, which enables all employees to set alerts and search for internal career opportunities.

Our learning fundamentals
We expect all colleagues, regardless of their contract type, to complete global mandatory training each year. This training plays a critical role in shaping our culture, ensuring a focus on the issues that are fundamental to our work, such as sustainability, financial crime risk and our intolerance of bullying and harassment. New joiners attend our Global Discovery programme, which is designed to build their knowledge of the organisation and engage with our purpose, values and strategy.

As the risks and opportunities our business faces change, our global academies adapt to offer general and targeted development. Our Risk Academy provides learning for every employee in traditional areas of risk management such as financial crime risk, and also offers more specific development for those in senior leadership, high-risk roles and learning for colleagues on emerging issues such as ESG risk, terrorist financing, proliferation financing and sanctions.

We have continued to deliver targeted skills programmes, including our Vision 27 programme that aims to ensure we are attracting, developing and retaining critical technology talent. We have also expanded our Accelerating Wealth Programme, which prioritises hiring for transferable skills rather than experience. For further details of how we are achieving our wealth goals in Asia, see page 84.

Building skills with Talent Marketplace
Our people capability teams partner with businesses and functions to identify the key skills we need now and in the future. We also continue to support colleagues to develop new skills that achieve their career aspirations.

We have helped colleagues identify opportunities to enhance their skills through our Talent Marketplace. More than 38,000 colleagues have created a profile on the platform to help identify their existing skills and those they would like to develop. In 2023, it matched colleagues to a number of projects and networking opportunities unlocking over 123,000 hours of skills development.

Projects centred around Cloud computing, data analytics, software development and project management have created opportunities for colleagues to work on in-demand skills.

Training at HSBC
In 2023, we continued to enable colleagues to learn via a range of channels including digital and on-the-job learning. This is reflected in a reduction in overall learning hours as colleagues access different learning channels.

5.3 million

Training hours by our colleagues in 2023.
(2022: 6.3 million)

23.9 hours

Training hours per FTE in 2023.
(2022: 28.8 hours)

Identifying and retaining future talent

The need for talent is greater than ever. In 2023, a further 9,000 managers completed our compulsory inclusive hiring training, promoting cognitive awareness of bias. Our targeted talent programmes and enterprise-wide solutions are designed to support employees transitioning to more complex roles, and provide wider career opportunities and career growth.

Our recruitment programmes are a key enabler of achieving our broader diversity goals (see page 76). In 2023, we welcomed more than 720 graduates and 651 interns to the organisation. The graduate intake represented 48 nationalities, over 25 ethnic backgrounds, and 51% were women. In 2023, we continued to broaden our emerging talent programmes beyond traditional graduate and internship programmes, developing early access schemes for those in school and first year of university, as well as expanding our apprenticeship scheme (see page 84).

We continually refresh all our talent programmes to ensure they remain aligned to HSBC's strategic priorities. Our key programmes include:

- Accelerating Female Leaders, which has been re-designed in partnership with Cranfield School of Management. This programme supports female colleagues with learning materials, coaching and senior sponsorship to help them prepare for leadership roles; and
- Accelerating into Leadership, which aims to improve role mobility and retention, and supports colleagues identified as having the capacity, interest and drive to succeed in more complex roles.

Energising our colleagues for growth

We aspire to offer colleagues the opportunity to develop their skills while ensuring we build a pipeline of talent to support our strategic priorities. It is vital that we demonstrate the right leadership and create the right environment to energise our colleagues for growth.

Skilling the transition to net zero
The Sustainability Academy was launched in 2022 to support our net zero ambitions. As the academy has evolved we have shifted the focus from knowledge building to capability building across key colleague groups who are supporting customers on their transition to net zero. In 2023, we applied four main activities to support this effort:

- supplying on-demand learning modules based on role, region and client-base for colleagues who support customers with core transition activities;
- creating advanced workshops across our global businesses and functions to build colleagues' knowledge and develop practical skills to achieve business outcomes;
- encouraging external certifications and qualifications, where required, to deepen colleagues' expertise; and
- designing a 16-week sustainability leadership programme, in partnership with Imperial College London, which combines education on core sustainability concepts with change management, purpose and leadership principles. In 2023, the programme was completed by more than 170 senior leaders. Additional net zero learning opportunities were also provided to the Board and 100 of our most senior leaders.

We need to build strong leadership and develop our colleagues' capabilities to navigate the transition to net zero and achieve our climate goals. In 2023, we worked with our internal experts from the Sustainability Centre of Excellence to provide more advanced skills training in key transition areas such as energy transition, climate technology and financed emissions, alongside other core sustainability topics such as biodiversity.

Supporting our Asia wealth strategy
Our ambition is to become the preferred international financial partner for clients, and the expansion of our wealth management services particularly in Asia, sits at the heart of this ambition.

To help achieve this, we have continued to expand our Accelerating Wealth Programme, which offers a skills-based development plan for colleagues who are looking to pursue a career as a relationship manager in wealth management. The programme enables HSBC to develop talent from within and hire talented people with different career backgrounds from outside the business. In 2023, we extended the programme to external applicants in Hong Kong and to internal applicants in mainland China, India and Singapore. We will continue to add new countries and territories in 2024 to provide a sustainable hiring channel for front-line roles.

Technology transformation
We are committed to delivering better customer outcomes through digital transformation. Our technology transformation skills programme aims to ensure we attract, develop and retain the skilled talent we need to execute our strategy.

In 2023, our technology colleagues completed more than 800,000 hours of learning and gained over 950 certifications in software development, cyber, AI, data processes, Cloud computing and app development, among others. Our new Principle Engineer and Principle Architecture accelerator programmes have equipped colleagues with advanced technical knowledge and skills, enhancing their ability to innovate in their roles.

Leadership development
We continue to strengthen the training and development opportunities we offer our leaders at all levels of the Group, to ensure they are equipped with the clarity, alignment and capability with our goals to drive the performance of our organisation. In 2023, we significantly increased investment in the development of our leadership population.

For senior leaders, our Executive and Managing Director Leadership Programmes helped bring our purpose and strategy to life through innovative flagship courses, masterclasses and strategy briefing sessions.

We recognise the importance of people managers in shaping the experience of our colleagues. In 2023, we re-designed our People Management Excellence programme to better support managers at all levels. The face-to-face and virtual training includes a focus on the role and expectations of managers, how to design and organise work, and how to nurture a productive team environment. In 2023, over 3,800 colleagues attended this programme.

Supporting UK emerging talent

We continue to extend our emerging talent programmes beyond traditional graduate and internship schemes to support our socio-economic diversity ambitions (see page 78). In 2023, we awarded more than 100 apprenticeships to external and internal applicants. Our degree apprenticeship programmes provided an alternative to the traditional university route for 47 individuals, and we launched a disability apprenticeship programme for our Marketing function. We have also offered over 460 structured work placements to secondary school students and continued to support the #merkybook financial literacy programme for young people.

HSBC has funded 30 University of Cambridge scholarships for Black and socially disadvantaged students through our Stormzy partnership, and will invest a further £2m to achieve 60 scholarships by 2026 to support underrepresented groups. In 2023, Black heritage representation in our graduate and summer internship programmes was 10% of job applicants and 11% of new hires.

Building customer inclusion and resilience

Our approach to customer inclusion and resilience

We believe that financial services, when accessible and fair, can reduce inequality and help more people access opportunities. We are playing an active role in opening up a world of opportunity for individuals by supporting their financial well-being, and removing the different barriers that people can face in accessing financial services.

Access to products and services
We provide innovative solutions to help improve customer access to products and services. HSBC UK and HSBC Hong Kong provide no-cost accounts for customers who do not qualify for a standard account or who might need additional support due to social or financial vulnerability. In 2023, HSBC Egypt ran a campaign that allowed new customers to open bank accounts with no minimum balance required and no account opening fees. In the UK, we continue to make our branches more accessible by providing 'safe spaces' for domestic abuse victims, where they can seek specialist support and advice. In 2023, we also launched a specialist training programme to raise awareness among our colleagues of modern slavery and human trafficking. This has been completed by more than 5,300 UK colleagues. In addition, our strategic partnership with housing and homelessness charity Shelter UK aims to support those in crisis and build financial resilience solutions to help prevent homelessness in the future.

Making banking accessible
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.

2023	**718,306**
2022	716,957
2021	692,655

Supporting financial knowledge and education
We continue to invest in financial education content and features across different channels to help customers, colleagues and communities be confident users of financial services.

Since 2020, we received over 6.6 million unique visitors to our global digital financial education content. We continue to help customers expand their financial capabilities through our personal financial management tools. In 2023, HSBC UK launched new capabilities on our app enabling customers to manage their budgets, see their spending insights and view financial fitness content. This new tab on the app has attracted over 4.5 million unique visitors. We also added investment pots and goals to help motivate customers to save for the future.

In 2022, we launched our 'Well+' reward programme on the HSBC HK Mobile Banking app to help customers improve the health of their body, money and mind. Reward points are earned by completing a series of simple activities, such as building their financial knowledge. In 2023, we added new capabilities, such as bonus badges, and more than 212,000 customers have engaged with Well+ in Hong Kong since launch.

To help customers understand complex products and make informed decisions, HSBC Life UK launched a series of quick video guides to explain the key benefits, exclusions and underwriting process of critical illness cover.

To support Hong Kong customers with special educational needs, we launched simple step-by-step guides, which were shared with our partners, to explain how to access basic banking services.

We also support programmes that help expand the financial knowledge of children and young people to ensure future resilience. HSBC Egypt partnered with Injaz Al-Arab, a member of JA Worldwide, to deliver its 'building a financially capable generation' programme to students in seven schools in Cairo. In Mexico, we created a podcast, targeted at developing the financial capabilities of young people with each episode covering a specific theme, to enhance their basic financial knowledge.

We continued to build on our financial literacy programmes for young people in the UK, with the launch of the first financial capability skills module for the Duke of Edinburgh's Award.

Creating an inclusive banking experience
We aim to ensure that our banking products and services are designed to be accessible for customers experiencing either temporary or permanent challenging circumstances, such as disability, impairment or a major life event.

A simplified version of the HSBC HK Mobile Banking app aims to continue to enhance digital inclusion for all, including seniors. The app is the first of its kind among Hong Kong banks and has attracted more than 477,000 unique users since launch.

We are committed to improving accessibility experiences across our digital channels and continuously review our browser-based websites in 23 markets, and our mobile banking services in 18 markets, against the WCAG 2.0 AA standards. We also share our digital accessibility expertise with partners, companies and colleagues. More than 10,000 people and 66 companies have taken advantage of our specialised training programmes. To further share our best practice externally, HSBC sponsored and hosted AbilityNet's Techshare Pro event in our Group head office in London. Our work on digital accessibility was recognised with 11 awards in 2023.

Support for customers extends beyond our digital channels and we recognise that not all disabilities are visible or immediately obvious to others. We have expanded our commitment to the Hidden Disabilities Sunflower Lanyard Scheme, rolling it out across the UK, Hong Kong, the Channel Islands and Australia. The lanyard indicates that an individual may need a little more help, support or time. HSBC UK is also making use of virtual reality tools, such as EBOX (Empathy Box), to give colleagues the opportunity to experience vulnerability from the perspective of the customer.

In 2023, HSBC UK was awarded the UK Construction Industry Council's Inclusive Environments Recognition at the Organisational Level certification. This recognises the strong organisation and design processes HSBC has put in place to support accessible and inclusive design.

Supporting women
HSBC UAE and HSBC Singapore have collaborated with digital financial education provider Sophia, to create a programme designed specifically to help female customers build their financial knowledge. It covers a range of topics, including budgeting, ways to invest and investment strategies.

In Mexico, our Mujeres Al Mundo programme continues to support women as customers through products, services, education and networking. In 2023, we also supported female-owned businesses through our $1bn Female Entrepreneur Fund, alongside hosting bespoke Pitch Day events for a number of female entrepreneurs seeking investment.

Engaging with our communities

Building a more inclusive and resilient world

We have a long-standing commitment to support the communities in which we operate. We aim to empower people and communities to develop the skills and knowledge needed to thrive in the future.

Through the global reach of our charitable partnerships we bring together diverse people, ideas and perspectives that help us open up opportunities and build a more inclusive world.

Building community and future skills
We work with charity partners to initiate programmes that help people and communities respond to opportunities and challenges as global economies transition towards a low-carbon future. In 2023, these included:

– launching a three-year partnership with the British Council in Brazil, Mexico, India, Indonesia and Vietnam, and extending The Prince's Trust programmes in Australia, Canada, India and Malaysia, to help young, marginalised people develop the skills they need to thrive in the green economy;
– partnering with the Guangdong Lvya Rural Women Development Foundation in China to help equip women in remote mountain areas with sustainable farming skills; and
– partnering with the Ghabbour Foundation in Egypt to help provide technicians with specialist skills training to work in the electric vehicle market.

We also work with our charity partners around the world to strengthen the resilience of disadvantaged communities:

– In Hong Kong, we announced a three-year partnership with Food Angel to increase its capacity to provide meals to underprivileged elderly groups.
– In the US, we expanded our workforce development programme with Feeding America to support communities to find meaningful employment, especially mothers and Black, Indigenous People of Colour women.
– In the UK, we announced a three-year partnership with Shelter to help develop the homeless charity's training, guidance, tools and support within local communities to help build financial resilience.
– In France, we continued our work with Article 1 to help young people from deprived communities succeed in higher education through mentoring programmes.
– We supported disaster relief agency response to humanitarian needs, including those in Israel, Libya, Morocco, the Palestinian territories, Türkiye, and the Hawaiian island of Maui.

Community engagement and volunteering
We offer paid volunteering days, and encourage our people to offer their time, skills and knowledge to causes within their communities. In 2023, our colleagues gave over 181,800 hours to community activities during work hours.

Awards
– National CSR Fund 2023 UAE – Platinum Impact Seal
– Charitable giving by HSBC in China received recognition from the *China Philanthropy Times*

Charitable giving in 2023 (%)

- Social, including Future Skills: **26%**
- Environment, including the Climate Solutions Partnership: **37%**
- Local priorities: **24%**
- Disaster relief and other giving: **13%**

Total cash giving towards charitable programmes

$107.3m

Hours volunteered during work time

>181,800

People projected to be reached through our Future Skills programme

1.25m

Advancing financing and digital literacy

Over the past five years, HSBC worked with three microfinance networks to advance financial and digital literacy of women from unbanked and underbanked communities in India. The programme has engaged with more than 550,000 women to build awareness and understanding of digital payment platforms, and enhance their ability to access banking services, such as savings, credit and insurance, as well as government welfare schemes. By the end of 2023, 56,000 women had undertaken loan repayments worth $521,000 via digital channels. Insights from the initiative will be shared with financial institutions and the National Payment Corporation of India, set up by the banking regulator to oversee retail payments and settlement systems in India, to increase unbanked households' access to financial services and products.

Governance
Acting responsibly

We remain committed to high standards of governance. We work alongside our regulators and recognise our contribution to building healthy and sustainable societies.

At a glance

Our relationship
We act on our responsibility to run our business in a way that upholds high standards of corporate governance.

Customer experience is at the heart of how we operate. It is imperative that we treat our customers well, that we listen, and that we act to resolve complaints quickly and fairly. We measure customer satisfaction through net promoter scores across each of our global businesses, listen carefully to customer feedback so we know where we need to improve, and take steps to do this. Our customer satisfaction performance improved in many markets in which we operate, although we still have work to do to improve our rank position against competitors.

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.

We strive to meet our responsibilities to society, including through being transparent in our approach to paying taxes. 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.

For further details of our corporate governance, see our corporate governance report on page 238.

In this section

Setting high standards of governance TCFD

How ESG is governed

The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. Progress against our ESG ambitions is reviewed through Board discussion and review of key topics such as updates on customer experience and employee sentiment. The Board is regularly provided with specific updates on ESG matters, including the financed emissions sector targets, human rights and employee well-being. Board members receive ESG-related training as part of their induction and ongoing development, and seek out further opportunities to build their skills and experience in this area. For further details of Board members' ESG skills and experience, see page 239. For further details of their induction and training in 2023, see page 253.

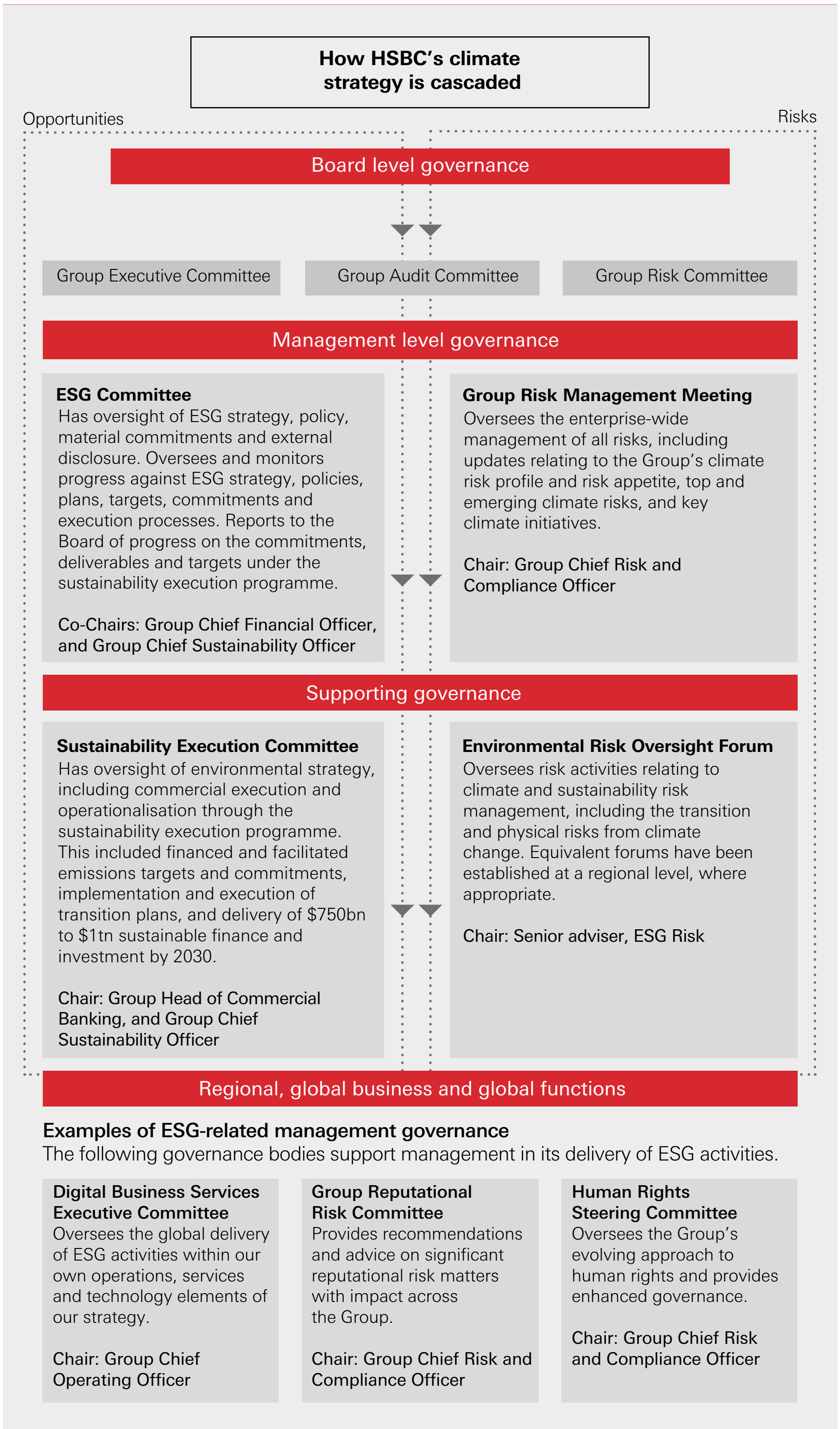
Given the wide-ranging remit of ESG matters, the governance activities are managed through a combination of specialist governance infrastructure and regular meetings and committees, where appropriate. These include the Group Disclosure and Controls Committee and Group Audit Committee, which provide oversight for the scope and content of ESG disclosures, and the Group People Committee, which provides oversight support for the Group's approach to performance management. For some areas, such as climate where our approach is more advanced, dedicated governance activities exist to support the wide range of activities, including climate risk management in the Environmental Risk Oversight Forum.

The Group Chief Risk and Compliance Officer and the chief risk officers of our PRA-regulated businesses are the senior managers responsible for climate financial risks under the UK Senior Managers Regime. Climate risks are considered in the Group Risk Management Meeting and the Group Risk Committee, with scheduled updates provided, as well as detailed reviews of material matters, such as climate-related stress testing exercises.

The diagram on the right provides an illustration of our ESG governance process, including how the Board's strategy on climate is cascaded and implemented throughout the organisation. It identifies examples of forums that manage both climate-related opportunities and risks, along with their responsibilities and the responsible chair. The structure of the process is similar for the escalation of problems, with issues either resolved in a given forum or raised to the appropriate level of governance with appropriate scope and authority.

In 2023, we enhanced our ESG governance with the establishment of a new Sustainability Execution Committee, which focuses on defining and measuring the success of our climate ambition, and developing commercial opportunities that support it through the sustainability execution programme.

We expect that our approach to ESG governance is likely to continue to develop, in line with our evolving approach to ESG matters and stakeholder expectations.



Human rights

Our respect for human rights

As set out in our Human Rights Statement, we recognise the role of business in respecting human rights. Our approach is guided by the UN Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Our salient human rights issues

We continue to raise awareness and develop our understanding of our salient human rights issues. These are the human rights at risk of the most severe negative impact through our business activities and relationships.

An extensive review of our salient human rights issues conducted in 2022 identified five human rights risks inherent to HSBC's business globally, and five types of activity through which such risks might arise. These are represented in the adjacent table.

In 2023, building on this assessment, we provided practical guidance and training, where relevant, to our colleagues across the Group on how to identify and manage human rights risk.

We are now focusing on translating this into risk management enhancements in two key areas of activity. These are the services we provide to business customers and the goods and services we buy from third parties.

Managing risks to human rights

In 2023, we continued the process of adapting our risk management procedures to reflect what we learned from our work on salient human rights issues and related guidance.

We continued to embed and build on the Sustainable Procurement Mandatory Procedure, which sets out the minimum sustainability requirements for procurement activity. This included enhanced procedures for human rights risk identification through the introduction of a human rights residual risk questionnaire for suppliers as part of our global onboarding assessment process, and human rights supplier audit pilots in our Asia-Pacific and Latin America regions to assess the potential need for further supplier audits in the future.

New approaches to identifying and managing human rights risk in respect of our business customers have also been piloted. These included screening for indicators of potential negative impacts on people, including media monitoring and other relevant third-party data.

Our salient human rights issues

Illustration of HSBC Group's inherent human rights risks mapped to business activities.

		HSBC activities				
				Provider of products and services		
Inherent human rights risks		Employer	Buyer	Personal customers	Business customers	Investor[1]
Right to decent work	Freedom from forced labour		◆		◆	◆
	Just and favourable conditions of work	◆	◆		◆	◆
	Right to health and safety at work	◆	◆	◆	◆	◆
Right to equality and freedom from discrimination		◆	◆	◆	◆	◆
Right to privacy		◆		◆		◆
Cultural and land rights			◆		◆	◆
Right to dignity and justice		◆	◆	◆	◆	◆

1 Investor includes our activities in HSBC Asset Management.

We continued to develop our in-house capability on human rights with the launch of further online resources for all staff and bespoke human rights training for colleagues in key roles, including those managing relationships with suppliers, and those with responsibility for overseeing risk management processes.

The actions we are taking to address these salient human rights issues are consistent with our values and will help us to meet our commitments on diversity and inclusion, and those we have made under the UN Global Compact and WEF metrics on risk for incidents of child, forced or compulsory labour.

For further details of the actions taken to respect the right to decent work, see our 2023 Annual Statement under the UK Modern Slavery Act at www.hsbc.com/modernslaveryact.

For further details of the actions taken to respect the right to equality and freedom from discrimination, see 'Our approach to diversity and inclusion' on page 76.

Sustainability risk policies

Some of our business customers operate in sectors where the risk of adverse human rights impact is high. Our sustainability risk policies for agricultural commodities, energy, forestry, mining and metals consider human rights issues such as forced labour, harmful or exploitative child labour and land rights. They also consider the rights of indigenous peoples such as 'free prior and informed consent', workers' rights, and the health and safety of communities.

Through our membership of international certification schemes such as the Forestry Stewardship Council, the Roundtable on Sustainable Palm Oil and the Equator Principles, we support standards aimed at respecting human rights.

Our sustainability risk policies are reviewed periodically to ensure they reflect our priorities.

For further details, see our sustainability risk policies at www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/sustainability-risk.

Financial crime controls

The risk of us causing, contributing or being linked to adverse human rights impacts is also mitigated by our financial crime risk framework, which includes our global policies and associated controls.

For further details of how we fight financial crime, see www.hsbc.com/who-we-are/esg-and-responsible-business/fighting-financial-crime.

Our respect for human rights continued

Driving change
We continued to participate in industry forums, including the Thun Group of Banks, which is an informal group that seeks to promote understanding of the UNGPs within the sector, and the UN Global Compact Human Rights Working Group.

HSBC has been a member of the Mekong Club since 2016. We are a participant of its monthly financial services working group, and we use its informative typological toolkits, infographics, and other multimedia resources covering current and emerging issues. Our Compliance teams regularly collaborate and engage with the Mekong Club in designing Group-wide knowledge sharing and training sessions.

Investments
Since 2022, HSBC Asset Management has published an annual *Global Stewardship Plan* outlining its approach to engagement, prioritisation of investee companies, objective-setting and escalation procedures. The plan also highlights its thematic priorities including human rights.

HSBC Asset Management recognises collaborative engagement as a tool to promote change. It participates in investor-led joint engagement initiatives where it believes these can have a positive influence. It is a signatory to the Principles for Responsible Investment Advance initiative to promote active stewardship on human rights and social issues. It has also actively contributed to other sector-specific initiatives, including engaging with technology firms on digital rights and responsible AI, and working with ESG data providers to promote higher quality human rights data set.

HSBC Asset Management has also incorporated human rights and modern slavery considerations into its Global Voting Guidelines. This helps to identify non-compliance with UN Global Compact principles, as well as a company's competency in human rights management and disclosures. Where a company falls below expectations, HSBC Asset Management may vote against the re-election of the board chair or relevant board director.

As a signatory to the Net Zero Asset Management Initiative, HSBC Asset Management is taking steps to reduce the carbon exposure of its portfolios and engage with issuers on their climate strategies. It also recognises the impact that the climate transition can have on workers, communities, consumers and other stakeholders, and has published its perspectives on a just transition.

For the Global Stewardship Plan, see www.assetmanagement.hsbc.co.uk/-/media/files/attachments/uk/policies/stewardship-plan-uk.pdf.

For further details of the Net Zero Asset Management Initiative, see www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/road-to-net-zero/a-transition-for-everyone.

Supporting those impacted and those potentially at risk
We continued to expand our Survivor Bank programme, which has now supported over 3,000 survivors of modern slavery and human trafficking in the UK, and is a model for making financial services more accessible to vulnerable communities worldwide.

We built on this experience in developing access to banking services for customers with no fixed abode in the UK and in Hong Kong, providing over 5,700 accounts under these programmes.

For further details of our work to support vulnerable communities, see page 86.

Effectiveness
The table below includes some indicative metrics we use to measure year-on-year continual improvement to our human rights processes.

For further diversity and inclusion metrics, see page 76 in this ESG review, as well as Section 4 of the 2023 Annual Statement under the UK Modern Slavery Act, which is available at www.hsbc.com/who-we-are/esg-and-responsible-business/modern-slavery-act.

Monitoring effectiveness

Metric	2023	2022
Contracted suppliers who either confirmed adherence to the code of conduct or provided their own alternative that was accepted by our Global Procurement function	**95%**	93%
Employees who have received training on human rights	**8,176**	520
Votes by HSBC Asset Management against management for reasons including human rights[1]	**213**	87

1 The figure represents the number of resolutions at investee company shareholder meetings (including AGMs) where votes were cast against management for reasons related to human rights.

Working for a just transition

Just Energy Transition Partnerships are becoming increasingly popular bringing key stakeholders together to enable a clean, fair energy transition in emerging economies that rely heavily on coal. Essentially, they are multilateral financial agreements aimed at accelerating the phase-out of fossil fuels, in a way that addresses the social consequences of doing so.

For further details on HSBC's role in Just Energy Transition Partnerships with Indonesia and Vietnam, see www.hsbc.com/news-and-views/views/hsbc-views/jetps-powering-a-faster-energy-transition.

Read more on Just Energy Transition Partnerships on page 68 of this ESG Review.

Customer experience

We remain committed to improving customers' experiences. In 2023, we gathered feedback from over one million customers across our three global businesses to help us understand our strengths and the areas we need to focus on. We were ranked among the top three banks against our competitors in 58% of our six key markets across WPB and CMB[1]. This was lower than in 2022 when we were ranked among the top three banks against our competitors in 66% of our key markets.

Customer satisfaction

Listening to drive improvement
We have continued to embed our feedback system so we can better listen, learn and act on our customers' feedback. We use the net promoter score ('NPS') to provide a consistent measure of our performance. NPS is measured by subtracting the percentage of 'detractors' from the percentage of 'promoters'. 'Detractors' are customers who provide a score of 0 to 6, and 'promoters' are customers who provide a score of 9 to 10 to the question: 'On a scale on 0 to 10, how likely is it that you would recommend HSBC to a friend or colleague'.

We run studies that allow us to benchmark ourselves against other banks. We try to make it as easy as possible for customers to give us feedback, accelerating our use of digital real-time surveys to capture insight. By sharing this and other feedback with our front-line teams, and allowing them to respond directly to customers, we are improving how we address issues and realise opportunities.

In 2023, we launched the CMB Customer Impact Forum, a dedicated global forum set up to provide oversight of our business and corporate customers' experiences and promote continuous improvement. This, alongside our WPB 'Customer in the room' programme launched in 2022, helps ensure we use feedback in all aspects of how we run our business and prioritise initiatives that matter most to our customers.

How we fared
In WPB, our NPS increased in four of our six key markets, which were Hong Kong, Mexico, India and Singapore. Our NPS in the UK declined slightly, largely among our mass affluent customers. In Hong Kong, we remained first overall against our competitors, driven by our mass affluent customers.
In India we ranked in first place, driven by increased digitalisation. We introduced digital self-service solutions for updating customer details and downloading key documents, and digitised our onboarding process. We were also a top three bank in mainland China, based on 2022 data (see footnote 3 in the adjacent table).

In our private bank, our global NPS increased to 42 points, compared with 25 points in 2022. This was largely due to increased customer satisfaction in Asia, with improved scores in Hong Kong, Singapore, Taiwan and mainland China. This was driven by relationship manager engagement and enhancements to our digital services.

In CMB, we were ranked among the top three banks against our competitors in four of our six key markets. We ranked first in Hong Kong and as a top three bank in mainland China, Singapore and Mexico. In India and the UK, we were ranked outside the top three. Our NPS rank improved in the UK, driven by our business banking customers and our top three ranking among UK corporate customers. Our NPS declined slightly among our mid-market enterprise customers.

In GBM, we had one of the highest NPS scores in the market against our competitors, including the quality of our digital trade finance platforms and for satisfaction with our digital capabilities.

Number of markets in top three or improving rank[1,2]

	2023
WPB[3]	**3 out of 6**
CMB	**5 out of 6**

1 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.

2 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.

3 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.

Acting on feedback

We have continued to focus on developing our products and services, and enhancing our digital capabilities to improve customer experience.

In WPB, we redesigned our international products and services to make it quicker and easier to bank internationally. This involved the launch of six products and services across 10 international markets. International customers can open an international account digitally pre-departure, gain access to a credit card in their new market, and make use of cross-border payment solutions with 24/7 global support to manage their international needs.

In CMB, we introduced a new credit application system, the Digital Credit Portal, in 15 markets. It uses internal and external data combined with automation to streamline credit journeys. In Hong Kong, the portal also integrates with a credit decision engine to automate credit decisions for qualifying customers, reducing the assessment time on loan approvals from days to as little as a few minutes. Our digital onboarding tool, SmartServe, has been implemented in 21 markets to support international and domestic account opening. We have onboarded 89% of eligible customers through the digital platform, with 72% of customers rating this experience as 'easy'.

In GBM, we continued to execute our strategy and refine the client coverage model. In 2023, we accelerated our 'originate-to-distribute' model, providing clients with an effective capital efficiency strategy. We have refinanced our in-country and cross-border coverage model in mainland China and refreshed our growth plans in India based on client feedback. We also launched growth initiatives against our Asia-MENAT corridor to better service our clients.

How we listen

To improve how we serve our customers, we must be open to feedback and acknowledge when things go wrong. We continue to adapt at pace to provide support for customers facing new challenges, new ways of working and those that require enhanced care needs.

We aim to be open and consistent in how we track, record and manage complaints, although as we serve a wide range of customers – from personal banking and wealth customers to large corporates, institutions and governments – we tailor our approach in each of our global businesses. As the table on the right demonstrates, we have a consistent set of principles that enable us to remain customer-focused throughout the complaints process.

For further details of complaints volumes by geography, see our ESG Data Pack *at www.hsbc.com/esg.*

How we handle complaints

Our principles	Our actions
Making it easy for customers to complain	Customers can complain through the channel that best suits them. We provide a point of contact along with clear information on next steps and timescales.
Acknowledging complaints	All colleagues welcome complaints as opportunities and exercise empathy to acknowledge our customers' issues. Complaints are escalated if they cannot be resolved at first point of contact.
Keeping the customer up to date	We set clear expectations and keep customers informed throughout the complaint resolution process through their preferred channel.
Ensuring fair resolution	We thoroughly investigate all complaints to address concerns and ensure the right outcome for our customers.
Providing available rights	We provide customers with information on their rights and the appeal process if they are not satisfied with the outcome of the complaint.
Undertaking root cause analysis	Complaint causes are analysed on a regular basis to identify and address any systemic issues and to inform process improvements.

Wealth and Personal Banking ('WPB')

In 2023, we received approximately 1.2 million complaints from customers. The ratio of complaints per 1,000 customers per month in our large markets remained stable at around 2.3.

In the UK, complaints fell 19%. In 2023, we applied the new UK Consumer Duty rules to our complaint handling processes and invested in root cause analysis to ensure good outcomes and avoid instances of foreseeable harm. We will continue to focus on enhancing our processes and on training complaint handlers to improve the customer experience and reduce our complaint volumes further.

The decrease in complaints in Hong Kong was primarily driven by improvements in our digital capabilities to make it easier for customers to connect with us. Regular reviews, analysis of customer feedback and greater collaboration across business lines to address emerging customer pain points also contributed to the fall in complaints.

In response to an increase in credit and debit card fraud attacks in Mexico during the first quarter of 2023, we focused on strengthening our monitoring and fraud detection capabilities to help protect our customers. In October, we also released the new Visa Account Attack Intelligence tool to mitigate foreign e-commerce attacks on customer debit cards. As a result of these efforts, average monthly complaints in Mexico for the last nine months of the year decreased by 20.5% compared with the first quarter.

In our private bank, we received 507 complaints, an increase of 176 compared with 2022. This was largely due to growth in our customer base since establishing new private banking operations in the UAE and Mexico, along with an increase in complaints in the US. This led to an increase in administration and service issues, a high proportion of which were attributable to delays and errors in processing client instructions. Overall, the private bank resolved 465 complaints. Complaint data for the new private banking operation in India was reported within the WPB figures, pending system development to separately report the complaint figures.

WPB complaint volumes[1]
(per 1,000 customers per month)

		2023	2022
Total[2]		**2.3**	2.3
UK[3]	▼	**1.1**	1.4
Hong Kong[3]	▼	**0.9**	1.0
Mexico[3]	▲	**5.2**	5.1

1 A complaint is any expression of dissatisfaction about WPB's activities, products or services where a response or resolution is explicitly or implicitly expected.

2 Markets included: Hong Kong, mainland China, France, the UK, UAE, Mexico, Canada and the US.

3 The UK, Mexico and Hong Kong make up 86% of total complaints.

Acting on feedback

In 2023, we continued to develop and embed tools and capabilities across our business to deliver improved experiences for our customers around the world. Through our measurement of customer experience, we identify opportunities for improvement, develop agile customer experience plans and track and measure our progress. As a result of standardising our approach to customer experience globally, we have strengthened our capability to listen, understand and act on what our customers are telling us on a regular basis.

How we listen continued

Commercial Banking ('CMB')

In 2023, we received 45,899 customer and client complaints, a decrease of 27% from 2022. Of the overall volumes, 33,777 came from HSBC UK and 7,354 from Asia-Pacific.

The most common complaint related to servicing and transactions, with the largest volume of complaints globally coming from business banking customers, which represented 87% of our total complaints.

We attribute the overall decrease in our complaint volumes to enhanced training of our front-line colleagues to ensure they can identify the differences between a complaint, query and feedback. We also focused on addressing the root causes of the complaint trends, as well on improvements to our systems, processes and advice to our clients.

We resolved 47,812 complaints globally in 2023. The average resolution time for complaints was 24 days, which was just above our global target of 20 days.

CMB complaint volumes[1]
(000s)

		2023	2022
Total		**46**	63
UK	▼	**33.8**	49.2
Hong Kong	▼	**6.5**	8.1

Acting on feedback

In 2023, we focused on improvements to our governance of complaints, creating regular forums in key markets to ensure that analysis of the root cause of issues and trends are prioritised to enhance our understanding of pain points for our customers. Since the Covid-19 pandemic, there has been increased efforts Group-wide to identify customers who are more exposed to harm or declare as vulnerable. In 2023, we focused on identifying these complaint types to ensure that we can offer adjustments and support within our processes. This new process helps to improve our understanding and support of clients at risk of financial or non-financial harm to ensure our banking services are accessible to all.

Global Banking and Markets ('GBM')

In 2023, we received 1,552 customer complaints in Global Banking, a decrease of 27% from 2022. Of the overall complaint volumes, 49% came from Europe and 23% came from the Middle East, North Africa and Türkiye. The most common complaint, at 38% of total complaints, related to servicing, which was in line with previous years.

In Markets and Securities Services ('MSS') complaints increased by 21% to 354. We attribute some of the increase to improvements in our data reporting processes globally. The majority of complaints were operational in nature and resolved in a timely manner. Of the overall MSS complaints, 47% came from Europe and 34% from Asia, our two largest markets.

GBM complaint volumes[1]

		2023	2022
Total		**1,906**	2,419
Global Banking[2]	▼	**1,552**	2,127
Global Markets and Securities Services[3]	▲	**354**	292

Acting on feedback

We have continued to invest in our client feedback tool to create a more consistent and streamlined experience for colleagues across GBM and our wholesale businesses globally. In 2023, we introduced additional automation to improve the process of logging complaints, and simplified our procedures to make it easier for front-line colleagues to record feedback. We have also introduced mandatory training around conduct and complaints to ensure our people are acting on the feedback they receive and are consistent in how they evaluate queries and complaints.

1 Globally, a complaint is any expression of dissatisfaction, whether justified or not, relating to the provision of, or failure to provide, a specific product or service or service activity. Within the UK, a complaint is any expression of dissatisfaction – whether justified or not – about our products, services or activities which suggests we have caused (or might cause) financial loss, or material distress or material inconvenience.

2 Global Banking also includes Global Payments Solutions (previously known as Global Liquidity and Cash Management) and complaints relating to payment operations, which is part of Digital Business Services.

3 Contains Global Research complaint volumes.

Integrity, conduct and fairness

Safeguarding the financial system

We have continued our efforts to combat financial crime and reduce its impact on our organisation, customers and the communities that we serve. Financial crime includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing.

We manage financial crime risk because it is the right thing to do to protect our customers, shareholders, staff, the communities in which we operate, as well as the integrity of the financial system on which we all rely. We have a financial crime risk management framework that is applicable across all global businesses and functions, and in all countries and territories in which we operate. The financial crime risk framework, which is overseen by the Board, is supported by our financial crime policy that is designed to enable adherence to applicable laws and regulations globally. Annual global mandatory training is provided to all colleagues, with additional targeted training tailored to certain individuals. We carry out regular risk assessments to identify where we need to respond to evolving financial crime threats, as well as to monitor and test our financial crime risk management programme.

We continue to invest in new technology, including through the deployment of a capability to monitor correspondent banking activity. We are also enhancing our fraud monitoring capability and our trade screening controls, and investing in the application of machine learning to improve the accuracy and timeliness of our detection capabilities.

These new technologies should enhance our ability to respond effectively to unusual activity and be more granular in our risk assessments. This helps us to protect our customers, the organisation and the integrity of the global financial system against financial crime.

Our anti-bribery and corruption policy
Our global financial crime policy requires that all activity must be: conducted without intent to bribe or corrupt; reasonable and transparent; considered to not be lavish nor disproportionate to the professional relationship; appropriately documented with business rationale; and authorised at an appropriate level of seniority. There were no concluded legal cases regarding bribery or corruption brought against HSBC or its employees in 2023. Our global financial crime policy requires that we identify and mitigate the risk of our customers and third parties committing bribery or corruption. Among other controls, we use customer due diligence and transaction monitoring to identify and help mitigate the risk that our customers are involved in bribery or corruption. We perform anti-bribery and corruption risk assessments on third parties that expose us to this risk.

The scale of our work

Each month, on average, we monitor over 1.35 billion transactions for signs of financial crime. In 2023, we filed over 96,000 suspicious activity reports to law enforcement and regulatory authorities where we identified potential financial crime. We perform daily screening of 125 million customer records for sanctions exposure. In 2022, we reported screened customer records as a monthly average, although screening was, and continues to be, performed on a daily basis.

98%

Total percentage of permanent and non-permanent employees who received financial crime training, including on anti-bribery and corruption.

Whistleblowing

We want colleagues and stakeholders to have confidence in speaking up when they observe unlawful or unethical behaviour. We offer a range of speak-up channels to listen to the concerns of individuals and have a zero tolerance policy for acts of retaliation.

Listening through whistleblowing channels
Our global whistleblowing channel, HSBC Confidential, is one of our speak-up channels, which allows colleagues and other stakeholders to raise concerns confidentially and, if preferred, anonymously (subject to local laws). In most of our markets, HSBC Confidential concerns are raised through an independent third party, offering 24/7 hotlines and a web portal in multiple languages. We also provide and monitor an external email address for concerns about accounting, internal financial controls or auditing matters (accountingdisclosures@hsbc.com). Concerns are investigated proportionately and independently, with action taken where appropriate. This can include disciplinary action, such as dismissal and adjustments to variable pay and performance ratings, or operational actions including changes to policies and procedures.

We actively promote our full range of speak-up channels to colleagues to help ensure their concerns are handled through the most effective route. In 2023, 4% fewer concerns were raised through HSBC Confidential compared with 2022. Of the concerns investigated through the HSBC Confidential channel in 2023, 81% related to individual behaviour and personal conduct, 14% to security and fraud risks, 4% to compliance risks and less than 1% to other categories.

The Group Audit Committee has oversight of the Group's whistleblowing arrangements, and the Chair of the Group Audit Committee acts as HSBC's Whistleblowers' Champion with responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Group's policies and procedures.

Regulatory Compliance sets the whistleblowing policy and procedures, and provides the Group Audit Committee with periodic updates on their effectiveness. Specialist teams and investigation functions own whistleblowing controls, with monitoring in place to determine control effectiveness.

For further details of the role of the Group Audit Committee in relation to whistleblowing, see page 270.

HSBC Confidential concerns raised in 2023:

1,746

(2022: 1,817)

Substantiation rate of concerns investigated through HSBC Confidential in 2023:

41%

(2022: 41%)

A responsible approach to tax

We seek to pay our fair share of tax in all jurisdictions in which we operate, and to minimise the likelihood of customers using our products and services to evade or inappropriately avoid tax. We also abide by international protocols that affect our organisation. Our approach to tax and governance processes is designed to achieve these goals.

Through adoption of the Group's risk management framework, we seek to ensure that we do not adopt inappropriately tax-motivated transactions or products, and that tax planning is scrutinised and supported by genuine commercial activity. HSBC has no appetite for using aggressive tax structures.

With respect to our own taxes, we are guided by the following principles:

- We are committed to applying both the letter and spirit of the law. This includes adherence to a variety of measures arising from the OECD Base Erosion and Profit Shifting initiative including the 'Pillar Two' global minimum tax rules which will apply to the Group from 2024. These rules seek to ensure that the Group pays tax at a minimum rate of 15% in each jurisdiction in which it operates. We have identified 12 jurisdictions that may have an effective tax rate below 15% in 2024. We continually monitor the number of active subsidiaries within each jurisdiction as part of our ongoing entity rationalisation programme.
- We seek to ensure that our entities active in nil or low tax jurisdictions have clear business rationale for why they are based in these locations and appropriate transparency over their activities.
- We seek to have open and transparent relationships with all tax authorities. Given the size and complexity of our organisation, which operates across over 60 jurisdictions, a number of areas of differing interpretation or disputes with tax authorities exist at any point in time. We cooperate with the relevant local tax authorities to mutually agree and resolve these in a timely manner.

With respect to our customers' taxes, we are guided by the following principles:

- We have made considerable investments to support external tax transparency initiatives and reduce the risk of banking services being used to facilitate customer tax evasion. Initiatives include the US Foreign Account Tax Compliance Act, the OECD Standard for Automatic Exchange of Financial Account Information ('Common Reporting Standard'), and the UK legislation on the corporate criminal offence of failing to prevent the facilitation of tax evasion.
- We implement processes that aim to ensure that inappropriately tax-motivated products and services are not provided to our customers.

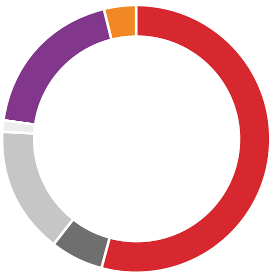
Our tax contributions

The effective tax rate for the year of 19.1% was higher than in the previous year (2022: 4.7%). The effective tax rate for the year was increased by 2.3% from the non-taxable impairment of the Group's interest in BoCom, and reduced by 1.6% by the release of provisions for uncertain tax positions and by 1.5% by the non-taxable provisional gain on the acquisition of SVB UK. Further details are provided on page 369.

The UK bank levy charge for 2023 of $339m was higher than the charge of $13m in 2022, mainly due to adjustments arising upon filing prior year returns, which represented a credit in 2022 and a charge in 2023.

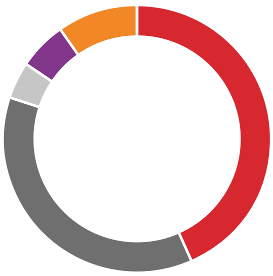
As highlighted below, in addition to paying $6.8bn of our own tax liabilities during 2023, we collected taxes of $10.8bn on behalf of governments around the world. A more detailed geographical breakdown of the taxes paid in 2023 is provided in the *ESG Data Pack*.

Taxes paid – by type of tax



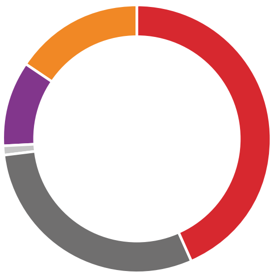
- Tax on profits **$3,685m** (2022: $2,429m)
- Withholding taxes **$432m** (2022: $361m)
- Employer taxes **$1,052m** (2022: $1,041m)
- Bank levy **$57m** (2022: $314m)
- Irrecoverable VAT **$1,298m** (2022: $1,152m)
- Other duties and levies **$249m**[1] (2022: $232m)

Taxes paid – by region



- Europe **$2,945m** (2022: $2,745m)
- Asia-Pacific **$2,488m** (2022: $1,894m)
- Middle East, North Africa and Türkiye **$296m** (2022: $259m)
- North America **$389m** (2022: $207m)
- Latin America **$655m** (2022: $424m)

Taxes collected – by region



- Europe **$4,714m** (2022: $4,197m)
- Asia-Pacific **$3,226m** (2022: $3,274m)
- Middle East, North Africa and Türkiye **$77m** (2022: $67m)
- North America **$1,119m** (2022: $1,129m)
- Latin America **$1,680m** (2022: $1,493m)

1 Other duties and levies includes property taxes of $91m (2022: $94m)

Conduct: Our product responsibilities

Our conduct approach guides us to do the right thing and to focus on the impact we have for our customers and the financial markets in which we operate. It is embedded into the way we design, approve, market and manage products and services, with a focus on five clear outcomes:

- We understand our customers' needs.
- We provide products and services that offer a fair exchange of value.
- We service customers' ongoing needs and put it right if we make a mistake.
- We act with integrity in the financial markets we operate in.
- We operate resiliently and securely to avoid harm to customers and markets.

We train all our colleagues on our approach to customer and market conduct, helping to ensure our conduct outcomes are part of everything we do.

Designing products and services
Our approach to product development is set out in our policies and provides a clear basis on which informed decisions can be made. Our policies require that products must be fit-for-purpose throughout their existence, meeting regulatory requirements and associated conduct outcomes.

Our approach includes:

- designing products to meet identified customer needs;
- managing products through governance processes, helping to ensure they meet customers' needs and deliver a fair exchange of value;
- periodically reviewing products to help ensure they remain relevant and perform in line with expectations we have set; and
- improving, or withdrawing from sale, products which do not meet our customers' needs or no longer meet our high standards.

Meeting our customers' needs
Our policies and procedures set standards to ensure that we consider and meet customer needs. These include:

- enabling customers to understand the key features of products and services;
- enabling customers to make informed decisions before purchasing a product or service; and
- ensuring processes are in place for the provision of advice to customers.

They help us provide the right outcomes for customers, including those with enhanced care needs. This helps us to support customers who are more vulnerable to external impacts, including the current cost of living crisis (see 'Supporting our customers in challenging economic times' on page 15).

Financial promotion
Our policies help to ensure that in the sale of products and services, we use marketing and product materials that support customer understanding and fair customer outcomes. This includes providing information on products and services that is clear, fair and not misleading. We also have controls in place to ensure our cross-border marketing complies with relevant regulatory requirements.

Product governance
Our product management policy covers the entire lifecycle of the product. This helps ensure that our products meet our requirements before we sell them and allows continued risk-based oversight of product performance against the intended customer outcomes.

When we decide to withdraw a product from sale, we aim to consider the implications for our existing customers and agree actions to help them achieve a fair outcome where appropriate.

Our approach with our suppliers

We maintain global standards and procedures for the onboarding and use of third-party suppliers. We require suppliers to meet our third-party risk compliance standards and we assess them to identify any financial stability concerns.

Sustainable procurement
Supporting and engaging with our supply chain is vital to the development of our sustainable procurement processes. In 2023:

- We published net zero guides to help buyers and suppliers understand our net zero ambitions. The guides explain our carbon reduction requirements and provide practical advice for meeting these ambitions, as laid out in our supplier code of conduct.
- We began developing decarbonisation plans for high-emitting procurement categories, including real estate services, telecommunications, data centres and servers, and computer hardware. Engagement with suppliers has given us a better understanding of their decarbonisation efforts and the challenges and opportunities of achieving net zero in these categories. As a result, strategies for these procurement categories will include decarbonisation plans from 2024 onwards.
- We completed analysis to understand the impacts and dependencies of our supply chain on biodiversity. The analysis will inform the development of a biodiversity strategy for global procurement in 2024, to reduce supply chain biodiversity impacts.
- We launched the supplier diversity portal in the UK and US. The portal enables small and medium-sized enterprises or businesses, which are majority-owned, operated and controlled by historically underrepresented groups, to register interest in becoming an HSBC supplier. For further details, see www.hsbc.com/our-approach/risk-and-responsibility/working-with-suppliers.

Supplier code of conduct
Our supplier code of conduct sets out our ambitions, targets and commitments on the environment, diversity and human rights, and outlines the minimum standards we expect of our suppliers on these issues. We seek to formalise adherence to the code with clauses in our supplier contracts, which support the right to audit and act if a breach is discovered. At the end of 2023, 95% of approximately 10,400 contracted suppliers had either confirmed adherence to the supplier code of conduct or provided their own alternative that was accepted by our Global Procurement function.

For further details of the number of suppliers in each geographical region, see the ESG Data Pack *at www.hsbc.com/esg.*

Safeguarding data

Data privacy

We are committed to protecting and respecting the data we hold and process, in accordance with the laws and regulations of the markets in which we operate.

Our approach rests on having the right talent, technology, systems, controls, policies and processes to ensure appropriate management of privacy risk. Our Group-wide privacy policy and principles provide a consistent global approach to managing data privacy risk, and must be applied by all our global businesses and functions. Our privacy principles are available at www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/operational-risk.

We conduct regular employee training and awareness sessions on data privacy and security issues throughout the year. This includes mandatory training for all our colleagues globally, with additional training sessions, where needed, to keep up to date with new developments in this space.

We provide transparency to our customers and stakeholders on how we collect, use and manage their personal data, and their associated rights. Where relevant, we work with third parties to help ensure adequate protections are provided, in line with our data privacy policy and as required under data privacy law. We offer a broad range of channels in the markets where we operate, through which customers and stakeholders can raise concerns about the privacy of their data.

Our dedicated privacy teams report to the highest level of management on data privacy risks and issues, and oversee our global data privacy programmes. We review data privacy regularly at multiple governance forums, including at Board level, to help ensure appropriate challenge and visibility for senior executives. Data privacy laws and regulations continue to evolve globally. We continually monitor the regulatory environment to ensure we respond appropriately to any changes.

As part of our three lines of defence model, our Global Internal Audit function provides independent assurance as to whether our data privacy risk management approaches and processes are designed and operating effectively. In addition, we have established data privacy governance structures, and continue to embed accountability across all businesses and functions.

We continue to implement industry practices for data privacy and security. Our privacy teams work closely with our data protection officers, industry bodies and research institutions to drive the design, implementation and monitoring of privacy solutions. We conduct regular reviews and privacy risk assessments, and continue to develop solutions to strengthen our data privacy controls.

We continue to enhance our internal data privacy tools to improve accountability for data privacy. We have procedures to articulate the actions needed to deal with data privacy considerations. These include notifying regulators, customers or other data subjects, as required under applicable privacy laws and regulations, in the event of a reportable incident occurring.

Intellectual property rights practices
We have a group intellectual property risk policy, supported by controls and guidance, to manage risk relating to intellectual property. This is to help ensure that commercially and strategically valuable intellectual property is identified and protected appropriately, including by applying to register trademarks and patents and enforcing our intellectual property rights against unauthorised use by third parties. Our intellectual property framework also helps us avoid infringement of third-party intellectual property rights, supporting our consistent and effective management of intellectual property risk in line with our risk appetite.

Data Privacy Day

In January 2023, we held a hybrid roundtable event for our colleagues to mark International Data Privacy Day. The event was hosted by our Global Head of Data Legal, and guest speakers included the former UK Information Commissioner and industry specialists from an external law firm, with HSBC's own data privacy experts in attendance.

The event covered privacy-related developments likely to have the greatest impact across the Group. Key themes included upcoming data privacy reforms in the UK and the implications for global organisations, and trends in enforcement of data privacy laws and regulations. We also reviewed the impact, successes and challenges of General Data Protection Regulation ('GDPR') implementation globally.

The ethical use of data and AI

Artificial intelligence and other emerging technologies provide the opportunity to process and analyse data at a depth and breadth not previously possible. While these technologies offer significant potential benefits for our customers, they also pose potential ethical risks for the financial services industry and society as a whole. We have a set of principles to help ensure we consider and address the ethical issues that could arise. HSBC's Principles for the Ethical Use of Data and Artificial Intelligence are available at www.hsbc.com/who-we-are/esg-and-responsible-business/our-conduct.

We continue to develop and enhance our approach to, and oversight of, AI, taking into consideration the fast-evolving regulatory landscape, market developments and best practice.

Cybersecurity

The threat of cyber-attacks remains a concern for our organisation, as it does across the financial sector and other industries. As cyber-attacks continue to evolve, failure to protect our operations may result in the loss of sensitive data, disruption for our customers and our business, or financial loss. This could have a negative impact on our customers and our reputation, among other risks.

We continue to monitor ongoing geopolitical events and changes to the cyber threat landscape and take proactive measures with the aim to reduce any impact to our customers.

Prevent, detect and mitigate
We invest in business and technical controls to help prevent, detect and mitigate cyber threats. Our cybersecurity controls follow a 'defence in depth' approach, making use of multiple security layers, recognising the complexity of our environment. Our ability to detect and respond to attacks through round-the-clock security operations centre capabilities is intended to help reduce the impact of attacks.

We have a cyber intelligence and threat analysis team, which proactively collects and analyses internal and external cyber information to continuously evaluate threat levels for the most prevalent attack types and their potential outcomes. We actively participate in the broader cyber intelligence community, including by sharing technical expertise in investigations, alongside others in the financial services industry and government agencies around the world.

In 2023, we further strengthened our cyber defences and enhanced our cybersecurity capabilities with the objective to help reduce the likelihood and impact of unauthorised access, security vulnerabilities being exploited, data leakage, third-party security exposure, and advanced malware. These defences build upon a proactive data analytical approach to help identify advanced targeted threats and malicious behaviour.

We work with our third parties, including suppliers, financial infrastructure bodies and other non-traditional third parties, in an effort to help reduce the threat of cyber-attacks impacting our business services.

We have a third-party security risk management process in place to assess, identify and manage the risks associated with cybersecurity threats with supplier and other third-party relationships. The process includes risk-based cybersecurity due diligence reviews that assess third parties' cybersecurity programmes against our standards and requirements.

Policy and governance
We have a robust suite of cybersecurity policies, procedures and key controls designed to help ensure that the organisation is well managed, with effective oversight and control. This includes but is not limited to defined information security responsibilities for employees, contractors and third parties, as well as standard procedures for cyber incident identification, investigation, mitigation and reporting.

We operate a three lines of defence model, aligned to the enterprise risk management framework, to help ensure oversight and challenge of our cybersecurity capabilities and priorities. In the first line of defence, we have risk owners within global businesses and functions who are accountable for identifying and managing cyber risk. They work with cybersecurity control owners to apply the appropriate risk treatment in line with our risk appetite. Our controls are designed to be executed in line with our policies and are reviewed and challenged by our risk stewards representing the second line of defence. They are independently assured by the Global Internal Audit function, the third line of defence. The assessment and management of our cybersecurity risk is led and coordinated by a Global Chief Information Security Officer, who has extensive experience in financial services, security and resilience, as well as in strategy, governance, risk management and regulatory compliance. The Global Chief Information Security Officer is supported by regional and business level chief information security officers. In the event of incidents, the Global Chief Information Security Officer and relevant supporting officers are informed by our security operations team and are engaged in alignment with our cybersecurity incident response protocols.

Key performance indicators, control effectiveness and other matters related to cybersecurity, including significant cyber incidents, are presented on a regular basis to various management risk and control committees including to the Board, the Group Risk Management Meeting and across global businesses, functions and regions. This is done to ensure ongoing awareness and management of our cybersecurity position.

Our cybersecurity capabilities are regularly assessed against the National Institute of Standards and Technology framework by independent third parties, and we proactively collaborate with regulators to participate in regular testing activities. HSBC also engages external independent third parties to support our penetration and threat-led penetration testing, which help to identify vulnerabilities to cyber threats and test security resilience.

Cyber training and awareness
We understand the important role our people play in protecting against cybersecurity threats. Our aim is to equip every colleague with the appropriate tools and behaviours they need to keep our organisation and customers' data safe. We provide cybersecurity training and awareness to our people, ranging from our top executives to IT developers to front-line relationship managers around the world.

Over 94% of our IT developers hold at least one of our enhanced security certifications to help ensure we build secure systems and products.

We host an annual Cyber Awareness Month for all colleagues, covering topics such as online safety at home, social media safety, safe hybrid working, and cyber incidents and response. Our dedicated cybersecurity training and awareness team provides a wide range of education and guidance to both customers and our colleagues about how to identify and prevent online fraud.

Over 99%
Employees completed mandatory cybersecurity training on time.

Over 94%
IT developers hold at least one of our internal secure developer certifications.

Over 90
Cybersecurity education events were held globally.

Over 96%
Of survey respondents to cybersecurity education events said they have a better understanding of cybersecurity following these events.