

United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI) HSBC Progress 2021

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UNEP FI Principles for Sustainable Insurance (PSI) Progress Report 2021

This document outlines the commitments and progress made by HSBC Insurance Holdings Limited in 2021 towards implementing the Principles for Sustainable Insurance and how HSBC’s sustainability commitments shape the way we do business.

In this document, unless the context specifies otherwise, “HSBC”, “HSBC Group” and the “Group” refers to HSBC Holdings plc and its subsidiaries.

Overview

HSBC’s purpose – Opening up a world of opportunity – explains why we exist. We are here to use our expertise, capabilities, breadth and perspectives to open up new kinds of opportunity for our customers. We are bringing together the people, ideas and capital that nurture progress and growth, helping to create a better world – for our customers, our people, our investors, our communities and the planet we all share.

With assets of USD3.0tn and operations in 64 countries and territories at 31 December 2021, HSBC is one of the largest banking and financial services organisations in the world. Approximately 40 million customers bank with us and we employ around 220,000 full-time equivalent staff. We have around 187,000 shareholders in 128 countries and territories.

At HSBC, we recognise that how we do business is as important as what we do. We have a responsibility to our customers, employees and the communities in which we operate and understand that to achieve success in the long term, economic growth must also be sustainable.

We aim to minimise our impact on the environment and to help the global transition to a low-carbon economy. We are mindful of our social responsibilities, and committed to high standards of governance.

We also recognise our responsibility to be transparent and open about our impact on people and the planet. We publish regularly updated material on our environmental, social and governance (ESG) performance on our corporate website, as well as in our Annual Report and Accounts.

HSBC’s values

Our values help define who we are as an organisation, and are key to our long-term success.

We value difference

Seeking out different perspectives

We succeed together

Collaborating across boundaries

We take responsibility

Holding ourselves accountable and taking the long view

We get it done

Moving at pace and making things happen

HSBC's global businesses

We serve our customers through three global businesses.

Wealth and Personal Banking ('WPB')

We help millions of our customers look after their day-to-day finances and manage, protect and grow their wealth.



Commercial Banking ('CMB')

Our global reach and expertise help domestic and international businesses around the world unlock their potential.



Global Banking and Markets ('GB&M')

We provide a comprehensive range of financial services and products to corporates, governments and institutions.



HSBC sells insurance products worldwide through a range of channels including our branches, direct channels and third-party distributors. The majority of sales are through an integrated bancassurance model that provides insurance products principally for customers with whom we have a banking relationship.

The insurance contracts we sell relate to the underlying needs of our customers, which we can identify from our point-of-sale contacts and customer knowledge. For the products we manufacture, the majority of sales are savings, universal life and protection contracts.

We choose to manufacture these insurance products in HSBC subsidiaries based on an assessment of operational scale and risk appetite. Manufacturing insurance allows us to retain the risks and rewards associated with writing insurance contracts by keeping part of the underwriting profit and investment income within the Group.

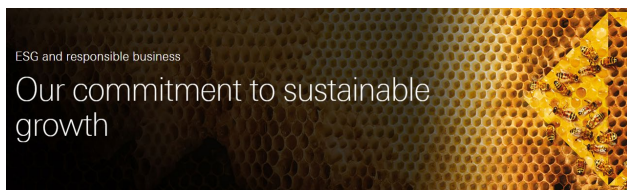
We have life insurance manufacturing subsidiaries in eight markets, which are Hong Kong, Singapore,

mainland China, France, the UK, Malta, Mexico and Argentina. We also have a life insurance manufacturing associate in India.

Where we do not have the risk appetite or operational scale to be an effective insurance manufacturer, we engage with a small number of leading external insurance companies in order to provide insurance products to our customers through our banking network and direct channels. These arrangements are generally structured with our exclusive strategic partners and earn the Group a combination of commissions, fees and a share of profits. We distribute insurance products in all of our geographical regions.

In 2021, insurance manufacturing reported adjusted revenue of USD2,761m and distribution of insurance products by HSBC channels contributed USD832m of net fee income.

ESG and responsible business



At HSBC, we are committed to supporting sustainable growth. We recognise that how we do business is just as important as what we do.

Our business has an impact on people all over the world – including customers, employees, suppliers, regulators and governments, investors, and the wider communities we serve. Being sustainable means building strong relationships with these stakeholders and taking into account the issues that matter to them.

We use our international expertise to connect our customers to opportunities around the world.

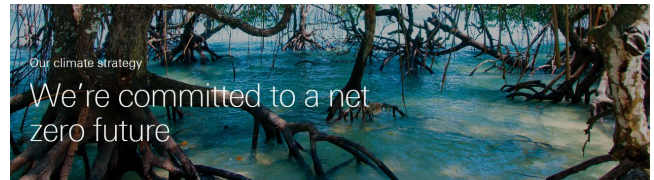
We are accelerating new solutions to the climate crisis and supporting the transition to a low-carbon future.

We are building an inclusive organisation that prioritises well-being, invests in learning and careers and prepares our colleagues for the future of work.

And we uphold high standards of corporate governance and aim to ensure we meet our responsibilities to society.

We publish a wide range of information on our performance in relation to environmental, social and governance (ESG) issues. You can access our ESG reporting resources and find out more about how we support our different stakeholder groups and do business in a responsible way on [HSBC.com](https://www.hsbc.com).

Our climate strategy



We recognise that our planet urgently needs drastic and lasting action to protect our communities, businesses and the natural environment from the damaging effects of climate change.

We are mobilising finance to support our customers' transitions to net zero, accelerating innovation to help scale up climate change solutions and building global partnerships to ensure investment is swiftly channelled towards truly sustainable projects.

We have set a climate ambition to become net zero in our operations and our supply chain by 2030, and align our financed emissions to the Paris Agreement goal of net zero by 2050. To help get there, our ambition by 2030 is to provide between USD750 billion and USD1 trillion of finance and investment towards the transition.

More detailed information regarding our climate strategy can be found on [HSBC.com](https://www.hsbc.com).

UNEP FI Principles for Sustainable Insurance (PSI)

HSBC Insurance (Holdings) Limited was involved in the original drafting and development of the PSI Initiative which was launched at the UN Conference on Sustainable Development (Rio+20) in 2012 and became a signatory to the PSI on 23 April 2013. Progress updates on the initiative can be found in the subsequent annual reports, which are available on the UNEP FI website and [HSBC.com](https://www.hsbc.com).

Our management team and Insurance Executive Committee are committed to embedding environmental, social and governance (ESG) initiatives throughout the business. We are also committed to disclosing on an annual basis our progress in implementing the Principles.

Progress in 2021

Below is a summary of the progress that HSBC Insurance Holdings Limited made in 2021 against each of the four principles. Unless the context specifies otherwise, in this section 'we' and 'our' refer to HSBC Insurance Holdings Limited.

Principle 1: We will embed in our decision making environmental (E), social (S) and governance (G) issues relevant to our insurance business

1.1. Sustainability Risk Management

During 2021, we continued to strengthen our ESG governance. Our Sustainability policy, which focuses on investments, products and operations, has been embedded into the business across all our life insurance manufacturing markets.

As we offer long term life and health products, we need to manage transition and physical climate impacts, in particular wholesale credit risk in assets supporting investment guarantees and also mortality and morbidity risks for our customers. Risk appetite has been created in relation to ESG risks, including climate risk. We have established an ESG programme to meet changing external expectations and customer demands.

During 2021, we also developed a methodology for climate stress testing and commenced execution across the major insurance portfolios. This work will

help the shaping of wholesale credit risk management.

On 14 December 2021, HSBC Group announced its thermal coal phase-out policy. The policy fulfils the commitments in the special resolution on climate change passed at the Group's 2021 AGM and is a key part of executing on the Group's ambition to align our financed emissions – the greenhouse gas emissions of our portfolio of clients – to net zero by 2050 or sooner.

In 2022, we will perform a review of our existing Sustainability policy, which includes thermal coal, to enhance and align with the Group's thermal coal phase-out policy. We will also focus on enhancing our framework for the management of greenwashing risks.

1.2. Investments

As a life insurer our investment horizon is long-term and, as such, our investments should be made in a sustainable and responsible manner, focusing on potential ESG opportunities and risks when investing our shareholder and policyholders' funds.

We continue to embed our Group Insurance Sustainability policy, which incorporates ESG principles into our investment governance. The policy includes restricting investments that may have an adverse impact on society and the environment.

At HSBC Life, we are building our sustainable investment portfolios to support the United Nations Sustainable Development Goals (UN SDGs) and the Paris Agreement.

During 2021, we continue to increase sustainable investments across our different manufacturing entities in Asia, Europe and Latin-America. We aim to build on the work and grow the assets under management in line with our internally measured target aligned to the HSBC Sustainable Financing and Sustainable Investment data dictionary.

While in the past we only invested into green bonds, in 2021 we broadened the sustainable fixed income asset class spectrum to include investments into social, sustainability and sustainability-linked bonds.

- ◆ HSBC Life Hong Kong and Hang Seng Insurance continued to increase and diversified their sustainable investment allocation via investments into green, sustainability, and sustainability-linked bonds
- ◆ HSBC Life Singapore and HSBC Life Malta invested into green bonds and sustainable passive equity funds for the first time
- ◆ HSBC Assurance Vie (France) also increased its sustainable investments, including social bonds and a sustainability bond for the first time in 2021, while investments in green bonds continued
- ◆ HSBC Life China continued to invest into green bonds while HSBC Seguros Argentina pioneered investment into a green bond, financing the construction of a wind park

We are committed to developing a carbon intensity reporting framework across our markets and increasing our sustainable investment allocation across different asset classes in 2022 in an effort to support a sustainable future.



1.3. Customer Propositions

In support of the Insurance Sustainability ambition, our customer proposition development is focused on the following four key pillars. Below are examples of progress made in 2021.

ESG funds

Building on the work outlined in section 1.2, we also focused on ensuring customers have more access to ESG investment fund options aligned to their ESG preferences. We increased the availability of ESG investment fund options within our product design strategy during 2021. For example:

- ◆ HSBC Life Singapore introduced three ESG funds under the new investment-linked product, HSBC Life Goal Builder, launched in November. Those funds are HSBC Global Equity Climate Change Fund, Schroder Sustainable Multi-Asset Income and AB Sustainable Global Thematic Portfolio
- ◆ HSBC Assurance (Vie) France launched two ESG structured funds under its investment linked product to support our customers

towards making responsible investment. The two ESG structured funds are tracked by the ESG Indices, 'The EURO iSTOXX ESG Choice 50 EW NR Decrement 4% Index', which selects 50 companies that are classed as leaders with regards to environmental, social and governance criteria. A new healthcare fund was also added in the retirement and savings products distributed in France for customers to choose from. This is a thematic fund that seeks to generate long-term capital growth and income, by investing in a portfolio of stocks of companies with an ESG profile, offering clinical innovations at a lower cost

For 2022, our ESG fund enhancements will also include ensuring the educational materials we produce are supporting customer understanding and awareness needs.

Health & Wellbeing

Supporting customer health and wellbeing is a key strategic priority for HSBC Life. Our mission is to create a unique, inclusive and compelling Health &

Wellbeing proposition which encompasses physical, mental and financial wellbeing. Additional examples explaining collaboration with partners are included in section 2.1.

- ◆ HSBC Life Benefits+, a health and lifestyle app, was launched in Hong Kong in 2020 which allows employee benefits members and their dependents to review their medical benefits coverage and utilisation, locate panel doctors, file claims electronically, receive personalised lifestyle content, and enjoy privileged health and wellness offers around the clock. With our continuous effort to digitise healthcare and enhance customer accessibility, during 2021, video consultation was also introduced to enable members to book and conduct a video consultation with a panel doctor from the comfort of their homes and with medicine delivered to their doorsteps within 4 hours of consultation. Members can also access their medical records on the app after the consultation
- ◆ HSBC Select app was launched in mainland China in 2021 to provide customised wealth and health planning service for individuals and their families. By analysing users' digital activities, the app is able to learn from their habits and match their needs with related content or tools to support their physical and financial wellbeing. The app also provides users with access to investment trend insights, expert seminars and lifestyle activities

In 2022, we intend to extend our Health & Wellbeing programmes to individuals as well as corporate customers in other markets. We will continue to pivot our insurance business towards Health & Wellbeing and invest further in developing new integrated propositions for our insurance and banking customers.

Financial Capability

With the importance of building financial capability for our customers, plain language and inclusive design in our customer communications and tools is key. In 2021, we piloted a product material redesign initiative in Singapore. By redesigning the layout of product documents and simplifying the

language used, we are improving customer understanding and making our product materials easier to navigate. This work will continue to evolve in 2022 where we intend to support product material development across multiple markets.

As part of the wider HSBC Wealth & Personal Banking customer financial education initiative, we published insurance educational articles on 'Protect What Matters' under the HSBC website in Hong Kong, mainland China and the UK. These articles described different types of insurance and explained commonly used insurance terminology.

Customer education tools or resources were also developed in local markets with key examples as follows:

- ◆ The 'Life Talk' insurance education series launched by HSBC Life Hong Kong in 2020 was expanded in 2021 with creation of an interactive assessment tool targeted for millennials. The tool was designed as a gamified financial journey of discovery to stimulate millennial's interest and awareness on the importance of financial planning

Catch the Future Explorer, plan your future better!

Boarding Now



Figure 1: HSBC Life Hong Kong launched an online gamified financial journey tool called 'Retirement Predictor'.

- ◆ HSBC Pinnacle, in mainland China, organised a variety of customer events focused on financial education, family financial planning and retirement planning across Shanghai, Hangzhou, Guangzhou, Shenzhen and Beijing
- ◆ HSBC Seguros Mexico launched a new retirement educational webpage under the HSBC Mexico website to raise importance of starting retirement planning earlier in life. The webpage also included a financial calculator and tools that help visualise the funds needed to live and maintain the desired lifestyle post retirement

We are dedicated to supporting community financial literacy projects in local markets. Examples of progress made in 2021 include:

- ◆ HSBC Life China launched the 'HSBC Insurance Financial Literacy Plan for Migrant Children in China'. The programme aimed to teach children basic financial knowledge, using a specially designed financial literacy board game, drawing contest, online learning and financial educational book sharing sessions. The programme has benefitted over 800 children in 10 cities in mainland China



Figure 2: Children in mainland China learnt basic financial knowledge through playing the financial literacy board game.

- ◆ Under the employee volunteering programme, our employees at Canara HSBC OBC Life (CHOICe), our joint venture in India, conducted financial literacy workshops throughout 2021, educating around 4,000 people from the underserved or rural communities about the basics of financial products, so as to help them better manage their money

Financial inclusion

We are committed to enhance inclusivity through product proposition for underserved customers and to support customers in closing the protection gap. The Insurance Diversity and Inclusion framework, which was added to the product governance approval process in 2020, will continue to be applied to support us in developing products. We also continue to leverage the latest technology to make our products and services more accessible for our customers. Progress made in 2021 included:

- ◆ HSBC Life China launched 'HSBC Fu You Yan Nian Retirement Annuity Insurance Rider – Participating', a retirement annuity product that

can be attached to the existing long term basic annuity product 'HSBC Hui Yu Jin Sheng Retirement Plan Annuity Insurance - Participating', and improves income during retirement period. The product has improved premium rates for certain health conditions, covering a wider range of chronic diseases such as Hypertension and Diabetes, and is an innovative design

- ◆ HSBC Life China also launched the 'HSBC Hui Xiang Wu You Long Term Care Insurance' to protect our customers with a benefit that can cover the cost of long-term medical treatment, providing critical illness coverage. Unlike a typical critical illness product, the plan accepts subscription up to 70 years old; and instead of a lump sum, it provides a guaranteed level of cash flow to support the living expenses of customers who suffer from critical illness and require long-term care services
- ◆ Insurance overview dashboard was launched in Hang Seng e-banking and mobile app where policyholders are able to access their policy details and a summary analysis of their wealth and life protection benefits, including any protection gap
- ◆ Hang Seng Insurance launched an online life insurance product, 'eRefund101 Accident & COVID Insurance Plan (2-year)', a short-term refundable product with personal accident and COVID-19 coverage. Policyholders receive 101% refund of total premiums paid upon policy maturity, irrespective of any claim made under the plan
- ◆ New underwriting rules for HSBC Life Protection products went live in the UK to improve the availability of the product for customers who disclose they are transgender for medical reasons. This helps to make our proposition more inclusive and diverse, while also putting us in a unique position in the market by potentially not requiring an underwriting referral for such cases
- ◆ In support of Shelter, a charity that campaigns to end homelessness and bad housing in the UK, HSBC Life UK launched a campaign as part of the Home Insurance proposition, where

GBP5 (plus VAT) will be donated to Shelter for every Home Insurance policy sold, helping more people get safe housing and reduce homelessness

1.4. Sustainable Operations

Sustainable operations focused on four principal areas in 2021: fair and transparent customer treatment, customer journey enhancements, automation and paper reduction and collaboration with our suppliers to deliver sustainable services.

Fair and transparent customer treatment

In line with our brand platform 'a promise is a promise', our purpose is to be a life-long partner of our customers and support them to keep their promises. We aim to know our customers and understand their needs, with products and services designed to deliver a balanced exchange of value. Throughout our sales and servicing, we target efficiency and transparency with a customer focus.

Customer journey enhancements

Throughout 2021, we continued to place the customer at the center of our journey design and implementation, creating intuitive and simple journeys available in our customers' channel of choice. Examples of initiatives implemented include:

- ◆ HSBC Life Insurance China migrated their Call Center to Global Service Centre (GSC) China. New service capabilities were launched (e.g. digital leads screening and an online chatlab) to provide a better customer experience and business support
- An insurance premium calculator was introduced by HSBC Pinnacle in mainland China across products to enable clients to assess potential insurance premiums and coverage
- ◆ HSBC Insurance Singapore implemented a Distributor Portal which is integrated with the eQuotation tool, allowing third party intermediaries to view the status of their

customer applications and better manage the customer journey

- ◆ HSBC Life UK have introduced underwriting enhancements that will improve turnaround times. Customer supplied evidence is used to assess serious medical conditions such as diabetes and cancer without the need to request medical records from doctors. Initial results show an average turnaround time of 15 days, compared to circa 60 days when doctors are approached
- ◆ HSBC Seguros Mexico launched a digital simplified sales journey for a new Endowment product. The result is a paper-free and customer-friendly experience

Automation and paper reduction

The use of technology to streamline customer onboarding and servicing processes continued. We have further reduced paper usage and improved operational efficiency within HSBC Insurance. Examples of initiatives implemented include the following:

- ◆ Document Upload went live in HSBC Life Hong Kong. Customers are able to access HSBC Insurance's Public Website, Internet Banking and Mobile Banking app by uploading their forms and supporting documents for new insurance applications as well as servicing or claims requests. Over 20 servicing/claims journeys can be initiated through online platforms from anywhere, anytime. This new feature delivers an improved customer experience and is also paperless, avoiding the need for hard copies, scanning or emailing documents. e-Policy Servicing (Change Beneficiary) in Hang Seng Insurance encourages customers to submit Change of Beneficiary requests via e-submission instead of a paper form submission

- ◆ HSBC Assurance (Vie) France have completely digitised related correspondence for inheritance files (death claims) which are stored in the inheritance application document management system. Documents can now be viewed digitally rather than via printed files
- ◆ The application process has been further automated in HSBC Life UK where a Straight Through Application (STA) rate of 70.3% has been achieved for term life proposition, which represents an 11% increase compared to January 2020
- ◆ HSBC Seguros Argentina have enabled the electronic delivery option for all its products. Customers' paper files have been replaced with digital ones. Product registration is digital with post-sales 100% digitally managed
- ◆ HSBC Seguros Mexico have digitised the policy distribution process. Physical shipments of contractual documentation have been reduced and once the policy is issued customers are in receipt of electronic policy documents within 24 hours

As a result of digital initiatives and a focus on reducing paper consumption, in aggregate a 5% reduction in paper spend was achieved compared to 2020.

Supply chain collaboration

As the majority of our emissions are within our supply chain, we know we cannot achieve our net zero goal without our suppliers joining us on our journey. In 2020, HSBC began the three-year process of encouraging its largest suppliers to make their own carbon commitments, and to disclose their emissions via the CDP (formerly the Carbon Disclosure Project) supply chain programme. HSBC will continue to engage with its supply chain with the aim of increasing the response rate, and has expanded the scope of its engagement with the CDP programme for 2022.

Carbon Reduction

In alignment with the Group's ambition to be net zero in its own operations and supply Chain by 2030, examples of initiatives we have implemented include the following:

- ◆ Business Travel CO2 emissions remained at low levels compared to prior years due to ongoing COVID-19 restrictions. However, we continue to drive initiatives to reduce CO2 emissions relative to prior years
- ◆ HSBC Life (Malta) launched an investment project to transform the Head Office Campus into state of the art offices for staff and customers. The plan includes replacing end-of-life heating ventilation and air-conditioning. This investment will significantly enhance the working environment as well as be more energy efficient and aligned to our 'Net Zero' ambition. We are working in partnership with the Malta Chamber of Commerce, Enterprise and Industry to ensure the office buildings are as close as possible to net zero. This includes a green travel plan and the installation of a solar farm where employees' cars will be sheltered by canopies fitted with solar panels to feed-back electricity to the grid and at the same time power electric cars
- ◆ HSBC Life China promoted waste sorting awareness amongst staff and replaced individual bins with centrally assorted garbage containers in office areas, improving the ability to recycle materials as appropriate

We will continue to drive progress in 2022 with a continued focus on our supply chain, customer experience and technology. We will maintain our focus on 'Net Zero' carbon emissions in our operations and supply chain and continue to drive sustainable operations that should mutually benefit customers, shareholders and the communities in which we operate.

Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

2.1 Health and Wellbeing

As part of our ongoing strategy to support health and wellbeing of our customers and employees, we continued to collaborate with our strategic business partners. Work included integrating more health and wellbeing valued added service into our products, rewarding our customers for their healthy behaviour and supporting community initiatives. Key progress made in 2021 include:

- ◆ In 2020, HSBC Life Hong Kong rolled out the HSBC Life Well+, a 24-month wellness reward program, designed to encourage customers to get into the habit of a more active lifestyle. In collaboration with Apple, the program is fully integrated into the HSBC mobile banking app in 2021, where customers can sync their steps, track daily progress against targets, and earn rewards up to a full refund of an Apple Watch or HSBC RewardsCash
- ◆ In Hong Kong, the 'Hang Seng Olive' wellness app was launched in partnership with CUHK Medical Centre Limited and Quality Healthcare Medical Services Limited in March. This total wellness solution platform enables customers to enjoy health and wellness services with access to wellness dashboard for health management, professional health content, e-booking service and virtual health consultations, as well as a wide variety of Hang Seng insurance solutions and wellness rewards
- ◆ For the third consecutive year, HSBC Assurances Vie (France) made a sponsorship to the 'Fondation pour la Recherche Medicale' (FRM)¹, where the first premium of each policy subscription of the HSBC Solution Famille will be redirected to fund the medical research conducted by FRM
- ◆ HSBC Seguros Mexico launched new preventive health support product in partnership with AXA Keralty, an alternative that seeks to reduce out-of-pocket health expenses and provide health care. This product offers unlimited medical consultations, laboratory studies, therapies, health programs according to the needs of each person and their family at an affordable cost
- ◆ In Mexico, a health webinar delivered by medical experts for customers and employees launched for the first time in partnership with AXA Keralty in July on 'How the COVID-19 pandemic is progressing and how to get back to healthy?'. More of these health webinars will be rolled out in 2022
- ◆ HSBC Seguros Argentina introduced new health and wellness services as part of the insurance product benefit features, through a local provider called 'SOS Red de Asistencia'. Those benefits included healthcare and nutrition advice, legal advice, vet consultations for pets, elder customers advisory, school support for insured's offspring



¹ Largest charitable funder of French biomedical research for all pathologies such as cancer, Alzheimer's disease, cardiovascular diseases, infectious diseases, diabetes, Parkinson's disease

Progress was made to encourage employees to prioritise their own wellbeing, for example:

- ◆ We continued to deliver monthly wellbeing webcast series, which was first launched in 2020, in collaboration with HSBC Global Brand Partnership Team. 10 episodes were delivered, featuring a diverse range of internal and external professional guest speakers from sports, medical and fintech fields. Over 4,400 employees globally attended the webinars covering key topics such as stress management, sleep, burnout, cardiovascular health and cancer
- ◆ HSBC Life UK organised a Mega Wellbeing Challenge. Over a month, colleagues were encouraged to get active and complete a range of wellbeing challenges. Each activity completed resulted in a GBP1 donation, for Macmillan Cancer Research in the UK
- ◆ Other wellbeing support for employees included promoting health related resources available at HSBC online learning platform and via the Headspace app specifically supporting mental health

2.2 Education and awareness

We recognise the importance of raising awareness and educating our employees and customers on the scope and applicability of sustainability. During 2021, we increased focus on employee training and education. Progress made included:

- ◆ Completing work that commenced in 2020, we added the remaining HSBC Sustainability university modules into all insurance employees' learning plan. This is to support all insurance colleagues having a minimum level of sustainability understanding and how it applies to the business
- ◆ A Sustainability Awareness month delivered in June included a Global Employee Sustainability Survey to assess employee's understanding on the subject. The month was also supplemented by local market activities, such as Sustainability Lunch & Learn session and ESG education presentation to the Board members of our mainland China insurance business

- ◆ We continued to implement flexible working practices to support employees as part of the new hybrid ways of working

Employee health and wellbeing will continue to be a key priority in 2022 and will build on the initiatives launched in 2021.



- ◆ We created an Insurance Sustainability online learning platform with materials produced and promoted to support employee understanding. 'Teach-In' webinar sessions were delivered focusing on how sustainability is being applied to Insurance Operations and Investments. These educational webinars will continue in 2022
- ◆ We are committed to support our employees to develop skills that adapt to the changing world of work. A podcast series on Future Skills was developed to help our employees understand how Future Skills could apply to the insurance business. The podcast, together with other sustainability educational resources, were also built into the new Insurance Sales Academy learning platform launched in 2021, to help frontline colleagues develop skills that support interaction with clients

To help improve customer ESG awareness, HSBC Life UK collaborated with our partners as follows:

- ◆ Created an educational article with Aviva in the UK to inform customers how they could be environmental friendly with their home insurance policy, such as replacing old items with new energy-efficient home appliances
- ◆ A new electric vehicle webpage was also created in the UK for the M&S Bank Motor Insurance to highlight the available insurance coverage on electric vehicles, including hybrids, coverage on batteries and charging cables from accidental damage, fire and theft



2.3 Employee Diversity & Inclusion (D&I)

We value diversity of thought and we are building an inclusive environment that reflects our customers and communities. We are committed to attracting, developing and retaining diverse talent by fostering an inclusive culture. Examples of how we progressed this in 2021 include:

- ◆ We continue to improve women’s representation in our senior leadership roles. In 2021, the CEO of HSBC Life Malta has taken up the co-Chair role of the HSBC Europe BALANCE Employee Resource Group to support development and engagement of a gender-balanced workforce within HSBC
- ◆ In recognition of International Women’s Day in March 2021, HSBC Assurance Vie (France) organised mentoring workshops for employees with topics focused on single parenting support and balancing women’s work life. In addition, a global wellbeing webcast episode focused on women’s wellbeing was organised
- ◆ In collaboration with Aesara Partners, we organised an employee Diversity & Inclusion educational webinar on imposter syndrome. The session talked about imposter syndrome confidence issues, applicable to all employees, and helped colleagues to reflect on how they could apply skills in their day-to-day roles to promote an inclusive work culture
- ◆ Feeling able to share ideas, concerns and different perspectives is a vital component of an engaged workforce. In 2021, we continued to raise awareness on unconscious bias in the workplace and to promote a speak up culture. That included rolling out two new employee masterclasses on the behavioural science of unconscious bias and how to become an active bystander. Additional resources will be developed in 2022 to further support colleagues in applying the content
- ◆ We believe in providing equal opportunities for all employees. The employment of people with a disability is included in this commitment. For example, HSBC Life Hong Kong launched a disability inclusive hiring awareness program in 2021. As part of this year’s International Day of People with Disabilities, HSBC Assurance Vie (France) officially launched a dedicated employee resource group, called ‘WeHandi’Cap!’ to raise awareness and provide support to employees with disability and those whose family members are with disability. A number of employee webinars focused on topics such as parental burnout and Attention Deficit Hyperactivity Disorder (ADHD) were held throughout December

- ◆ As part of the HSBC Global Disability Confidence programme, a disability confidence framework focused on 10 principles was developed in collaboration with Business Disability Forum. Our insurance manufacturing markets completed self-assessments against the framework, with insights to support us in developing a disability inclusion priority plan for 2022
- ◆ As part of wellbeing webcast series referenced under section 2.1, some episodes focused on long term health impairment, such as mental wellbeing and cancer
- ◆ In partnership with OUT Leadership, the global LGBT+ business network, we organised an employee webinar on 'We value difference through visibility and acceptance' as part of the Global Pride celebration in June. During the webinar, senior leaders across different lines of HSBC Wealth & Personal Banking business discussed the importance of inclusion and the actions needed to achieve sustainable change
- ◆ As part of the OUT Leadership Asia Summit 2021 in November, the Chief Medical Affairs from HSBC Life Hong Kong featured in a panel event to discuss the potential of organisations to implement policies for LGBT+ employees, and

updated our progress in enhancing medical coverage for transgender employees in Hong Kong

- ◆ We also completed and submitted the OL-iQ questionnaire for HSBC Life at Asia level. OL-iQ is a diagnostic tool designed by OUT Leadership to measure company's performance on LGBT+ inclusion. Results will be used to support shaping initiatives in 2022



Principle 3: We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

3.1 External requests

HSBC's insurance businesses are providing support where required and relevant to Corporate Sustainability initiatives involving governments, regulators and other stakeholders. The Corporate Sustainability team is our key point of contact with regard to upholding this Principle.

Full details of HSBC's sustainability programmes can be found on [HSBC.com](https://www.hsbc.com).

During 2021, we have actively responded to requests from our regulators/governments with

respect to industry consultations, surveys and new policy statements related to Sustainability in Insurance. For example, in response to regulatory developments, HSBC's insurance entities in the EU and UK have implemented key disclosure-related regulatory requirements, which mainly impacts insurance-based investment products manufactured and/or sold by HSBC. We will continue to support HSBC Group and local teams with requests they receive, provide feedback and commitments to relevant activity.

3.2 PSI Collaboration

With sustainability agenda firmly top of mind, we continue to collaborate with PSI to demonstrate our sustainability commitment to the insurance industry. The CEO of HSBC Life Hong Kong, also a member of the PSI Board, featured as a panel speaker at a thematic session on 'Mitigating Zoonotic Diseases – Healthy Planet Healthy People', part of the UN Environment Programme (UNEP) Science-Policy-Business Forum (SPBF).

In addition, HSBC Life has taken the lead to drive efforts among PSI member companies to shape the global sustainability agenda for the Life & Health insurance industry. Progress made so far included working in collaboration with PSI to launch a member survey on sustainability for the Life & Health industry. Key insights have been shared with PSI members and the survey will be used to support the strategy development through a member working group in 2022.

3.3 Industry recognition

In 2021, our insurance business in Hong Kong and mainland China have been recognised for their efforts in embedding sustainability practices into the products and services we offer, the investments we make and the way we operate our business.

HSBC Life China received the 'Green Finance Pioneer of the Year Award 2021' organised by the International Financial News at the 2021 China Corporate Social Responsibility Pioneer Forum.

HSBC Life Hong Kong received a number of industry accolades including:

- ◆ Insurance Company of the Year, ESG, Hong Kong at The Asset Triple A Private Capital Awards 2021;
- ◆ Best Financial Inclusion Initiative at The Asset Triple A Private Capital Awards 2021;
- ◆ Winner and Top 3 finalist - Excellence in ESG and Sustainability at The Hong Kong Insurance Awards 2021; and
- ◆ Winner and Top 3 finalist - Outstanding Financial Education at The Hong Kong Insurance Awards 2021

3.4 Eldercare Study 2021

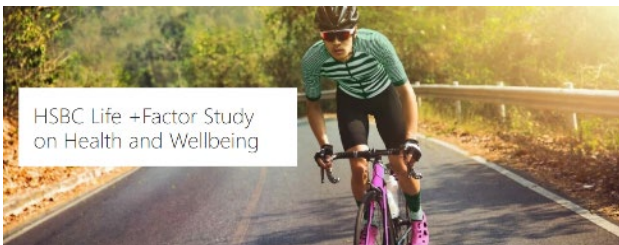
In June 2021, HSBC Life Hong Kong sponsored a consumer survey by The Economist Intelligence Unit on the state of productive ageing in Hong Kong and pre-retirees' preparedness for the challenges and opportunities of life after work.

According to the survey findings, 60% of respondents anticipate a retirement life of more than 10 years. The most common post-retirement plan across all age groups was travelling, followed by spending time with family and friends. Yet, many respondents said they would simply continue to work where they can, because they are still physically and mentally fit enough to do so. Financial concerns, such as the lack of retirement funding or retirement planning knowledge, are the key hurdles hindering productive ageing. In addition, social isolation resulting from the COVID-19 pandemic has impacted the overall wellbeing of many, especially the elderly. With that in

mind, the study also includes recommendations for the elderly to achieve a good quality of life with dignity and self-respect. More information on the Eldercare project and the full study report are available on the HSBC Life Hong Kong website.



3.5 HSBC Life + Factor Study



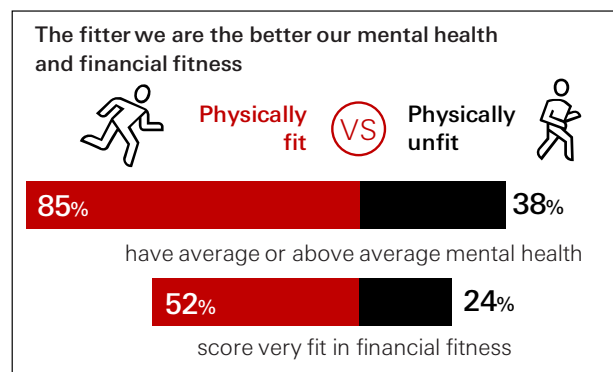
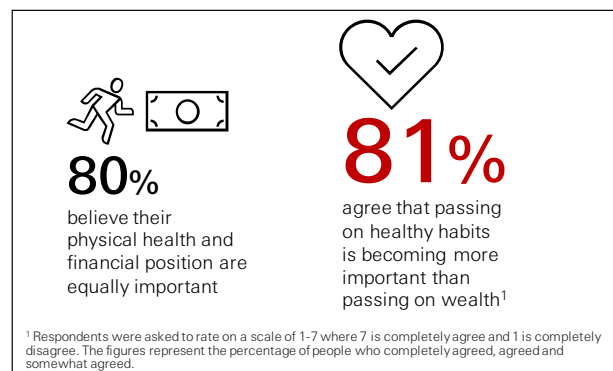
In 2021, the HSBC Life +Factor study was released out of a survey of more than 10,000 participants aged 18 to 80 across mainland China, Hong Kong, Singapore and the UK as part of HSBC Life's thought leadership initiatives.

The +Factor study highlights the connection between physical health, mental wellness, financial fitness and how these dimensions contribute to holistic wellbeing. The result also shows people's attitudes to inherited wealth has changed. Health legacy is emerging as people look forward to a life beyond the pandemic.

It is also significant to see the links between financial planning and improved mental health and how holistic wellbeing can also impact our contribution to society.

These findings reinforce our strategy and positioning as a leading bancassurer in guiding people to achieve

financial fitness as an essential element of their holistic wellbeing. More details of the study could be found on HSBC Life website.



Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.

This is our ninth report since becoming a signatory on 23 April 2013 and demonstrates our continued commitment in communicating our progress in implementing the PSI in a transparent manner. We are participating in relevant disclosure and reporting frameworks including regular updates in the Group's sustainability reporting.

This document contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as 'may,' 'intends,' 'aims,' 'ambition,' 'plan,' 'target,' 'will,' 'should,' 'potential,' 'reasonably possible' or 'anticipates' or the negative thereof or similar expressions, or by discussions of strategy. These forward-looking statements include statements relating to becoming a net zero bank and targets and methodologies for measuring financed emissions.

Achieving these aims is inherently uncertain and is subject to a number of risks and uncertainties, including the efficacy of government, customer, and the actions of HSBC Holdings plc and its subsidiaries (together, "HSBC") in managing and mitigating climate change; societal shifts in customer financing and investment needs; delays to the pace of change; development and use of new technology; ability to exploit growth or investment opportunities; changes in public expectations and other changes to business conditions; adverse changes in regulatory capital and tax regimes; data quality and the availability and development of methodologies for measuring financed emissions; and the other risks, uncertainties and assumptions about HSBC, as described under 'Cautionary statement regarding forward-looking statements' and 'Risk factors' contained in the HSBC Holdings plc Annual Report on Form 20-F for the year ended 31 December 2021, filed with the Securities and Exchange Commission on 23 February 2022 (the '2021 Form 20-F') available at www.hsbc.com. HSBC undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. Investors are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates. Additional information, including information on factors which may affect HSBC's business, is contained in the 2021 Form 20-F.

