

2009 Investor Survey on
HSBC's *Sustainability Report 2008*

Summary of research findings

In summer 2009, HSBC commissioned independent research to gather qualitative feedback on its *Sustainability Report 2008* from a selection of investors specialising in environmental, social and governance (ESG) issues. The survey aimed to assess the usefulness of the report for its intended audience, whether the right kind of information was being provided, and the clarity of the format. Here we provide a summary of the feedback we received.

Key findings

Each of the ten individuals interviewed responded positively that HSBC's *Sustainability Report 2008* is a useful and credible document. Interviewees stated that most of their needs for the report were met, and that HSBC is heading in the right direction in the emerging discipline of sustainability reporting.

When asked what they liked most about the report, interviewees almost unanimously cited the focus on material issues and strategic priorities, as well as the clear description of what sustainability means to HSBC. However, some felt the report could go further and would like to see a longer-term vision of how HSBC fits into the sustainable economy of the future. One respondent would have liked the sustainability priorities, which were set out in the introduction, to have been more evident throughout the report.

Respondents welcomed contextual information such as a discussion of what the economic crisis meant for the business, and the reasons for choosing its priorities – they felt that HSBC listens to its stakeholders, focusing on the topics of interest to them.

The Group Chairman's introduction, on embedding a culture of sustainability into the organisation from the top, was well received, and was deemed to demonstrate a commitment from the most senior level of the company.

The sections on customers, lending and new business were welcomed, although some interviewees wanted more detailed reporting and metrics in these areas and found the report too heavily focused on environmental issues. Specific suggestions included provision of more detail of HSBC's application of the Equator Principles, and of consumer banking issues such as financial inclusion and customer support during the economic downturn.

The 'Key Facts' proved popular, because they clearly set out year-on-year performance. Interviewees were reassured to see data to support the progress that is described in the report.

"It sticks to the facts, it looks quite bland. I'm not saying that as a criticism, I don't think it should be all pretty."

"Inclusion of ESG in risk management and analysis before lending, that's definitely best practice of the sector."

The report was considered to be succinct and of a manageable length. The simple, no-frills design was popular, and seen as appropriate both for HSBC's brand and for this kind of report. All interviewees found the report to be clear and well written.

As a rough measure of their overall impression, participants were asked to give HSBC's *Sustainability Report 2008* a rating out of five, where five was excellent and one was poor. The mean score was 3.8, and no-one gave a score below three.

Understanding HSBC's sustainability strategy

Participants were invited to describe HSBC's sustainability strategy based on what they had read in the report, to assess how well the strategy was articulated. Some common responses included:

- HSBC's sustainability agenda is based on understanding future social and environmental challenges and how the business can adapt and respond
- Sustainability is part of core business, with analysis of risk and opportunity included in lending and investment decisions
- It is clear that HSBC wants to be a leader in climate change. In fact, there is a very strong environmental focus in general
- The strategy covers both operational and indirect impacts
- There is clear commitment from the top
- There is an emphasis on understanding and responding to stakeholders

Material issues

There was a general sense that the report covered most material issues adequately, but that there could be more detail in some areas. In particular, it was felt that social issues received less coverage than environmental issues, although one person noted that the report included more information about employment issues than in previous years, perhaps in response to earlier feedback.

"I believe only giving four pages to lending and new business opportunities within a 28 page report is not an appropriate balance."

"It gives me a level of comfort that a third party has reviewed this."

Issues that participants would like more detail on include:

- ESG risk management in commercial lending beyond project financing
- More information on how non-environmental risks such as human rights and labour practices are assessed in lending decisions
- How priorities differ and are managed in different parts of the business
- How HSBC uses ESG information in its own asset management business
- Pay and reward, especially executive remuneration and incentivising responsible, sustainable behaviour
- More information on consumer banking issues, particularly in light of the economic crisis

Credibility of the report

All those taking part felt that the report is credible, for the following reasons:

- External assurance
- High-level commitment
- Clear governance structure
- Focus on material issues
- Style and tone
- Hard data at the end of the report
- The length of time HSBC has been reporting

Future reporting

Eight out of ten people interviewed would like HSBC to continue to produce annual sustainability reports to provide an overview of HSBC's approach and performance. Focus groups, meetings and presentations on specific topics such as climate change are also valued. One interviewee stated that they prefer to read reports online than in print, because of the ability to search text for specific words. While most people prefer to read a hard copy so they can annotate it and read it while travelling, they are happy to print one.

“Personally I like to read a report, but from a professional standpoint HSBC and others need to concentrate on the area of communications where most people go for information nowadays, and that is the web. I don’t mean just having the report posted on the website, I actually mean an integrated site.”

“The more straightforward the document, the better.”

KEY TAKEAWAYS

✓ Succinct, manageable length	✗ Make priorities more apparent throughout the report
✓ No-frills design	✗ More long-term vision
✓ Focuses on the most material issues	✗ More balance between environmental and social issues
✓ Shows progress against commitments	✗ More details of customer-related topics such as project financing, lending decisions and consumer banking
✓ Data tables & charts enhance credibility and show performance trends over time	✗ Ensure all commitments are challenging, material and measurable
✓ Clear commitment from the top	✗ More coverage of sustainability in broader investor communications, as well as a separate sustainability report

HSBC’s response

We welcomed the views of the interviewees in this survey, and appreciated the time taken to provide carefully considered insights. The research findings were discussed by the Corporate Sustainability Committee, a sub-committee of the HSBC Holdings plc board, and circulated to the report’s contributors.

HSBC aims to be at the forefront of emerging best practice in sustainability reporting, and we have sought to improve the *Sustainability Report 2009* in line with the feedback we received. We are actively participating in debates on best practice in reporting, and will continue to engage our stakeholders and listen to feedback.

About the research

Out of the 10 responsible investors who took part, nine were based in the UK and one was based in the USA. Six interviews took place in person and four by telephone. We used a questionnaire to ensure the feedback was gathered in a consistent format. The questions were open-ended as far as possible, to ensure we did not lead people’s responses. Each person had time at the end of their interview to give any feedback they felt was not covered by any of the questions. The fieldwork and analysis were conducted by Context during July to September 2009.

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Issued by Group Corporate Sustainability,
HSBC Holdings plc, London