

HSBC Holdings plc

FY21 ESG factbook

31 December 2021

Opening up a world of opportunity

Our purpose, values and ambition support the execution of our strategy

Our purpose: Opening up a world of opportunity

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

Our strategy:

- ◆ **Focus** on our strengths
- ◆ **Digitise** at scale
- ◆ **Energise** for growth
- ◆ **Transition** to net zero

Our values:

- ◆ We value **difference**
- ◆ We **succeed together**
- ◆ We **take responsibility**
- ◆ We **get it done**

Transition to net zero

In 2022, we will undertake a review of and update our wider financing and investment policies critical to achieving net zero by 2050, in consultation with leading independent scientific, international and other bodies

We will publish a bank-wide Climate Transition Plan in 2023¹. The Plan will explain for the first time, in one place, how HSBC will implement its net zero ambition and the changes underway across the bank. This plan will bring together HSBC's climate strategy, and 2030 and 2050 science-based targets, with how we plan to embed this into the bank's strategy, processes, policies and governance

ESG ratings²

MSCI  AA

S&P Global
Ratings 76

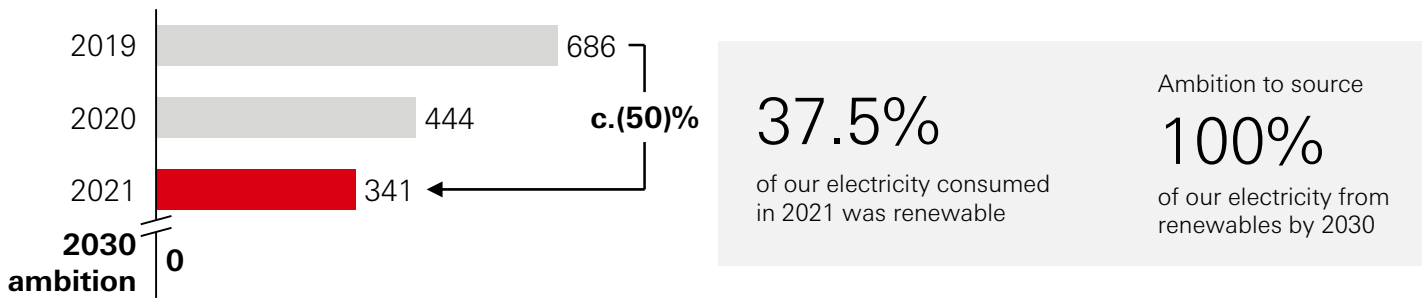
 **SUSTAINALYTICS** 19.3

 **CDP** A-

Environment

Net zero in our operations and supply chain by 2030

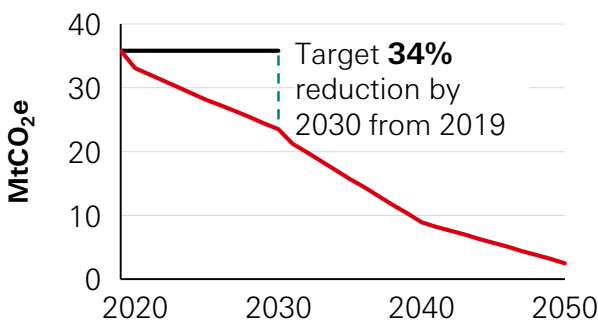
Greenhouse gas emissions³, thousands of tonnes CO₂e



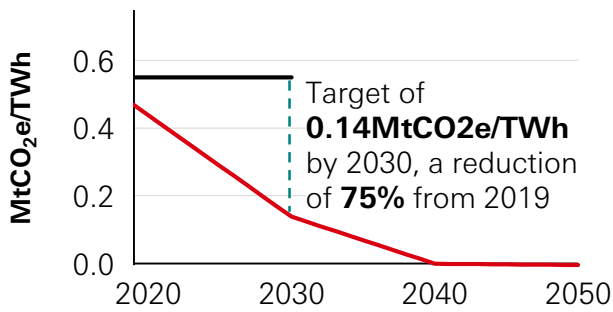
Net zero in our financed emissions by 2050⁴

We published 2030 targets for the on-balance sheet financed emissions of our oil and gas, and power and utilities portfolios, with our FY21 results. We expect to publish targets for capital markets activities for oil and gas, and power and utilities sectors in the fourth quarter of 2022, once the relevant PCAF⁵ accounting standard is published

Oil and gas – absolute emissions



Power and utilities – emissions intensity

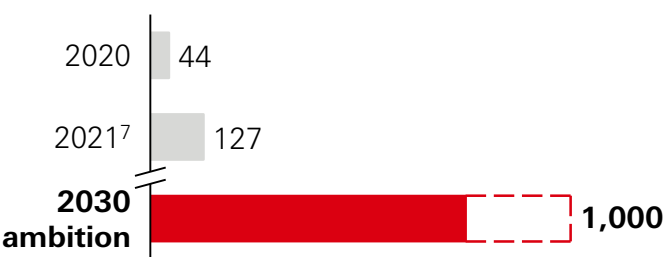


— HSBC 2019 baseline — IEA reference scenario — On-balance sheet financed emissions reduction target

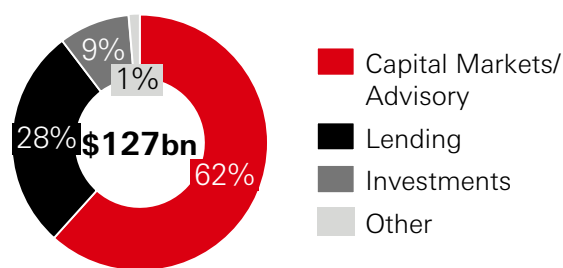
- ◆ We plan to report targets for: the coal mining, aluminium, iron and steel, cement and transport sectors with our **FY22 results**; agriculture, and commercial and residential real estate sectors, with our **FY23 results**
- ◆ We published our **policy to phase out the financing of coal-fired power and thermal coal⁶** in December 2021: zero financing of thermal coal by 2030 in the EU and OECD, and by 2040 globally

Provide and facilitate \$750bn - \$1tn of sustainable finance and investments

Cumulative sustainable finance and investments, \$bn



2021 cumulative sustainable finance and investments



Social

Customers

Our target is to be **ranked top three** and/or **improve** our customer satisfaction rank in key markets⁸. While we improved in several markets in 2021, there is work to do given peer performance acceleration



6 out of 10

WPB markets sustained top-3 rank and/or improved customer satisfaction

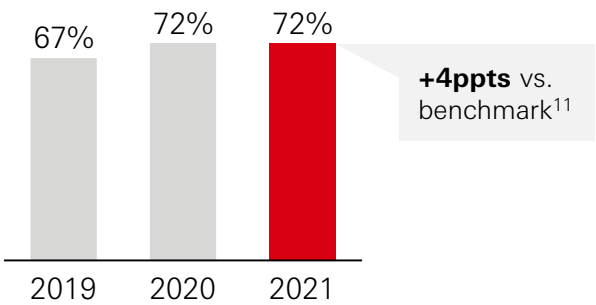


4 out of 13

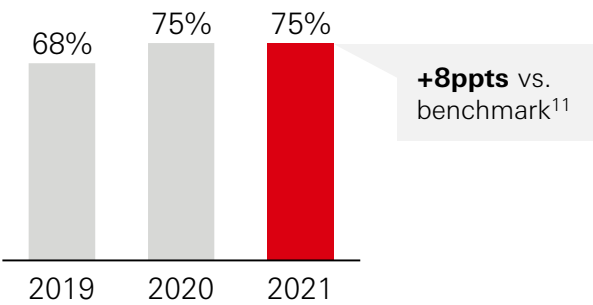
CMB markets sustained top-three rank and/or improved in customer satisfaction

Employees

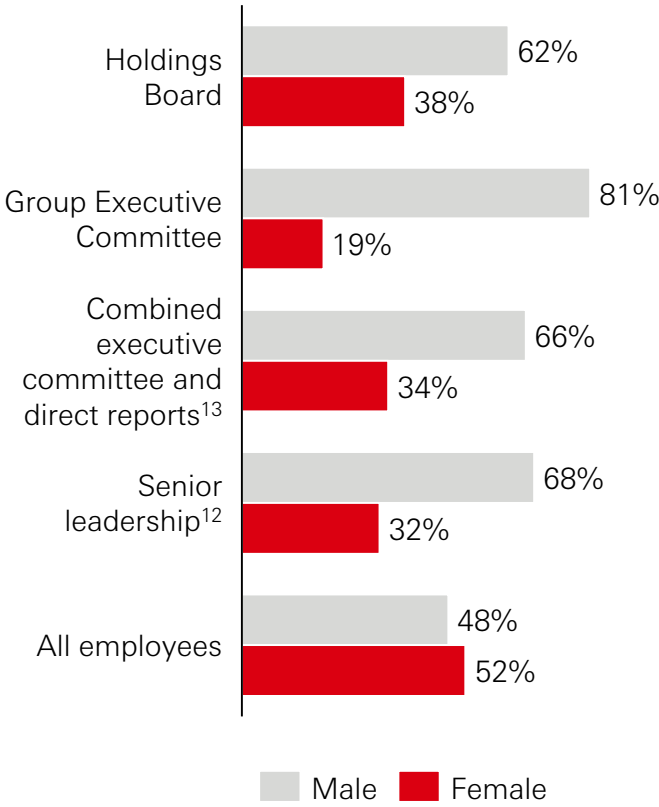
Employee engagement index⁹



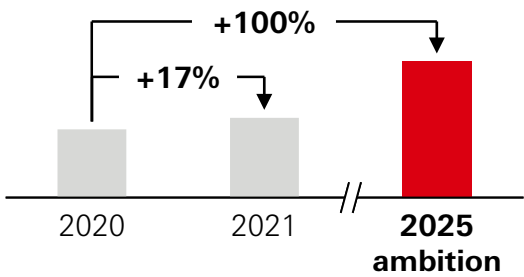
Speak-up index¹⁰



2021 gender diversity statistics

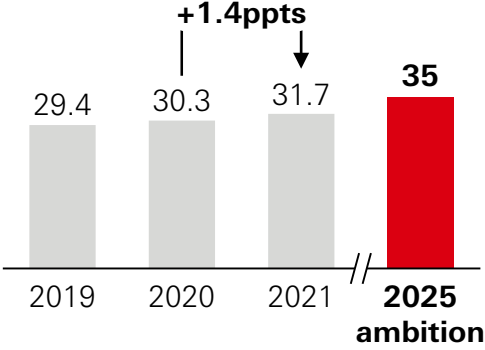


Number of Black senior leaders¹²



We have put in place important foundations to support our goal of doubling the number of Black senior leaders by 2025

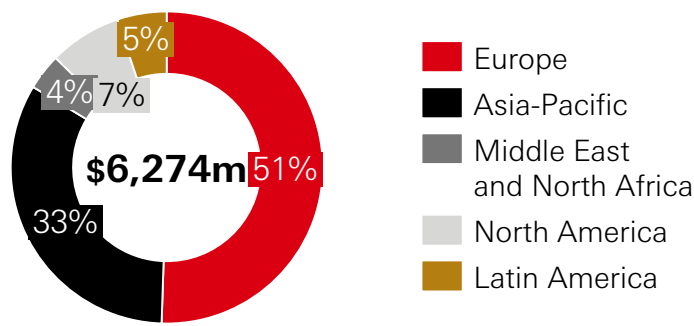
Percentage of female senior leaders^{12, 14}



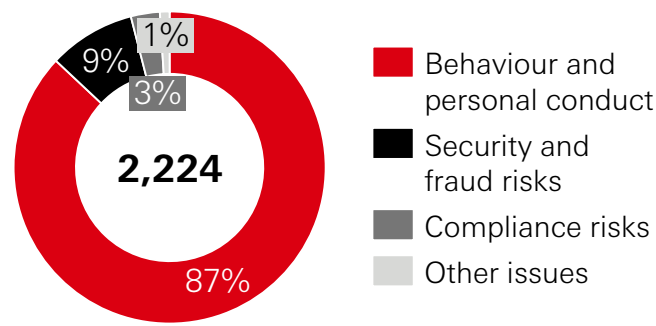
Governance

The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting¹⁵

2021 taxes paid by region



2021 whistleblowing concerns



Safeguarding the financial system



99%

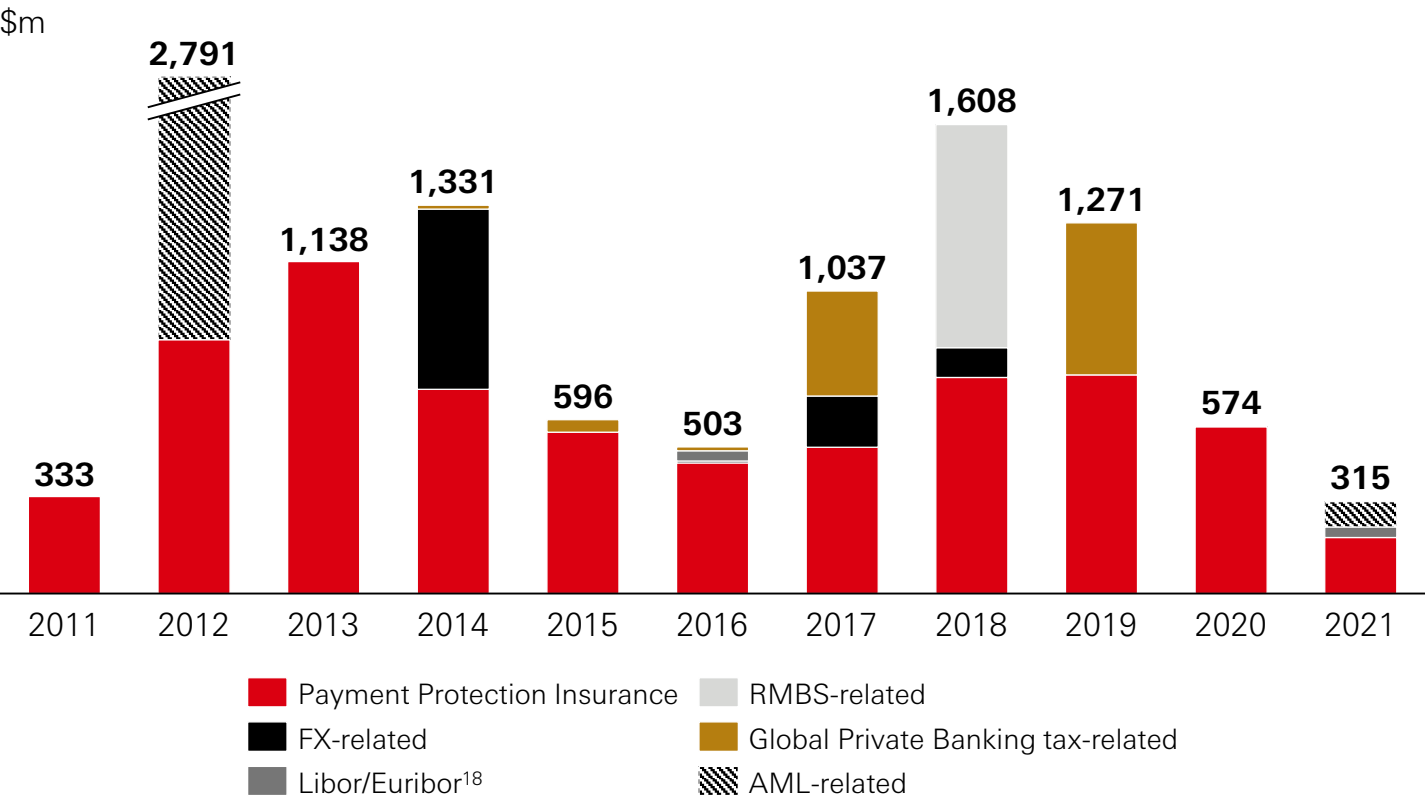
Of employees received anti-corruption training¹⁶



1.1 billion

Average transactions monitored per month for signs of financial crime

Criminal and regulatory fines and penalties and PPI remediation¹⁷



We recognise restoration of trust is a significant challenge; we aim to learn from past events to prevent their recurrence; we aim to make decisions based on doing the right thing for our customers and never compromise our ethical standards or integrity

Disclaimer

Important notice

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This Presentation may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of the Group which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "project", "plan", "estimate", "seek", "intend", "target" or "believe" or the negatives thereof or other variations thereon or comparable terminology (together, "forward-looking statements"), including the strategic priorities and any financial, investment and capital targets and any ESG related targets, commitments and ambitions described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions, regulatory changes, the impact of the Covid-19 outbreak or as a result of data limitations and changes in applicable methodologies in relation to ESG related matters). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2021 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 23 February 2022 (the "2021" Form 20-F") available at www.hsbc.com.

Alternative Performance Measures

This Presentation contains non-IFRS measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with SEC rules and regulations ("Alternative Performance Measures"). The primary Alternative Performance Measures we use are presented on an "adjusted performance" basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

Reconciliations between Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 2021 Form 20-F, which is available at www.hsbc.com.

Information in this Presentation was prepared as at 22 March 2022, unless otherwise specified.

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Footnotes

1. On 16 March 2022 we published "Advancing HSBC's transition to net zero ambition" outlining key steps we are taking to turn our net zero ambition into business transformation on www.hsbc.com/investors/esg-investors
2. At 23 February 2022; Sustainalytics ESG Risk Ratings are scored on a scale of 0-40, where lower scores are better. Our score of 19.3 classifies HSBC as "Low Risk". Up-to-date ESG ratings and relevant reports can be found at www.hsbc.com/investors/esg-investors
3. This absolute greenhouse gas emission figure covers scope 1, scope 2 and scope 3 (business travel) emissions; data for 2019 and 2020 has been revised as we have updated our air travel reporting methodology to include the cabin class travel and the impact of radiative forces. The emissions of HSBC's vehicle fleet were reported under scope 3 for these two years, as well as the GHG emissions per FTE by region. Please see CO2 Emissions Reporting Guideline and PwC Assurance Report (available at www.hsbc.com/our-approach/esg-information/esg-reporting-and-policies) for 2019 and 2020
4. For further details on our financed emissions scope, methodology and terminology see pages 47 – 50 of the HSBC Holdings Annual Report and Accounts 2021
5. Project for Carbon Accounting Financials
6. See our policy to phase out the financing of coal-fired power and thermal coal at www.hsbc.com for full details
7. Contribution in 2021 towards the Group's \$750bn to \$1tn sustainable finance and investment ambition. The volume amounts stated include; capital markets/advisory activities, balance sheet related transactions that capture the limit of the facility at the time it was provided and the net new flows of sustainable investments (Assets under Management)
8. Rank position reported for markets where net promoter score (NPS) is live. In WPB, markets comprised: the UK, Hong Kong, Malaysia, Singapore, mainland China, Australia, UAE, Canada, Mexico and the US. In CMB, markets comprised: the UK, Hong Kong, Malaysia, Singapore, Pearl River Delta, mainland China, India, Indonesia, Australia, UAE, Canada, Mexico and the US. Rank positions are provided using data gathered through third-party research agencies
9. Employee engagement index represents the average % of respondents who would recommend HSBC as a great place to work, are proud to say they work for HSBC and feel valued at HSBC
10. Speak up index represents the average % of respondents who feel that HSBC is genuine in its commitment to encourage colleagues to speak up, feel they are able to speak up when they see behaviour which they consider to be wrong, and feel people can state their opinion without the fear of negative consequences
11. We benchmark Snapshot results against a peer group of global financial services institutions, provided by our research partner, Karian and Box
12. Senior leadership is classified as those at band 3 and above in our global career band structure, and '8' is considered as an entry level position
13. Combined executive committee and direct reports includes HSBC Group Executives, General Managers, Managing Directors, Group Company Secretary and Chief Governance Officer and their direct reports (excluding administrative staff)
14. Employees with an 'Undeclared' or 'Unknown' gender have been incorporated into the 'Male' category; further detail on approach to inclusion and women in senior leadership can be found on p.72 of the HSBC Holdings plc 2021 Annual Report and Accounts
15. Further detail on ESG governance and related fora can be found on p.80 of the HSBC Holdings plc 2021 Annual Report and Accounts
16. Less than 1% of employees will not yet have completed due to new joiners to the bank being given 45 days to complete their mandatory training
17. The chart only includes fines and penalties arising out of significant investigations involving criminal, regulatory, competition or other law enforcement authorities and costs relating to PPI remediation. The chart reflects the year in which a fine, penalty or remediation cost was paid, which may be different from when a loss or provision was recognised under IFRSs. Settlements or other costs arising out of private litigation or arbitration proceedings are not included
18. The European Commission (the 'EC') originally imposed a \$36m fine on HSBC in 2016, in connection with anti-competitive practices in the pricing of euro interest rate derivatives in early 2007. This fine was annulled by the General Court of the European Union in 2019 and, in June 2021, the EC adopted a new fining decision for an amount that was 5% less than the previously annulled fine. HSBC has appealed the EC's June 2021 fining decision