Interview with Head of HSBC Centre of Sustainable Finance

Zoë Knight is the Group Head of the HSBC Centre of Sustainable Finance which she set up in 2018. The Centre collaborates with colleagues across HSBC and external partners to produce thought leadership on critical issues to scale up and mobilise capital to address sustainability challenges, particularly climate change.

Q1. What are the big issues people are asking about sustainable finance?

Sustainable finance is moving increasingly into the real economy. A few years ago, financial institutions and governments were the majority making climate commitments. Today, a number of companies across the global economy are making net-zero commitments, developing strategies to reduce their carbon footprint and deploying capital towards activities to capture opportunities and minimize climate risk. These also include those companies in the energy intensive sectors like energy, steel, and transport.

A large part of this is due to the pressure for sectors across the economy to reduce their emissions by nearly half by 2030, and net-zero by 2050 to align with The 2015 Paris Agreement. The 2015 Paris Agreement stipulates that in order to avoid the catastrophic impacts of climate on the economy, society must maintain a global average temperature well below 2°C above pre-industrial levels. However, many issuers already view climate change as a material risk, with more than half either already affected or believing they will be within the next 10 years. Sustainability and climate resiliency have become even more relevant in the wake of the COVID-19 pandemic. I think there is an awareness among issuers that the COVID-19 pandemic and its economic consequences could be a dry run for a big climate related event in the future.

Continued on page 2 ...
Interview with Head of HSBC Centre of Sustainable Finance

… continued from page 1

There are still challenges that we must navigate as the market grows. An important one is disclosure. While a large number of issuers are providing this information in their annual reports, not all are following the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). This makes mining the data and comparing it more complex.

Q2. How can environmental, social and governance (ESG) investors participate in transition? Is there more to be done here?

As sectors decarbonise, the need for finance to support this transition and sustainable infrastructure is expected to reach nearly US$100 trillion by 2030. Areas that will need this financing include renewable energy, sustainable housing, transport and heavy industry. Green and Transition Bonds will be important in supporting companies along their transition, to either fund wholly green projects or projects that lead to significant improvement in emissions performance in heavy industry.

We’re seeing a growing interest in the Green and Sustainable Bond market, particularly amongst institutional investors. A growing number of bond investors globally are buying GS bonds, and where they haven’t yet, a large percentage of them have plans to do so.

Q3. Should ESG investors be prepared to accept lower returns?

No. What we’re seeing is that investors are increasingly using ESG as a lens to find value in a rapidly evolving market – in addition to being a risk mitigating approach.

In fact, data from HSBC Global Research is demonstrating that companies with high ESG scores or who derive over 10% of their revenues from climate-related themes have outperformed the global equity benchmark by 5% and 13% respectively.

This is reflected in the growth in AUM in funds that abide by ESG principles, which surpassed US$1 trillion for the first time on record earlier this year (according to data compiled by Morningstar). It comes after net inflows of US$71.1 billion between April of June this year, driven by growing investor interest in sustainable investment funds in the wake of the COVID-19 pandemic.

What is featured in this quarter’s Newsletter…

Contents

- HSBC senior management changes .......................................................... 2
- Environmental, Social and Governance .................................................. 3
- Digital & Technology Insights .................................................................. 3
- Digital & Technology Developments ..................................................... 4
- Business & Economy ............................................................................ 5
- Our recent awards .................................................................................. 6
- Disclaimer ............................................................................................... 7

HSBC senior management changes

Annabel Spring is appointed as Chief Executive Officer of Global Private Banking. Since joining HSBC in 2018 as Group Head of Customers and Products, WPB, Annabel has been instrumental in increasing the advocacy focus on customers, leading WPB’s transformation towards an agile way of operating, accelerating the growth of Wealth and the Jade offering, and optimising our capital allocation.

Before joining HSBC, Annabel spent nine years with the Commonwealth Bank of Australia, most recently as Group Executive for Wealth Management. She has also held a number of senior roles at Morgan Stanley, including Global Head of Firm Strategy and Execution.
News and Insight from HSBC

Environmental, Social and Governance

HSBC Global Asset Management & Pollination launch partnership to create world’s largest natural capital manager.

For the detailed article: HSBC Pollination: Nature is capital
26 August 2020 I Source: HSBC Asset Management

A global labelling system for green projects could boost investor confidence and attract more private capital.

For the detailed article: How to drive investment in sustainable infrastructure
29 September 2020 I Source: HSBC.com

As COVID-19 sharpens investors’ focus on environmental, social and governance issues, we highlight six developments to watch.

For the detailed article: Climate in the COVID era
22 September 2020 I Source: HSBC.com

Coronavirus has led to an increase in plastic ocean waste – but could beetles and bugs be part of the solution?

For the detailed article: Pandemic compounds plastics problem
3 September 2020 I Source: HSBC.com

Can the Middle East, North Africa and Turkey take meaningful steps towards a low-carbon economy?

For the detailed article: Continental shift
14 August 2020 I Source: HSBC.com

HSBC launches ESG portfolio reporting service. The service will consist of a monthly reporting dashboard, including portfolio-level analysis using ESG ratings, and carbon emissions data.

For the detailed article: HSBC ESG portfolio reporting service
24 July 2020 I Source: HSBC GBM.com

Digital & Technology Insights

COVID-19 has accelerated a switch to online living. What could it mean for societies worldwide?

For the detailed article: Pandemic hastens digital economy
14 September 2020 I Source: HSBC.com

Advances in machine vision are set to benefit industries ranging from farming to pharmaceuticals.

For the detailed article: Through the eyes of a robot
11 August 2020 I Source: HSBC.com
News and Insight from HSBC

Digital & Technology Developments

HSBC has played a key role in a technology pilot that could transform the way bonds are issued.

For the detailed article: **How blockchain could revolutionise bonds**
1 September 2020 1 Source: HSBC.com

HSBC has developed an innovative tool to predict demand for cash at its ATMs and make deliveries more efficient.

For the detailed article: **iCash: Managing our ATMs with AI**
7 September 2020 1 Source: HSBC.com

**Transforming trade**

HSBC New Zealand and HSBC China completed the first pilot transaction for Electronic Presentation (ePresentation) of trade documents on the Wave blockchain platform. The transaction was for a shipment of milk powder from Fonterra, the second largest dairy processor in the world, based in New Zealand, to Sichuan New Hope, based in China. This was the first trade transaction in New Zealand facilitated by the Electronic Bill of Lading (eBL) blockchain technology.

**Improving international payments**

HSBC’s FX Everywhere Distributed Ledger Technology (DLT) solution has gone live in Dubai, making it the first permissioned blockchain platform in the region. It improves the way HSBC transfers payments to settle transactions for their clients in different countries. This positions HSBC Middle East as one of the leading service providers in DLT in the region.

**Enabling E-trading**

HSBC launched the first e-trading access for foreign investors to the Chinese Interbank Bond Market (CIBM). This will enable offshore investors to request quotes from multiple onshore dealers simultaneously through electronic platforms and is the first of its kind.

**Building a B2B digital community**

HSBC launched VisionGo, an AI-enabled B2B community platform. It offers personalised professional insights and networking opportunities to companies – both existing and potential customers – along with new interactive features designed to foster dialogue and collaboration. Since its beta launch in March, VisionGo’s community has grown to over 8,000 members and it has hosted over 400 webinars for businesses.

**Supporting our customers digitally**

HSBC deployed a digital solution in Commercial Banking to support capital repayment holidays, drawdowns and exit management. The first of these rollouts has enabled faster service for more than 18k customers.

**Increasing transaction monitoring productivity with AI**

Across operations, HSBC is making further use of automated tools. Cog Systems Artificial Intelligence products have been deployed in a number of new markets including India, Australia, Malta, Canada and Mauritius, to help process transaction monitoring cases. This has increased productivity by 40% and is delivering $3m in annualised savings.

**Improving sanctions screening with Machine Learning**

HSBC has implemented machine learning on our sanctions screening automation tool, which has increased efficiency in Asia by 10% and Europe by 20%.

**Speeding up post-trade reconciliations with Machine Learning**

HSBC implemented machine learning for post-trade reconciliations in Market and Security Services. This process reviews 100k reconciliations per day, resulting in quicker turnaround.
News and Insight from HSBC

Business & Economy

Institutional investors are showing increasing confidence in emerging markets, according to HSBC’s latest survey.

For the detailed article: Investors warm up to emerging markets
25 September 2020 | Source: HSBC.com

Embracing open and fair trade could boost global GDP by USD10 trillion a year in 2025, according to a major new report co-written by HSBC and Boston Consulting Group (BCG).

For the detailed article: Making the USD10 trillion case for trade
17 September 2020 | Source: HSBC.com

With effect from 1st November 2020 HSBC is eliminating 26 fees and charges on basic banking services to enhance financial inclusion in Hong Kong.

For the detailed article: HSBC champions financial inclusion in Hong Kong via first-to-market removal of basic banking fees
10 September 2020 | Source: About HSBC Hong Kong.com

The Chinese recovery is set to gain momentum. After a tough first quarter where GDP shrank 6.8 per cent year-on-year, several sectors are showing clear signs of renewal, with public investment and infrastructure leading the way.

For the detailed article: China and the West: finding common ground
8 September 2020 | Source: HSBC.com

We highlight 10 key trends in Asia that businesses and investors should have on their radar.

For the detailed article: Asia’s tectonic demographic shifts
27 August 2020 | Source: HSBC.com

Firms are making fundamental changes to how they operate as they plan for the post-pandemic future, says Barry O’Byrne, CEO of HSBC Global Commercial Banking.

For the detailed article: Beyond business as usual
18 August 2020 | Source: HSBC.com

Economies need to think beyond the pandemic to plan for long-term growth and prosperity.

For the detailed article: Emerging Asia’s post-COVID future
6 August 2020 | Source: HSBC.com

The UK government faces tough decisions as it tries to control coronavirus at the same time as reopening society and reigniting economic growth.

For the detailed article: Five key questions for the UK economy
5 August 2020 | Source: HSBC.com
Our recent award wins

**September 2020**
- Global Excellence in Leadership (during the Covid-19 pandemic)
- World’s Best Bank for Sustainable Finance
- World’s Best Bank for Transaction Services
- Excellence in Leadership in Asia (during the Covid-19 pandemic)
- Asia’s Best Bank for Financing
- Asia’s Best Bank for Sustainable Finance
- Hong Kong’s Best Bank
- Hong Kong’s Best Investment Bank
- Excellence in Leadership in the Middle East (during the Covid-19 pandemic)
- Middle East’s Best Investment Bank
- Middle East’s Best Bank for Transaction Services
- Middle East’s Best Bank for Sustainable Finance
- Kuwait’s Best Investment Bank
- Oman’s Best Investment Bank
- Western Europe’s Best Bank for Sustainable Finance

For the detailed article: Euromoney global awards
10 September 2020 | Source: HSBC.com

**September 2020**
- Best Transaction Bank in Western Europe
- Best Bank for Securities Services

**August 2020**
- Best Digital Bank in Asia
Disclaimer

Important notice

The information, statements and opinions set out in this news release and accompanying discussion ("this News Release") are for informational and reference purposes only and do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

The information used in preparing this News Release was obtained from publicly available sources or proprietary data believed to be reliable.

This News Release, which does not purport to be comprehensive nor render any form of legal, tax, investment, accounting, financial or other advice, has been provided by HSBC Holdings plc (together with its consolidated subsidiaries, the "Group") and has not been independently verified by any person. You should consult your own advisers as to legal, tax investment, accounting, financial or other related matters concerning any investment in any securities. No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by the Group or any member of the Group or any of their affiliates or any of its or their officers, employees, agents or advisers (each an "Identified Person") as to or in relation to this News Release (including the accuracy, completeness or sufficiency thereof) or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed.

No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on, the accuracy or completeness of any information contained in this News Release, any other written or oral information provided in connection therewith or any data which such information generates. No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this News Release or any additional information or to remedy any inaccuracies in or omissions from this News Release. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse. The issue of this News Release shall not be regarded as creating any form of advisor/client relationship between the recipient and HSBC Holdings plc or any Identified Person. You should not rely on any information in this News Release as constituting investment advice. By receiving this News Release, the recipient agrees to be bound by the foregoing limitations.

Information and opinions contained in this News Release were prepared as at the date specified and are subject to change without notice at any time and in any respect. Neither HSBC Holdings Plc nor any Identified Person is under any obligation to update or keep current the information contained in this News Release.

Forward-looking statements

This News Release 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", "estimate", "seek", "intend", "target" or "believe" or the negatives thereof or other variations thereon or comparable terminologies (together, "forward-looking statements"), including the strategic priorities and any financial, investment and capital targets 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 will be complete or accurate. The assumptions and judgments 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 or regulatory changes and due to the impact of COVID-19). 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 News Release is available in our Annual Report and Accounts for the fiscal year ended 31 December 2019 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 19 February 2020, our 1Q 2020 Earnings Release furnished to the SEC on Form 6-K on 28 April 2020, and our Interim Financial Report for the six months ended 30 June 2019 which we furnished to the SEC on Form 6-K on 3 August 2020.