

# United Nations Environment Programme Finance Initiative (UNEP FI)

## Principles for Sustainable Insurance (PSI)



## HSBC Progress Report 2014

Prepared by: HSBC Insurance Holdings Plc

Date: 31 March 2015

# UNEP FI Principles for Sustainable Insurance (PSI) Progress Report 2014

This document outlines our commitments and progress in 2014 towards implementing the Principles for Sustainable Insurance, highlights issues of importance to Insurance and our future aspirations. Our report articulates what sustainability means to HSBC and how we manage it, both in terms of incorporating aspects of sustainability throughout our business and how our sustainability commitments shape the way we do business.

## Overview

Headquartered in London, HSBC is one of the world's largest banking and financial services organizations, with over 6,100 offices in both established and faster-growing markets. We serve roughly 51 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 73 countries and territories in five geographical regions: Europe, Asia, Middle East and North Africa, North America and Latin America. Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings Plc are held by about 216,000 shareholders in 127 countries and territories.

Our aim is to be acknowledged as the world's leading and most respected international bank. We will achieve this by focusing on the needs of our customers and the societies we serve, thereby delivering long-term sustainable value to all our stakeholders.

HSBC provides a broad range of insurance products and services to individuals and organizations worldwide with valuable protection against risks and ways to build future wealth. These insurance products are either underwritten by HSBC's own insurance manufacturing businesses or sourced from selected specialist insurance partners, and are available through banking and insurance subsidiaries through a variety of channels, including the internet, telephone and face-to-face. Insurance is an important business for HSBC, with products positioned to help customers achieve their financial aspirations.

We have life insurance manufacturing countries which include UK, France, Mexico, Argentina, Brazil, Hong Kong, Singapore and Malta. We have also joint ventures in China, Malaysia, India and Saudi Arabia. In non-life insurance and where we lack risk appetite and scale to manufacture life insurance, we have entered into long-term exclusive distribution agreements with industry leaders in North and Latin America, Middle East, Europe and Asia.

## Sustainability at HSBC

At HSBC, how we do business is important as what we do. For us sustainability means building our business for the long term by balancing social, environmental and economic considerations. This enables us to help businesses to thrive and contribute to the growth and resilience of communities.

Success for HSBC means providing our customers with the products and services they need and want, understanding and managing the impact we have on society and the environment, and investing in the future of our employees and the communities we serve. These measures help us to carry out our work in a way that is both commercially astute and ethically sound.

For further information on HSBC Holdings Plc's sustainability policies, activities and performance, visit [Hsbc.com/citizenship/sustainability](http://Hsbc.com/citizenship/sustainability)

## UNEP FI Principles for Sustainable Insurance (PSI)

HSBC was involved in the original drafting and development of the PSI Initiative between 2009 and 2011 which was launched at the UN Conference on Sustainable Development (Rio+20) in 2012. The Principles represent a significant opportunity for our insurance business to take a further step toward meeting the expectations of our customers, shareholders, employees and other stakeholders globally.

Our expectation is that the PSI Initiative will become the global framework and standard by which the insurance industry can be measured on its contribution towards sustainable development. With this aspiration HSBC Insurance Holdings became a signatory to the PSI with the support of Group Chairman, Douglas Flint, on 23 April 2013. This was stated in HSBC's Annual Sustainability Report 2012 and progress updates on the initiative have been provided in the Annual Sustainability Report 2013 and the Strategic Report 2014. We continue to align and develop similar initiatives in line with our stated sustainability programs and consequently we feel the PSI initiative is aligned with our values and that it should be a core principle of our insurance business.

Our management team and Insurance Executive Committee are committed to this initiative and to progressively integrate environmental, social and governance (ESG) issues across our processes and geographies. We are also committed to disclose our progress in implementing the Principles on an annual and public basis.

## Progress in 2014

Below is a summary of the four principles and examples of progress HSBC has made against each principle in 2014.

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

### 1.1 Global Programme Manager, Sustainable Insurance (G)

Since HSBC became a signatory to the PSI it has been the ambition of the business to appoint a dedicated person into a newly created role to manage activity in this area. In 2014 Global Programme Manager, Sustainable Insurance has been appointed to provide leadership, oversight, co-ordination, monitoring and control of insurance sustainability initiatives worldwide. The role-holder ensures HSBC's sustainability strategy related to its insurance activities is aligned with HSBC Group's approach, and the implementation of this strategy is consistent with the commitment that HSBC has made in signing the PSI Initiative. This includes driving appropriate activities within the company as well as with partners, regulators and other industry players; disseminating industry best practice, developing global insurance sustainability initiatives and identifying synergy opportunities across the Group.

### 1.2 Fair Value Exchange (G)

In a survey commissioned by the PSI board, PSI signatory companies and supporting institutions were asked for their views on ESG issues that they consider most important for the insurance industry to address. The third highest ranking ESG issue as identified in this survey was *'insurance access and affordability'*. Aligned to this issue, this governance initiative ensures that HSBC takes a globally consistent approach to assessing its insurance products' prices to the benefit of both the customer and the business. This approach underpins the work HSBC is undertaking to build a position of trust with customers by making the right decisions in product pricing, design and development.

Fair Value Exchange work has continued throughout 2014 following the review of over 350 products across life and non-life insurance during 2013. An embedded set of guiding principles and product frameworks is fully integrated into our product development and product approval processes throughout the whole organization (this includes both third party and manufactured products). Fair Value Exchange enhancements to improve customer value of on-shelf products were finalised during 2014 and will continue to be implemented during 2015/16 for specialist life insurance products.

Within the commercial insurance business in 2014, assessments have taken place for all business protection, financial protection, trade credit and employee benefits products.

As a result of our Fair Value Exchange work, we have modified a number of aspects of our product range which in some cases has substantially differentiated us from local market practice.

### 1.3 Insurance Range Review (G)

The fourth highest ranking ESG issue as identified in the survey commissioned by the PSI Board was *'trust and reputation'*. Aligned to this issue and as part of our strategic direction, we aim to make it easier for our customers to do business with us. One of the initiatives supporting this objective is the Insurance Range Review programme. We have defined an acceptable range of products and product features globally and screened all of our markets to identify any differences to ensure alignment to this defined range. We also took into consideration market specific and regulatory conditions. As a result we have removed over 120 products worldwide. This initiative included both third party and manufactured products and has been delivered successfully. An annual certification process has been implemented to ensure ongoing alignment.

### 1.4 Needs Analysis (S)

HSBC recognizes its responsibility to educate customers to understand their insurance needs. There is an initiative underway within our insurance business focused on needs analysis and educational tools to provide customers with simplified research and education tools by developing user friendly insurance content and by incorporating relevant "protection" needs analysis and quotation tools. This is to ensure customers are getting the best information and tools to enable them to self-educate, assess their needs and research potential solutions to fulfill those needs.

Public websites will be modified throughout 2015 for many markets with content updates. The second part is a technological update which will be applied for Hong Kong in 2015 with further roll out in key markets in 2016.

As per the UNEP FI PSI strategy paper and macro insurance industry trends “advancing technology and international connectedness will continue to change customer expectations of product and service providers in demanding interaction ‘anywhere, anyhow’ with an increased focus on the ESG share value that is created by organizations they choose to do business with”. In order to focus on customer needs, treat customers fairly and improve customer experience, HSBC will continue to roll out an updated version of its wealth platform to allow Relationship Managers to have a full view of the customer’s circumstances. Relationship Managers will also be provided with tablets to access global financial planning platform and manage customer conversations at the convenience of the customer for protection, legacy, retirement, education and wealth planning purposes. Roll out has already started and will continue throughout 2015.

### 1.5 Customer Care Commitment (S)

Aligning with our focus on being a responsible lender, and acknowledging the importance of mortgage customers having the right protection in place, a project was initiated with three objectives:

- To develop a clear and consistent understanding of how insurance needs are discussed within the home buying journey
- To develop and embed a consistent and compliant global approach for discussing insurance needs with every new mortgage customer
- To identify any risks and issues in the current process and develop a plan to rectify these

Aligning with the business strategy, the scope of the project focuses on making sure that mortgage customers are considering their ability to cope should unforeseen events affect the property, their possessions within the property or their ability to cover their financial commitments, allowing them to understand the wider needs they may have related to their property and mortgage.

This project has developed throughout 2014, with guidelines being issued to all countries offering mortgages and specific actions being implemented in our major mortgage markets including the UK, Hong Kong, Singapore, Australia, France and the US. These actions have focused on ensuring customers are being educated, through the mortgage conversation, on the risks associated with arranging a mortgage. The customers can then make informed decisions on whether they want further information on the insurance solutions available.

### 1.6 Customer Insight Research (S)

The second highest ranking ESG issue as identified in the survey commissioned by the PSI board was ‘*mis-selling and treating customers unfairly*’. Aligned to this issue, our Retail Banking and Wealth Management business has undertaken extensive customer research during 2014 to understand how best to engage with customers based on the segment they fall into and the appropriate products available to meet their needs. This research is being used to develop a strategic approach to the flexibility of benefits and differentiation of insurance products offered. This work will progress into 2015.

### 1.7 Incentive Schemes (G)

Aligned to the second highest ranking ESG issue of ‘*mis-selling and treating customers unfairly*’ identified in the survey commissioned by the PSI Board, during 2013 our Retail Banking and Wealth Management business commenced the implementation of a new incentive framework that is aligned with our aim of putting the customer at the centre of everything we do, and build deep, long-lasting and mutually beneficial relationships with them. During 2014 implementation has continued to ensure we have removed all formulaic links to sales volumes and instead applied discretionary pay and a global sales process which is focusing on meeting our customers’ needs for all markets. These changes are further strengthening alignment to HSBC’s values including the following:

- We will treat all customers fairly
- We will meet, or exceed, all local and international laws, regulations and codes of practice
- We will apply HSBC’s values and business principles in all our dealings with customers
- We will deliver services to customers in a way that provides speed, ease, certainty and empathy

Our Commercial Banking business has a series of similar work streams in place. A global set of sales principles has been developed and implemented across all markets. These principles have been designed to ensure that customers receive appropriate advice (if relevant to market), and product to suit their identified needs. Additional work streams are running in parallel to implement effective monitoring and quality assurance programmes, so that consistent adherence can be evidenced, and actions taken where required.

## 1.8 Sustainable Finance, Operations and Communities (ESG)

HSBC's insurance businesses participate in Group initiatives concerning our environmental footprint and the sustainability of our operations, management of sustainability risk as well as our community investment, supporting the three pillars of sustainability in HSBC:

1. *Sustainable Finance*: We anticipate and manage the risks and opportunities associated with a changing climate, environment and economy.
2. *Sustainable Operations*: We work together with our suppliers to find new ways to reduce the impact of our operations on the environment. We are purchasing renewable energy, designing and operating our buildings and data centres more efficiently and reducing waste. We have committed to cut our carbon emissions from 3.5 to 2.5 tons per employee per year by 2020.
3. *Sustainable Communities*: We provide financial contributions to community projects and thousands of employees across the world get involved by volunteering their time and sharing their skills.

A number of key initiatives carried out in several markets can be found below. This is not the exhaustive list of the activities but it presents several best practices currently in place.

Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited, referred to as CHOICE, the bank's life insurance joint venture in India, focuses its sustainability efforts on education and the environment.

Its education efforts are aimed at promoting education, including special education, consumer education and awareness, employment enhancing vocation skills especially among children, women, elderly, and the differently abled, and livelihood enhancement projects. The business has been supporting the education of 40 children at four SOS Children's Village (the world's largest non-governmental organization for orphans) locations. The partnership was started in December 2009 and has now entered its fifth year. CHOICE has invested over USD 32,400 in this initiative throughout this period. With this support, significant improvements have been noticed in the academic results of the children. Every child receiving support from the business has been promoted to the next grade level every year. To enhance this effort, a new project (Project Utkarsh) was launched in 2014. Project Utkarsh supports the education of 50 children residing in several SOS Children's Village locations and it focuses on child development including individual child growth, learning and development from early years to adulthood in a caring family environment.

In the other focus area, efforts are aimed at ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water. One key programme the business runs is called '*Let's Change Let's Save*'. This initiative aims using all resources responsibly through a focus on reducing, reusing and recycling. This programme responds to the challenge of global warming and climate change by promoting efficient use of energy and environment friendly processes and technologies. It focuses on changing and adopting ways of conserving the local biodiversity which ultimately protects ecosystems and the environment. For example, the business has a large scale recycling programme in place and all printed customer communication is done on recycled paper. As part of its volunteering programme, called '*Partners in Progress*', CHOICE employees conduct awareness workshops in local schools in partnership with GOONJ, a non-governmental organization working in the area of urban waste. Building on their award winning programme called '*School to School*', a simple concept of turning what is not useful for one into a resource for another (examples include books, stationery), the programme helped bridge a massive resource gap by moving resources from where they are a waste to where they are most needed in a practical, cost effective and easily replicable manner. Children in urban schools were also sensitised by employees to the needs of their counterparts in the villages. As a result, the children were motivated to contribute material in the form of resources to be moved.

CHOICE is also collaborating with World Wide Fund for Nature (WWF) India by working with tribal communities in the sustainable management of forest resources. The business has also invested over USD 16,000 in this initiative in 2014.

For details of all the sustainability initiatives carried out in India throughout the year, visit the website of Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited [Canarahsbclife.com](http://Canarahsbclife.com)

In Brazil, 38% of insurance staff has volunteered for a social or an environmental action of HSBC in the past twelve months. HSBC Insurance Brazil is actively participating in HSBC's Water Programme, through which we help to protect and provide fresh water and sanitation, and raise awareness of water challenges.

For further information on HSBC's Water Programme, visit [Hsbc.com/citizenship/sustainability/hsbc-water-programme](http://Hsbc.com/citizenship/sustainability/hsbc-water-programme)

Through the HSBC Education Programme we focus on helping young people achieve their potential by helping them gain access to education; develop life skills and entrepreneurship, and international and cultural understanding. Aligned to this, HSBC Insurance Brazil has also taken part in HSBC's Christmas Angels Programme which aims to guarantee the safety, comfort and well-being of the participants in the programme (both children and adolescents). The programme is the biggest local programme in this area supporting and helping approximately 1,400 children and adolescents and 206 families. It helped many children and adolescents to gain access to an education and to the professional job market to start a career. It has been widely recognized in the country.

HSBC Insurance Hong Kong staff took part in bank-wide activities and contributed a total of 776 Corporate Sustainability hours in the first half of the year. One of the programmes in which HSBC Insurance Hong Kong took part is *'Silver Dreams Come True'*, an award winning volunteering programme at HSBC. Through the programme, HSBC volunteers work in teams to help 30 elderly people from financially disadvantaged backgrounds realise their lifelong dreams. The programme was named the Best Corporate Volunteer Service Project by the Social Welfare Department (The Government of the Hong Kong Special Administrative Region) in 2012.

HSBC Insurance UK has expanded its relationship with cancer charity Maggie's to provide help and support to our customers affected by cancer. In the UK, HSBC has funded five current campaigns, through donations totalling GBP 3 million, which are supporting centres in several cities in the UK. In an effort to cultivate an even deeper relationship with our customers, the Insurance UK Claims team can now sign post cancer claimants to their local Maggie's centre or at least ensure they are aware of Maggie's online support service.

HSBC Assurances France has been among insurance leaders in the local market to launch an institutional fund dedicated to investment in French Small and Medium Enterprises so that insurance companies can directly contribute to the growth of local entrepreneurs. In one year, more than EUR 1 billion was invested in the fund and HSBC Assurances France has contributed 5% of it.

In an effort to promote teamwork and give back to the local community, HSBC Insurance Mexico organised a 'green' running race to benefit Mexico City's main park (Chapultepec Park), where there were over 3,000 entrants, 1,000 of which were HSBC Mexico staff members. As a result of this effort, the team raised over USD 110,000 in support of the upkeep and preservation of the park. HSBC Insurance Mexico's relationship with the park started in 2011 and since then volunteers have planted more than 24,000 plants and donated thousands of volunteer hours to this project. HSBC Insurance Mexico is also supporting the rehabilitation of other parks through a larger project called *'HSBC Insurance's Green Project'*. The business is working in collaboration with local non-governmental organizations to protect and restore several different urban parks.

HSBC Insurance Argentina supported *'Future First'*, HSBC's flagship education programme which is a partnership between HSBC, SOS Children's Villages (the world's largest non-governmental organization for orphans) and local not-for-profit organizations working on the ground to make a difference to the lives of underprivileged children. Future First was established in 2006 to provide education and life skills training to some of the world's most marginalized and impoverished young people. HSBC Insurance Argentina supports 250 children annually. Last year's activities included refurbishing community centers and holding volunteer workshops providing children with play materials and festivities for special days (Children's Day, Christmas).

In 2012, HSBC Group pledged an additional USD 15 million to Future First taking HSBC's total commitment to USD 40 million over 10 years from 2006 to 2015. This additional investment means Future First is now supporting local projects in 62 countries, taking the total number of young people supported by the partnership to over 900,000.

For fuller details of HSBC Holdings Plc's sustainability programmes and performance in 2014, visit [Hsbc.com/citizenship/sustainability](http://Hsbc.com/citizenship/sustainability)

## 1.9 UN Principles for Responsible Investment (PRI)\* (ESG)

Within HSBC Global Asset Management (AMG) we integrate ESG issues into our investment decision making process and our voting and engagement activities. We are supporting the implementation of the PRI for the funds that AMG manages on behalf of HSBC Insurance and its customers.

For more details of Group Initiatives carried out throughout the year, visit HSBC Global Asset Management's Responsible Investment Transparency Report 2013/2014 which is available on the UN PRI website.

\* The United Nations-supported Principles for Responsible Investment (PRI) Initiative is a framework for the institutional investment industry, which spans insurance and non-insurance institutions (e.g. insurance companies, pension funds, government reserve funds, foundations, endowments, depository organisations, investment management companies). Accordingly their scope is only on investment management, which they address more comprehensively. HSBC Global Asset Management is a signatory to the UN PRI initiative.

**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 Partner Collaboration

Within HSBC we work with a number of key strategic partners some of whom are existing signatories. During 2014, following the recruitment of the Global Programme Manager role and in collaboration with the Partnership Management function within HSBC Insurance, discussions were held with partners to progress activity in this area. The priority area is for joint initiatives to commence with existing signatories and for non-signatories to understand the benefits of becoming a signatory. Our plan is to focus on our exclusive strategic partners (ESPs) and reinsurance partners first.

We have included all of our insurance products (third party and manufactured products) in scope for both of our strategic projects, Fair Value Exchange and Insurance Range Review, as detailed in Progress section for Principle 1. We have also received commitment from our exclusive partners to develop products in line with our Fair Value Exchange principles.

### 2.2 Diversity and Inclusion (D&I)

An example of working with our ESPs and reinsurance partners is the commencement of the Customer D&I project for Insurance. HSBC Group's focus on D&I has been an inside out approach to include our employees and culture (addressing bias, attracting and retaining a diverse workforce, and leveraging our employee resource groups) with the outputs from this extended to how we make better products and services that reflect the diverse society and diverse needs of our customers.

In 2014, HSBC Insurance initiated a project to develop a D&I framework and principles for the products we offer to our customers which will be implemented throughout 2015/16. The objective is to ensure the products and services offered to customers do not unnecessarily discriminate against any person due to age, gender, sexual orientation, ethnicity, disability, religious beliefs, background or any other aspect of personal difference.

The insurance guiding principles around D&I will be global and will need to be reviewed, adapted and implemented by each country due to local and regulatory frameworks. Whilst every effort will be made to align to the spirit of the principles, countries will be required to work within the regulatory environment of each jurisdiction. Implementation of the principles will be reliant on endorsement and support of our partners.

**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 Group Sustainability

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

For fuller details of HSBC Holdings Plc's sustainability programmes and performance in 2014, visit [Hsbc.com/citizenship/sustainability](http://Hsbc.com/citizenship/sustainability)

### 3.2 The Future of Retirement

As per the UNEP FI PSI strategy paper and macro insurance industry trends, ageing populations and pressure to reduce social spending are key areas of focus. Aligned to this focus area, HSBC has commissioned a world leading independent consumer research study into global retirement trends called The Future of Retirement (FoR). It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world.

The most recent global survey was conducted in August and September 2014, representing the views of over 16,000 people in 15 countries.

The latest report, *A balancing act*, the tenth in the FoR series, was published in January 2015. This report explores the barriers to a comfortable retirement, including the challenges of meeting day-to-day financial commitments, the impact of unexpected life events, and consequences of not saving enough for retirement or not starting to save

early enough. It also examines how people's retirement savings behavior has changed following the global economic downturn, and provides some practical steps that people can take towards a better retirement.

The report generated 711 pieces of news coverage worldwide in the first month after publication.

Each publication includes a global report and separate country reports. Since the FoR study began in 2005, more than 141,000 people have been surveyed worldwide.

Locally there have been a number of initiatives focused on this insight throughout 2014, including enhancing customer communications, needs analysis and sales tools. In Singapore, insights were used in a retirement themed editorial which was part of a 4-part series published in a local newspaper based on customer interviews. There has been large press coverage in several markets on the insights. In Hong Kong, university programmes, investment seminars and employer luncheons have been organized to educate public and customers on retirement planning. In France, dedicated training sessions and toolkits have been rolled out to increase frontline expertise on retirement planning and awareness on the findings.

A further survey and reports are planned for 2015.

### 3.3 The Value of Education

A new independent global consumer research study, The Value of Education, was launched in 2014, representing the views of over 4,500 parents in 15 countries, and exploring the hopes and aspirations that parents around the world have of education, with a special emphasis on education's value as a transformative force.

The first report, *Springboard for success*, was published in April 2014, and together with further desk research, generated 848 pieces of news coverage throughout the year.

The report covered the three main stages of education – primary, secondary and university – and found that parents see education as a crucial enabler in the modern world, giving children skills that are essential in later life. While views about what makes a good education vary around the world, there are strong opinions about at what stage of education children should learn different skills and subjects. University is seen as a springboard for success, with parents expecting a good university education to prepare their child for a successful career.

However, parents are aware that all of this can be put at risk by a failure to prepare adequately. There are choices to be made – among different schools, colleges or universities, whether or not to study abroad – and there are often financial implications to these choices. These decisions weigh heavily on parents, and many regret not starting planning sooner, so the report provided some practical steps that parents can take to help them plan their children's education.

There have been a number of local initiatives to share these insights with parents and help them fulfill their educational ambitions for their children. These include education events, university programmes and roadshows in Hong Kong, customer seminars and publication in education themed editorials in local newspapers in Singapore, and promotional activities and specifically designed programmes in schools in Brazil to emphasize the importance of education and its transformative power of people's lives.

A second survey and report are planned for 2015.

### 3.5 UNEP FI Engagement & Support

We believe that we can promote the adoption and implementation of the Principles through participation in relevant working groups and organizations. In order to demonstrate our commitment in this area HSBC has attended the UN consultation meeting with the Chinese insurance industry on insurance regulation and sustainable development, PSI market events and UNEP FI Annual Meetings in 2014. As a signatory to the PSI, HSBC has also executed its right to vote on the UNEP FI Annual General Meeting.

**Principle 4 - We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles**

This is our second report since becoming a signatory on 23 April 2013 and demonstrates our continuing commitment to 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.

END

PUBLIC