

Group Chief Executive's review

To succeed, any forward-thinking business must consider the interests and meet the fair expectations of all its stakeholders. This is a priority for the Board and management team.



Noel Quinn
Group Chief Executive

Doing right by people and the planet is a proud part of HSBC's history and heritage. Our success over 155 years is founded on a fundamental belief that we must serve the interests of the many communities and groups of people that we impact all over the world.

This *ESG Update* details how we are living up to these obligations today, and demonstrates our ongoing commitment to increasing both the quantity and quality of our non-financial disclosures. It covers all the usual areas from corporate governance and sustainability to customer satisfaction, employee advocacy and our approach to conduct. It accords with our reporting obligations under the terms of the UN Global Compact and renews our commitment to the Compact's principles.

This year, we have also made some changes to how we report. We have introduced new information on a range of issues, including our progress in helping customers make the low-carbon transition, and summarised our performance against all our key non-financial targets and metrics. Where possible, we have tried to replicate the format we use for our *Annual Report and Accounts 2019*.

Above all we have tried to be balanced. This is not a public relations exercise. We have been open and honest about our successes – of which there are many – but equally transparent about where we need to improve.

There is much we can be proud of. The successful firms of the future will marry great technology with great people, and we have made real strides in both areas over the past year. Our investment in technology has improved the way we listen to and learn from customers, and we have used that information to improve aspects of our service. At the same time, we have expanded and upgraded the learning and development opportunities we offer our people – including training in digital technologies – and improved the way we support their health and well-being. We have also strengthened and streamlined our governance structures, and continued to evolve our approach to conduct and tackling financial crime.

From an environmental perspective, we made further and encouraging progress towards our target of delivering \$100bn of sustainable financing by the end of 2025. We also continued to reduce our own emissions and carbon footprint. Our expertise, experience and influence continue to be integral to the development of green finance markets and we remain a key international voice in calling for better disclosure of climate risk. We were recognised for our leadership in this area as the World's Best Bank for Sustainable Finance in the *Euromoney Awards for Excellence 2019*.

“This *ESG Update* details how we are trying to live up to our wider societal obligations today.”

66%

Of employees would recommend HSBC as a great place to work (2018: 66%)

Yet for all the progress we have made over the past 12 months, there are still areas where we can and must improve. Customer recommendation scores are short of where we want and need them to be. Our people might feel more engaged and recognised, but a significant minority still feel unable to speak out against bad behaviours. We need to make more progress in removing obstacles that make it more difficult for employees to do their jobs. Our senior leadership team is still not diverse enough, and we also have a long way to go in fully integrating climate and transition risks into our day-to-day management.

Addressing these issues and continuing to improve our non-financial performance is of paramount importance. Much has been said about corporate purpose recently. Ours is simple. We exist to connect customers to opportunities and in doing so help people, businesses and economies thrive. But we can only do that sustainably by considering the interests and meeting the fair expectations of all our stakeholders, and by managing our impact on the environment.

No business can generate value unless it lives up to these wider societal obligations. Ensuring we do that is a priority for the Board and the management team. We have good foundations to build on. We have a culture and corporate identity based around serving others. We also have talented and dedicated people, and it is largely thanks to them that we have made real strides in all aspects of our non-financial performance.

Our focus now is on addressing the areas where we have greatest room for improvement, and doing so decisively and at greater pace. Much of this work is already in train. We are investing heavily to update our banking platforms and improve customer experience, and deploying technology to improve the way we develop and manage talent within the bank. As part of our work to create a more supportive environment for our people, we are expanding mental health training to all managers and encouraging more people to work flexibly where it is appropriate to do so. We are also developing a new series of risk ratings to help us better understand and manage the climate and transition risks that we and our customers face. These initiatives are part of a much bigger body of work, all of which you can find detailed in this report.

In line with our values of being open, dependable and connected, your views continue to be of great importance as we go about this work and strive to make our non-financial disclosures more comprehensive and meaningful. We will continue to listen and take your feedback into account, and will incorporate it when we report our ESG progress next year.

Since the beginning of January 2020, the coronavirus outbreak has created significant disruption for our customers, suppliers and staff, particularly in mainland China and Hong Kong. As always, their well-being is our greatest priority. We are monitoring the situation closely and have put measures in place to support them through this difficult time. We will continue to do all that we can to keep them safe and help them manage the impact of the crisis.



Noel Quinn
Group Chief Executive

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