

## COMMUNICATION ON PROGRESS (COP)

### PERIOD covered by your communication on Progress (COP)

From January 2020 To December 2020

#### 1. STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OFFICER (OWNER OR PRESIDENT IN THE CASE OF SMALL BUSINESS)

Please use the box below to include the statement of continued support signed by your company's chief executive

Since its foundation in 1865, HSBC has helped serve the needs of a changing world. In Malaysia, we have had over a century's worth of history and we have played an important role in Malaysia's growth and development. Our history in Malaysia goes back to the very start of banking in this region.

When it comes to Islamic Finance, HSBC Malaysia has led the way by becoming the first internationally-owned bank to launch an Islamic banking service in 1994 and later in 2008, to become the first internationally-owned bank to be incorporated as an Islamic banking subsidiary in Malaysia.

Since then, we have grown to be one of the largest international Islamic bank in Malaysia, leading in the development of the Islamic finance industry across product, proposition and future market development. We have issued a number of firsts in the industry and we are recognised as leader in sukuk issuance, green and sustainable financing and international cross border transactions.

At HSBC Amanah, we see rapid changes in societal expectations and how investors are also placing an increasing importance on the wider impact businesses have on people, prosperity and the planet. Beyond profit, businesses are also increasingly evaluated by its abilities to live up to wider societal obligations. For HSBC Amanah, living up to these societal obligations have always been part of our culture and identity. Ensuring we continue this is a priority for the Board and the HSBC Amanah management team.

At HSBC Amanah, we have a responsibility to serve the needs and expectations of the regulators, our customers, our employees and the communities in which we operate – this is all part of our culture and corporate identity. By holding true to this, we aspire to set the standard in Malaysia by paving and leading the way in sustainability initiatives.

Starting from our first Value-based Intermediation (VBI) Disclosure which we issued at the end of 2019 to our Task Force on Climate-related Financial Disclosures (TCFD) report issued in April 2021, and assisting our clients in their transition to a low carbon economy, we have taken steps to improve all aspects of our non-financial performance and to live up to the duty of care we have to all our stakeholders.

This Communication of Progress (CoP), the first for HSBC Amanah, is a continual evolution of our commitment towards clear and transparent disclosures of our intent. It covers the steps we have taken to ensure we are aligned with United Nations Global Compact principles of Human Rights, Labour, Environment and Anti-corruption. We recognise that there are areas where we still can and must do better. We know that it will take time to fully address these matters, however, we are

committed to do our part in improving and addressing them with urgency, conviction and clear purpose.

While you review our CoP, our one ask is that you provide us with your views and feedback on the areas and matters that you think we are doing well and which you think we can do better – you can email them to [project.cocoon@hsbc.com.my](mailto:project.cocoon@hsbc.com.my). These views will be essential to us as we transition to become the HSBC Group's first sustainable bank by end of 2022 and more broadly support Malaysia's climate ambition.

I hope you find this CoP useful. Thank you.

Raja Amir Shah Bin Raja Azwa  
CEO of HSBC Amanah

## 2. DESCRIPTION OF ACTIONS

### **Human Rights & Labour**

HSBC Amanah recognises the duty of States to protect human rights and the role played by business in respecting them. This follows the UN Guiding Principles' Protect, Respect and Remedy framework. We also recognise that human rights issues are complex and that the roles and responsibilities of business and other stakeholders are the subject of a continuing international dialogue. We are open and willing to engage in this dialogue where appropriate and constructive.

At HSBC, as a Group, we are guided by the International Bill of Human Rights and support the UN Declaration of Human Rights and the principles concerning fundamental rights as set out in the International Labour Organisation's Declaration on the Fundamental Principles and Rights at Work. HSBC is a signatory to and has publicly expressed support for a number of international principles and standards:

- The UN Global Compact
- The OECD Guidelines for Multinational Enterprises
- The Global Sullivan Principles
- The UN Principles for Responsible Investment
- The UN Principles for Sustainable Insurance

In alignment with HSBC as a Group, HSBC Amanah is committed to respecting human rights. How we do this is in relation to our employees, suppliers and customers, as set out below:

### **Employees**

HSBC Amanah's commitment to respect human rights in the workplace is embedded within our HSBC Purpose and Values and is set out in HSBC's Global Policy. We require all of our employees to treat colleagues with dignity and respect, creating an inclusive environment. We do not tolerate unlawful discrimination, bullying, or harassment on any grounds, including age, race, religion, ethnicity or national origin, colour, mental or physical health conditions, disability, pregnancy, gender, gender expression, gender identity, sexual orientation, marital status or other domestic circumstances.<sup>1</sup> On that same note, the Bank also upholds the freedom of association and right to collective bargaining, does not tolerate any form of forced labour, and condemns child labour.

HSBC Amanah employees are made aware of their employment rights through a variety of channels, including written employment contracts and policies, and procedures found in employee websites. Employees also receive training on a variety of human rights related issues, including but not limited to: diversity and inclusion; bullying, harassment and racism; anti-money laundering; data privacy and bribery and corruption.

### **Suppliers<sup>2</sup>**

At Group level, HSBC has had a Supplier Code in place since 2005. It was updated in 2016 to take into account of the revised legislation on disability rights, modern slavery and human rights. HSBC Amanah adheres to the Supplier Code and expects our suppliers to comply, and to require their own suppliers to, respect the human rights of their employees and the communities in which they operate and to comply with all relevant legislation, regulations and directives in their respective countries.

The Supplier Code prohibits the use of forced labour and child labour, and respects labour rights including non-discrimination and the right to freedom of association. Workers, whether they be local or migrant, must also have the right and ability to leave employment when they choose, to the extent possible under local law. Our goal is to work collaboratively with our supply chain partners on sustainability issues, including modern slavery. When a supplier is found to no longer be in compliance with the Supplier Code, we have the ability to work with them on an improvement plan or, if deemed necessary, terminate the relationship.

### **Customers**

Our customers are our priority and we strive for excellence in everything we do, especially in ensuring that our services and customer experience reflects both quality and finesse. We seek to ensure that the financial services we provide to our customers do not result in any unacceptable impact on people or the environment. At Group, HSBC is a signatory to the Equator Principles, which are underpinned by the International Finance Corporation's Performance Standards, and which focus on issues including land rights, child labour, forced labour, and the rights of indigenous and local communities.

### **Measurement of outcome:**

At HSBC Amanah, we listen to feedback from our employees provided through surveys and exchange meetings. We encourage all managers to hold regular exchange meetings specifically designed to hear employees and record their views. Our Directors engage directly with employees to ensure that workforce engagement and the employee voice is considered at the highest level. We also continue to build our Speak Up culture, encouraging our employees to voice their opinions through a variety of HSBC Group channels that are available for anonymous reporting. The organisation also practices data gathering sessions with the senior leadership team to ensure the organisation is committed to the universal values advocated in space of human rights.

We also gather feedback from our suppliers and customers through interactions, surveys, social media, and complaints channels and we use sophisticated speech analytics to obtain a deeper level of understanding of their experiences. The insights gathered are then used to empower our employees to make the necessary improvements to enhance customer experience.

The customer satisfaction survey results are then reported and discussed at various governance forums including the HSBC Amanah Executive Committee. In addition, customer complaints are also highlighted and tracked at the HSBC Amanah EXCO. Any follow up actions resulting from these complaints are also presented for discussion and decisioning purposes. We want to ensure that all customer complaints received are always understood and recorded so that we are able to learn and make improvements where needed.

**Sources:**

1. [2020 HSBC Statement on Modern Slavery and Human Trafficking](#)
2. [Reference to the supplier conduct](#)

## **Environment**

As part of the HSBC Group, HSBC Amanah holds true to the values and purpose of the Group and is fully committed and aligned to the Group's sustainability strategy in becoming a net zero bank. The Group's resolution on net zero was supported by 99.71% of the shareholders.<sup>3</sup>

### **Background**

In 2020, HSBC Group set out an ambitious plan to prioritise financing and investment that supports the transition to a net zero global economy. This aims to build a thriving, resilient future for the environment, society and businesses.

At a local level through HSBC Amanah, we officially embarked on our sustainability journey in 2017 following the adoption of the VBI framework. VBI is an initiative championed by the Central Bank of Malaysia, Bank Negara Malaysia (BNM), to redefine Islamic finance and to encourage Islamic banks in Malaysia to shift away from a profit focused (bottom line) mindset to a new and holistic direction that looks at the impact of banking to both people and the planet whilst also ensuring profit returns for shareholders.

As one of the founding members of the VBI Community of Practitioners, HSBC Amanah played a vital role in assisting BNM in designing the first VBI draft strategy paper for the industry. We fully support VBI and are focused on delivering shared value for the communities we serve and the environment we live in both today and in the future. The fundamentals of VBI are also in strategic alignment with HSBC Group's sustainability commitment where VBI is considered as an enabler for HSBC in Malaysia to accelerate the Group's sustainability agenda.

### **Becoming the Group's first sustainable bank by 2022**

Building upon the work HSBC Amanah has done with VBI, HSBC Amanah aspires to further scale up the sustainability agenda to deliver more significant impact in the industry. We have done this by unveiling an ambitious 24-month bank wide initiative called 'Cocoon'.

Launched in 2020, 'Cocoon' aims to transition HSBC Amanah into the Group's first sustainable entity by 2022. Given that there is no global standard definition of a sustainable bank, HSBC Amanah aims to develop our very own Triple Bottom Line (TBL) framework to achieve our goals under 'Cocoon' by achieving at least 51% of our financing classified as TBL assets by 2022.

By having 51% TBL financing assets, this will help us check whether the financing assets we hold are truly delivering the TBL of 'planet, people and prosperity'. The framework we are currently developing will help the Bank to meet the requirement set by the Central Bank of Malaysia to assess

and categorise economic activities according to the extent to which they meet climate objectives and promote the transition to a low-carbon economy under the local regulator's Climate Change and Principle-based Taxonomy (CCPT) which is focused on climate change and its impact on businesses and the broader economy whilst acknowledging concrete efforts and commitments by businesses to adopt sustainable practices through the progressive system of transition categories.

Through this framework, HSBC Amanah is targeting to help and support its clients to transition into more sustainable ways of doing business by collectively building a thriving low carbon economy. The initiative is also in line with fulfilling the Group's ambition of achieving net zero in its operations and supply chain by 2030 and net zero in financed emissions in 2050 and more broadly support Malaysia's climate ambition.

#### **Measurement of outcome:**

##### **a) Customised financing solutions through product innovation**

The development of our products and services as well as our operations are aligned to Shariah principles as we focus on creating positive long-term impact towards the '3P's under the TBL classification (people, planet and prosperity). In line with our commitment to deliver on our sound values to our customers, we ensure that our products and propositions are developed with customers and the environment in mind. Hence, we innovate products that match our aspiration to offer products and services that are values based.

#### **2017:**

##### **▪ Takaful Future Secure, Industry's First VBI Related Product**

To reflect HSBC Amanah's commitment to financing projects that benefit communities and the environment in line with HSBC Group's responsibility to help finance global sustainable development, HSBC Amanah developed the industry's first VBI related product, Takaful Future Secure, the first plan of its kind in the takaful market in 2017. This plan ensures that the wealth accumulated by our customers is protected and can be transferred to their loved ones for them to secure a brighter future. Customers can expect stable returns with this plan to help steadily grow their assets and secure their financial legacy planning and allocation. It is a universal solution for both Muslims and Non-Muslims for their legacy preferences. The funds are invested in a transparent and ethical manner that is socially desirable and is an example of VBI in action, addressing a social need and creating a positive societal impact.

#### **2018:**

##### **▪ World's First United Nations Sustainable Development Goals (UN SDG) Sukuk by a Financial Institution**

HSBC Amanah issued UN SDG Sukuk in 2018, world's first by a Financial Institution, for an issuance size of MYR500 million. The sukuk proceeds are used to finance businesses and projects that align with HSBC's SDG Bond framework namely, Good Health & Well-Being (SDG 3); Quality Education (SDG 4); Clean Water & Sanitation (SDG 6); Affordable & Clean Energy (SDG 7); Industry, Innovation & Infrastructure (SDG 9); Sustainable Cities & Communities (SDG 11); and Climate Action (SDG 13). The landmark award winning issuance marked a milestone in aligning Islamic finance with the SDGs, and set a new benchmark in the Global Sukuk market.

**2019:****▪ First Islamic ESG Structured Product in Malaysia**

The following year, in 2019, HSBC Amanah introduced MYR Principal Protected Participation Floating Rate Islamic Negotiable Instruments (“FRINI”) linked to Hang Seng Corporate Sustainability Index, an ESG Islamic Structured product, which was the first in the Malaysian market. The product enables customers to obtain potential return that is linked to the performance of an ESG related index, providing them an opportunity to invest in a product that matches their values when it comes to environment and social causes.

**2020:****▪ Market Leading Sustainability-Linked Financing (SLF)**

In 2020, HSBC Amanah acted as the sole sustainability structuring bank for a market leading SLF for a leading energy solutions provider, Yinson Holdings Berhad. The MYR200 million financing provided by HSBC Amanah was a major milestone in supporting Yinson’s vision of building a sustainable business in offshore production and more recently, renewables. SLF allows customers to benefit from improved pricing upon achieving agreed sustainability performance targets and conversely punitive pricing should the targets not be met.

**▪ HSBC Group’s First ASEAN Green Sustainable and Responsible Investment (SRI) Sukuk**

HSBC Amanah arranged Group’s first ASEAN Green SRI Sukuk of MYR260 million for Leader Energy Sdn Bhd, an investment holding company fully owned by HNG Capital Group that is focused on renewable power generation. The proceeds of the sukuk was used to refinance existing HSBC facilities which were granted to support the development of two large scale solar photovoltaic power projects in Kuala Muda, Kedah. In addition to being the first ASEAN Green SRI Sukuk in the Malaysian capital markets in 2020, it was also accorded a ‘Gold’ sustainability bond rating, the highest grade of MARC’s Impact Bond Assessment methodology.

**▪ Economic, Social and Governance (ESG) Credit Card**

To enable our retail customers to make a positive and sustainable difference to our environment and communities, we have created a new innovative feature for our credit cards through HSBC Amanah’s ESG charity feature. We have partnered with Incitement, a social business organisation that aims to bridge the gap between sustainability and technology in the ESG-driven economy, to create a dedicated digital platform for customers to support local non-profit organisations. For every charitable donation made by cardholders on their HSBC Amanah Credit Cards, HSBC will donate 1% of the charity spend to the selected local charities/non-profit organisations.

Through this initiative, HSBC Amanah become the first Islamic international bank in Malaysia to link a charity feature with its recycled plastic credit cards. HSBC Amanah is also the first within the HSBC Group to launch credit cards made from 85% recycled plastic starting from 2021. With this pioneering move, we expect to reduce the carbon emissions from our credit card production in 2021 and in the subsequent year, further contributing to our efforts in becoming HSBC Group’s first sustainable banking entity by the end of 2022.

## **b) Non-financial Disclosures**

### **2019:**

#### **▪ VBI Disclosure**

HSBC Amanah took the lead to further accelerate the ESG and VBI agenda in 2019 when we published our first VBI Disclosure, the first by any bank in Malaysia. This disclosure served as a voluntary non-financial disclosure to showcase our values and principles as a responsible financial institution in fulfilling the wider societal obligations. The Disclosure also looks to advance our financial reporting practices to ensure it is aligned to the Bank's values guided by our established ESG and sustainability metrics. The transparency and articulation of our key initiatives in support of sustainable growth helps our wider stakeholders to understand our focus in moving towards a more sustainable low-carbon economy.

## **c) External Advocacy, Membership and Awards**

#### **▪ Joint Committee on Climate Change (JC3)**

Our efforts focused on driving the sustainability agenda in Malaysia have also led HSBC Amanah becoming a member of the JC3 since 2019. HSBC Amanah was selected in 2020 to chair the JC3 Sub-committee 4 (SC4) on Capacity Building and Engagement and has also served as the SC4 lead secretariat from 2020 until 3Q2021. HSBC Amanah has been recently elected to chair the sub-committee again moving forward.

JC3 is a joint initiative co-chaired by the Central Bank of Malaysia and Securities Commission Malaysia to pursue collaborative actions for building climate resilience within the Malaysia financial sector. In 2020, under the ASEAN Low Carbon Energy Programme, HSBC Amanah in collaboration with other key players in the sector have successfully delivered a series of Level 1 capacity building programmes targeted mainly at financial institutions to increase awareness on climate-related risk, climate risk management and climate risk disclosure.

#### **▪ Member of the United Nations Global Compact (UNGC)**

HSBC Amanah is also the first international bank in Malaysia to become an official member of the UNGC via UNGC's local chapter, the Global Compact Malaysia (GCMY) in 2020. This further demonstrates the Bank's commitment in upholding the ten principles of the UNGC in 4 key areas i.e. human rights, labour, environment and anti-corruption through the annual production of the Communication on Progress (CoP).

#### **▪ Awards and recognitions**

Some of the key recognitions in the sustainability space received by HSBC Amanah include 'Islamic ESG Bank of the Year' by The Asset Triple A Islamic Finance Award 2020 and 'Islamic Finance House of the Year' by FinanceAsia Achievement Awards 2020.

## **d) Decarbonisation of HSBC Malaysia and HSBC Amanah's Supply Chain**

For our 2030 Group's ambition, we have three elements to our strategy: reduce, replace and remove. We plan to focus on reducing carbon emissions from consumption, and then replacing remaining emissions with low-carbon alternatives in line with the Paris Agreement goal. We plan to remove the remaining emissions that cannot be reduced or replaced by procuring high-quality offsets at a later stage.

In support of Group's strategies, there is an ongoing initiative to de-carbonise the supply chain across all entities under HSBC Malaysia through digitalised operational processes and a reduction in printing and usage of paper. Simplification of bank processes through a

digitisation strategy has led to a reduction in paper consumption. For example, we have simplified branch processes, replaced paper forms with Smart e-Forms and replaced the need for a wet signature with biometrics and e-signature. These initiatives are being tracked under 'Cocoon'.

We support our customers' transition to lowering carbon through transition financing, which is financial support that helps even the most heavy-emitting companies take action to become more environmentally sustainable over time. This is in support of HSBC Group's target to provide between USD750 billion and USD1 trillion of sustainable financing and investment over the next 10 years for customers in all sectors to support them to progressively decarbonise. In 2020, HSBC Amanah has provided USD46 million worth of new sustainability linked financing.

e) **Environmental-related projects being funded** – as part of HSBC Malaysia-led initiatives at country level.

- **Restoration of North Selangor Peat Swamp Forest (NSPSF) through Community-Based Peatlands Water Management and Rehabilitation – in partnership with Global Environment Centre (GEC) since 2011.**

HSBC Malaysia has been providing close to MYR3million of funds to this project that primarily addresses the peatland degradation problems faced in NSPSF. At the same time, it addresses (i) biodiversity conservation of the areas and mitigates climate change; (ii) poverty and marginalisation of forest members and local communities in natural resources management which leads to lack of access to nature based/related income-generating activities; (iii) insufficient capacity and mechanisms for engagement of local communities in peatland management.

Since the commencement of the programme in 2011, more than 20,000 volunteers have taken part in many tree planting events that have successfully planted about 40,000 trees (Mahang (Macaranga Pruinosa) and Tenggek Burung (Melicope lunu-ankenda) within the forest area covering approximately 60 hectares. This programme also offered great opportunities and hands-on experiences to the volunteers to explore and appreciate the roles, ecological functions and the importance of the Raja Musa Forest Reserve to the well-being of the local ecosystem and communities.



Measurable Impact of the project on UN SDGs:

SDG no.	Target no.	How will the project help achieve the selected target?
3	3.9	This project support this target about health aspect through reduce fire risk on peatland and transboundary haze
4	4.7	This project support this target about educational aspect through adopt environmental education (EE) as one part of sustainable development education
5	5.5	This project support this target about gender equality aspect through empower the women capacity in environmentalism
6	6.1, 6.2, 6.3, & 6.4	This project support this target about clean water and sanitation aspect through increasing the water level on degraded peat swamp forest & enhance the capacity of peat swamp forest as water catchment area
8	8.9	This project support this target about good jobs and economic growth aspect through generate side income for local communities in sustainable livelihood option such as tourism and local product
11	11.a	This project supports this target about sustainable cities and community's aspect through community involvement via local authority's legality in improving district and state planning development specifically environmental issues.
12	12.6	This project support this target about responsible consumption and production pattern (C&P) aspect through linking the CSR programme with Global Reporting Initiative (GRI)
13	13.3 & 13.b	This project support this target about climate action aspect through additional curriculum activities and environmental awareness programme at school
15	15.1, 15.2 15.5 & 15.9	This project supports this target about live on land aspect through sustainable forest management and use, rehabilitate the degraded peat swamp forest and reduce the GHG emission. This project did wildlife survey to keep track the endangered species from trafficking and poaching activities.
16	16.7	This project support this target about peace and justice aspect through community based project as a platform to voice out the local environmental issues
17	17.9 & 17.17	This project supports this target about partnerships for the goals aspect through strengthening the South-south Cooperation to transfer the technological and scientific inputs in developing countries via enhancing public private partnership / smart partnership with civil societies and sectoral level.

Source:

3. <https://www.hsbc.com/news-and-media/hsbc-news/shareholders-back-hsbcs-net-zero-commitments>

## Anti-Corruption

### Compliance

HSBC Holdings plc and the wider Group are committed to high standards of ethical behaviour and have zero tolerance towards bribery and corruption. HSBC requires compliance with all anti-bribery and corruption laws in all markets and jurisdictions in which it operates. These laws include the UK Bribery Act, the US Foreign Corrupt Practices Act and the HK Prevention of Bribery Ordinance, as well as other similar laws and regulations in the countries where we operate, including Malaysia.

HSBC's Global Anti-Bribery and Corruption compliance programme (AB&C Programme) and policies are overseen by the HSBC Holdings plc Board. The policy incorporates the results of regular risk assessments and emphasises that books and records must be fair, accurate, and kept in reasonable detail. HSBC requires all employees, including the Board of Directors and Associated Persons, to comply with the principles in the policy in the performance of their services for or on behalf of HSBC.

HSBC's Global AB&C Programme includes the following statement of overarching key principles:

All activity:

- Must be conducted without intent to bribe or corrupt;
- Must be reasonable and transparent;
- Must not be considered lavish or disproportionate to the professional relationship;
- Must be appropriately documented with business rationale; and
- Must be authorised at an appropriate level of seniority.

Furthermore, it is unethical, illegal, and contrary to HSBC principles and good corporate governance to bribe or corrupt others, including to:

- Offer, promise, give or authorise others to give or agree with anyone else to offer, promise, give or authorise others to give, anything of value, directly or indirectly, to any party, or to influence any public official; or
- Solicit or receive anything of value, directly or indirectly, from any party; or
- Offer or provide a facilitation payment (exceptions may be permitted in limited circumstances where an employee's health, safety and/or liberty is at risk),

in order to improperly obtain or retain business or otherwise gain an unfair advantage in business. Based on the principles above, the AB&C Programme imposes requirements under four risk pillars:

**Employee Risk:** All HSBC entities and individuals are required by policy to have appropriate controls in place to manage risks and maintain records when offering or accepting gifts, entertainment, sponsorships, travel & accommodation or other advantage or when engaging in charitable giving, political expenditure or recruitment.

In connection with recruitment, it must be merit-based, fair, and in keeping with the stringent hiring standards applied by HSBC. Hiring, in paid or unpaid, temporary or permanent roles, must not be used to improperly influence third parties or to improperly obtain or retain business or an advantage in business.

**Third Party Risk:** All HSBC entities and individuals are required by policy to ensure that appropriate due diligence and controls are applied to any third party they engage, to ensure that they comply with the letter and spirit of applicable anti-bribery legislation and regulation. When a third party

performs services for or on behalf of HSBC, additional controls are applied to manage the enhanced risks from Associated Persons.

**Strategic Risk:** All HSBC entities and individuals are required by policy to apply controls in order to protect against bribery and corruption risks, in areas such as strategic proprietary investments, acquisitions, disposals, joint ventures and the development of products & services.

**Customer Risk:** All HSBC entities and individuals are required by policy to ensure that Bribery & Corruption risks identified from customer behaviour or the provision of products and services to Customers are effectively managed through the application of controls.

**Measurement of outcome:**

As part of the prevention, identification and remediation of AB&C issues, mandatory training is conducted throughout HSBC, in addition to targeted training tailored to the roles of the individuals.

HSBC carries out regular, risk assessments, monitoring and testing of its AB&C programme.

HSBC also maintains clear whistleblowing policies and processes, to ensure that individuals can confidentially report concerns, with no fear of retribution, confident that they will be investigated and remediated appropriately.

**Source: HSBC Group Anti- Bribery and Corruption Policy Statement**