

Board decision making and engagement with stakeholders

Our Board is committed to effective engagement and seeks to understand the interests of and impacts on relevant stakeholders when making decisions.

Section 172 (1) statement

This section, from pages 22 to 24, forms our section 172 statement. It describes how the Directors have performed their duty to

promote the success of the company, including how they have considered and engaged with stakeholders and, in particular,

how they have taken account of the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Stakeholder engagement and Covid-19

There were no changes to the Board's identified key stakeholders during the year, namely our customers, employees, investors, communities, suppliers, and regulators and governments. In overseeing the business, the Board sought to understand – and have appropriate regard to – the interests and priorities of these stakeholders, including in relation to material decisions that were taken during the course of the year.

Events during the year called for careful consideration of the needs and interests of the company's various stakeholders. A specific area of focus arising from the Covid-19 pandemic included our colleagues' mental and physical health, which the Board monitored by way of frequent Snapshot and pulse surveys, and discussions with senior management on the well-being of their teams. Another area of Board focus, supported by guidance from subject matter experts, was the evolving views and requirements of our customers, investors, employees, communities and suppliers. The effects of the Covid-19 outbreak on these stakeholders contributed to the development

of our Group strategy and purpose and values. For further details of how the Board engaged with stakeholders in adapting our Group strategy and refreshing our purpose and values, see 'Board engagement with shareholders' on page 204 of our *Annual Report and Accounts 2020*.

The unique nature of the Covid-19 outbreak also brought logistical challenges for interacting with stakeholders. For instance, to protect and keep our shareholders and people safe and in line with the advice from the UK Government, it was not possible for shareholders to attend our AGM. Consequently, shareholders did not have the opportunity to ask questions of the Board in person, although alternative arrangements were made to publish responses to written questions on our website. Similarly, it was not possible to hold the Informal Shareholders' Meeting in Hong Kong nor for the Board to undertake site visits due to travel restrictions. In addition, the financial impact of the pandemic brought into sharp focus the need to consider carefully the impact of decisions on a

range of stakeholders. For example, the decision to cancel the fourth interim dividend for 2019 and suspend dividends for 2020 required consideration of the request from the Prudential Regulation Authority to cancel the dividend, the impact the decision would have on our shareholders and the important role that HSBC has in helping its customers manage through the crisis. Further details on the dividend cancellation are provided in 'Financial decisions' on page 209 and 'Dividends' on page 256 of our *Annual Report and Accounts 2020*.

Despite logistical challenges, the Board continued to engage directly with many stakeholders, including employees, regulators and shareholders, and was kept informed indirectly about relevant stakeholder matters through management reports. Some of the ways in which the Board engaged with – or received views – from its key stakeholders during the year are provided below. Further details on our stakeholders are provided in 'How we do business' on page 17.



Customers

Our business is centred around our customers and clients. The greater the understanding we have of their needs and the challenges they face, the better we can support them to achieve their financial aims. Examples of the Board engaging with customers in 2020 included:

- monthly Group Chief Executive Board reports, which included updates on key customer sentiment and activities;
- reports from the Group Chief Executive on meetings he held with customers across the world, including pre-Covid-19 interactions and Covid-19 safe physical meetings in the UK and Asia;
- regional and sector-based customer insights developed through customer interactions with senior management and relationship managers, which were incorporated into relevant Board reports; and
- customer survey feedback, including the results of our 2020 Navigator survey and net promoter scores.



Employees

We want our organisation to continue to be a positive place to work and build careers. The success of the Group's strategy is dependent upon having motivated people with the expertise and skills required to help deliver our strategy. Examples of the Board's engagement with our employees in 2020 included:

- 'Snapshot' survey updates on employee sentiment and well-being, which were published twice during the year;
- additional employee opinion surveys to assess employee physical and mental well-being;
- status surveys to assess how employees might be affected by the Covid-19 outbreak so that they can be supported appropriately;
- virtual and Covid-19 safe attendance by our Board members at workforce engagement events focused on our global businesses, functions and employee resource groups; and
- reports from members of senior management on the welfare of their teams and areas of expertise and skills that required development to deliver the strategy.



Investors

We seek to understand investor needs through ongoing dialogue. Examples of the Board engaging with investors in 2020 included:

- virtual and Covid-19 safe regular meetings with investors to understand evolving views, trends and sentiment;
- reports from institutional investor meetings attended by Directors; and
- regular updates from Investor Relations, including a weekly update on market activity and sentiment.