Environmental, social and governance review

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Our ESG reporting

We have changed how we report this year by embedding the content previously provided in our stand-alone *ESG Update* within our *Annual Report and Accounts*. This is to further demonstrate that how we do business is just as important as what we do. In response to the feedback from our investors, we are publishing a more extensive breakdown of ESG information in a supplementary *ESG Data Pack* for the first time alongside the ESG review, which can be found at www.hsbc.com/esg.

Our approach to ESG

We have sought to support our stakeholders through an unprecedented year, as we set a new climate ambition and refined our purpose, ambition and values to reflect our strategy.

About the ESG review

Our new purpose is: 'Opening up a world of opportunity'.

To achieve our purpose and deliver our strategy in a way that is sustainable, we are guided by our values: we value difference; we succeed together; we take responsibility; and we get it done.

We also need to build strong relationships with all of our stakeholders, who are the people who work for us, bank with us, own us, regulate us, and live in the societies we serve and the planet we all inhabit.

Having a clear purpose and strong values have never been more important, with the Covid-19 pandemic testing us all in ways we could never have anticipated.

We introduced payment relief measures to our customers as part of government-backed and our own schemes, which impacted 87,000 personal accounts and $5.5bn in balances, as at the end of 2020. We also provided $35.3bn of lending support to more than 237,000 wholesale customers. For our colleagues, we adapted to new ways of working and provided extra support and resources to manage their mental and physical health. We also announced our climate ambition of net zero by 2050, but we know this is a journey and that the current means of tracking emissions globally need improving.

In this Environmental, Social and Governance ('ESG') review, we aim to set out our approach to our climate, customers, employees and governance.

Environmental

- We announced our net zero climate ambition and increased our climate disclosures under TCFD, but we recognise more work is needed as methods to measure progress evolve.
- We surpassed our goal of reducing CO_2 per FTE to 2.0 tonnes in 2020, although we acknowledge this was mainly due to the consequences of the Covid-19 pandemic.

Read more in the Climate section on page 44.

Social

- The customer shift to digital accelerated, with 54% of retail customers digitally active in 2020. Mobile app downloads of our core business digital platform, HSBCnet, rose 146%.
- An increase in complaints in certain markets reflected a challenging year, but we continued to embed new ways of capturing feedback.

Read more in the Customers section on page 52.

- Employees responded to our Snapshot surveys at a record rate, and our employee advocacy rose five points to 71%.
- We met our target of 30% women in senior leadership roles, and published ethnicity data in the UK and US. We recognise we need to take action, and aim to at least double the number of Black employees in senior leadership roles by 2025.

Read more in the Employees section on page 62.

Governance

- Our pioneering scheme to help survivors of human trafficking is used as a model for making financial services more accessible.
- In seeking to safeguard the financial system, we screen over 708 million transactions each month for signs of money laundering and financial crime.

Read more in the Governance section on page 70.

How we decide what to measure

We listen to our stakeholders in a number of different ways, which we set out in more detail within the ESG review. We use the information they provide us to identify the issues that are most important to them – and consequently also matter to our own business.

Our ESG Steering Committee and other relevant governance bodies regularly discuss the new and existing themes and issues that matter to our stakeholders. Our management team then uses this insight, alongside the framework of the ESG Guide (which refers to our obligations under the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) to choose what we measure and publicly report in this ESG review.

Recognising the need for a consistent and global set of ESG metrics, we have committed to start aligning to World Economic Forum core metrics from next year.

Under the ESG Guide, 'materiality' is considered to be the threshold at which ESG issues become sufficiently important to our investors and other stakeholders that they should be publicly reported. We are also informed by stock exchange listing and disclosure rules globally. We know that what is important to our stakeholders evolves over time and we will continue to assess our approach to ensure we remain relevant in what we measure and publicly report.

For further information on our approach to reporting, see the 'Additional information' section on page 375.

Climate

We are powering new solutions to the climate crisis and supporting the transition to a low-carbon future, moving to carbon net zero ourselves and helping others to do so too.

At a glance

Our climate ambition
The transition to net zero carbon emissions creates a clear opportunity to set the global economy on a more sustainable, resilient and inclusive path. We have the ability to catalyse a resilient, vibrant future by financing the transformation of businesses and infrastructure to a low-carbon economy.

We have a strong track record of leadership in the transition to a low-carbon economy. In 2017, we committed that we would provide and facilitate $100bn of sustainable finance and investment by 2025. Since then, we have achieved $93.0bn of that goal, launched a number of award-winning products and been recognised as a leading bank for sustainable finance.

Achieving the scale of change required for the world to meet the Paris Agreement goal of net zero by 2050 will require us to go further and faster. As such, in October 2020, we set out a three-part plan to accelerate financing for the transition to net zero, underpinned by strong governance and risk management.

A summary of our fourth TCFD disclosure can be found on page 20 in our *Strategic Report*. The full *TCFD Update 2020* can be found at www.hsbc.com/esg.

Becoming a net zero bank

To achieve our ambition to be a net zero bank, we can make changes both in our own operations and for our customers through our financing portfolio. We aim to bring our operations and supply chain to net zero by 2030 or sooner, and align our financed emissions to the Paris Agreement goal to achieve net zero by 2050 or sooner.

Read more on becoming a net zero bank on page 45.

Supporting our customers through transition

The most significant contribution we can make to solving the climate crisis is supporting our customers to decarbonise, while helping to ensure their ongoing resilience and prosperity. Our aim is to provide between $750bn and $1tn of sustainable finance and investment by 2030 to support our customers to transition to lower carbon emissions.

Read more on supporting our customers through transition on page 48.

Unlocking climate solutions and innovations

We need new ideas to increase the pace of the transition to net zero. We are working with a range of partners to increase investment in natural resources, technology and sustainable infrastructure. We also plan to donate $100m to a programme that will support climate solutions to scale over the next five years.

Read more on unlocking climate solutions and innovations on page 50.

Our approach to sustainability policies

Our sustainability policies help define our appetite for business, and seek to encourage customers to meet good international standards of practice. In light of our new net zero ambition, we are undertaking a review of our sustainability risk policies. We have also removed an exception to our energy policy and are a signatory of the Equator Principles.

Read more on our approach to sustainability policies on page 51.

Awards and achievements

Euromoney Awards for Excellence 2020
World's Best Bank for Sustainable Finance (second consecutive year)
Asia's Best Bank for Sustainable Finance
Middle East's Best Bank for Sustainable Finance
Western Europe's Best Bank for Sustainable Finance

The Banker Investment Banking Awards 2020
Best Investment Bank for Sustainability Finance
Best Investment Bank for Green/Climate Action Bonds
Best Investment Bank for Sustainable SSA Financing

Environmental Finance Bond Awards 2020
Lead Manager for the Year for Green Bond Bank
Lead Manager for the Year for Green Bond SSA
Lead Manager for the Year for Sustainability Bond Local Authority/Municipality
Lead Manager for the Year for Sustainability Bond Bank
Lead Manager for the Year for Social Bond SSA

Becoming a net zero bank

Securing the future of our planet – and economic resilience and prosperity – depends on the transition to a net zero global economy. The Intergovernmental Panel on Climate Change, a United Nations body, indicated that in order to avoid the worst impacts of climate change, we need to reduce global greenhouse emissions by 45% by 2030, and achieve net zero by 2050.

Our net zero ambition

In October 2020, we announced our ambition to become net zero in all direct and indirect emissions, known as scope 1, 2 and 3 emissions. We aim to deliver this by achieving net zero in our operations and our supply chain by 2030 or sooner. We also plan to align our financed emissions – the carbon emissions of our portfolio of customers – to the Paris Agreement goal of net zero by 2050 or sooner.

We have outlined on the following page a set of metrics and indicators against which we plan to report progress towards our climate ambition. We continue to make regular TCFD-aligned disclosures and have published our fourth disclosure, a summary of which is on page 20. Our stand-alone *TCFD Update 2020* is available at www.hsbc.com/esg.

We understand that achieving net zero requires not just emissions reduction but investment in carbon offsets for a balanced transition. However, the world currently lacks both a globally consistent, future-proofed standard to measure financed emissions and a fully functional carbon offset market. We are working closely with our peers, central banks and industry bodies to mobilise the financial system around these important goals.

Reduce, replace and remove

To achieve net zero carbon emissions in our operations and our supply chain, we are building on the set of reduction targets that we set in 2011 to reduce environmental and carbon impacts from our operations by 2020. Among other achievements, we reduced carbon emissions from energy and travel per FTE by 49.6% from the 2011 baseline. For further details on our progress, see www.hsbc.com/who-we-are/our-climate-strategy/becoming-a-net-zero-bank.

For our 2030 ambition, we have three elements to our strategy: reduce, replace and remove. We plan to first focus on reducing carbon emissions from consumption, and then replacing remaining emissions with low-carbon alternatives in line with the Paris Agreement goal of limiting global warming to below 1.5°C. We plan to remove the remaining emissions that cannot be reduced or replaced by procuring high-quality offsets at a later stage.

We will compare our success against our carbon emissions in 2019, including scope 1, 2 and 3 emissions. We will use 2019 figures as a baseline due to the Covid-19 outbreak affecting working behaviours, which helped to drive further reductions reflected in 2020 results. For our 2019 baseline, our operational emissions were mainly composed of energy (approximately 16%), travel (approximately 6%) and supply chain emissions (approximately 78%). We are in the process of reviewing our supply chain methodology and we will be updating our 2019 baseline, accordingly. We will take into consideration cabin class in our recording of travel emissions, including the baseline, as it represents a more accurate representation of our air travel emissions.

Reducing our operational emissions

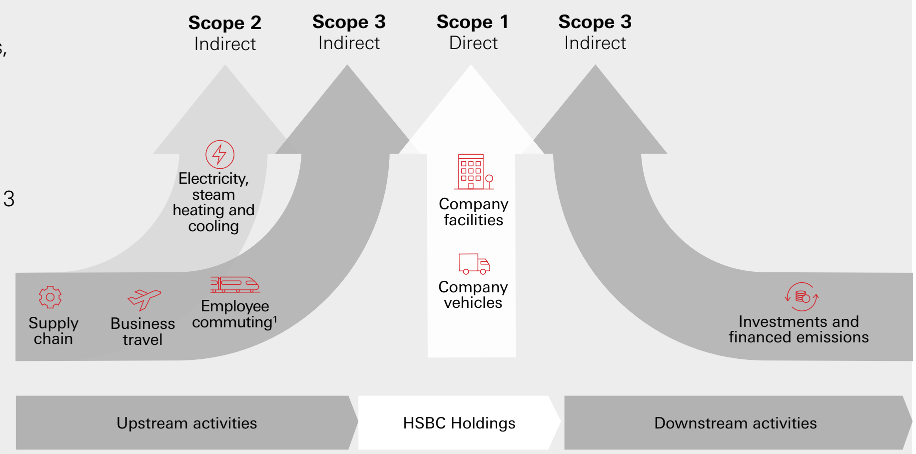
In 2017, we committed to achieving 100% renewable power across our operations by 2030, joining other global companies in the RE100 initiative. As electricity currently makes up 92% of our energy emissions, our aim is to reduce electricity consumption by 50% over the next 10 years. We plan to then transition the remainder to renewable energy. In 2020, 37.4% of our electricity was renewable, mainly due to our power purchase agreements of wind and solar energy in the UK, Mexico and India. We plan to continue to build our power purchase agreements portfolio and expand our purchase of green tariffs in markets where these are available.

The majority of our travel emissions are concentrated in air travel, which fell in 2020 due to the Covid-19 outbreak. As travel restrictions are lifted, we expect our travel emissions to rise. However, we will continue to encourage the use of technological solutions where possible to provide connectivity with colleagues and customers.

Explaining scope 1, 2 and 3 emissions

To measure and manage our carbon emissions, we follow the Greenhouse Gas Protocol global framework, which identifies three scopes of emissions. Scope 1 represents the direct emissions we create. Scope 2 represents the indirect emissions resulting from the use of electricity and energy to run a business. Scope 3 represents indirect emissions attributed to upstream and downstream activities taking place to provide services to customers. Our upstream activities include business travel and emissions from our supply chain including transport, distribution and waste. Our downstream activities are those related to investments and financed emissions.

For further details, see our *ESG Data Pack* at www.hsbc.com/esg.



1 HSBC-sponsored shuttles only

Becoming a net zero bank continued

Working with our supply chain
As the majority of our emissions are within our supply chain, we know we cannot achieve our net zero goal without our suppliers joining us on our journey. Our supplier emissions are currently calculated using a methodology based on supplier spend. In 2020, we began the three-year process of targeting our largest suppliers, representing 60% of our annual supplier spend, to encourage them to make their own carbon commitments, and to disclose their emissions via the CDP supply chain programme. This programme will allow us to work with our suppliers to understand their commitment to carbon emission reduction, to educate those that are starting their journey, and to collaborate with those that are leading in this area.

Our lending portfolio
At the heart of our climate plan is a goal to align our financed emissions to the Paris Agreement goal of net zero by 2050 or sooner. This means making financing decisions with a consideration for climate change, and intensifying our support for customers in their transition to lower carbon emissions.

In 2017, we pledged to provide and facilitate $100bn of sustainable finance and investment by 2025 to support our customers as they switch to more sustainable ways of doing business, and by the end of 2020 we had already achieved $93.0bn of that ambition. In October 2020, we set ourselves a new target of providing between $750bn and $1tn in sustainable finance and investment by 2030 (for further details, see page 48).

We will work with our portfolio of customers to provide expert advice and support them on their transition to lower carbon emissions, while taking into account the unique conditions for customers across developed and developing economies. To do this, we will increase our portfolio of transition finance solutions to help even the most heavy-emitting sectors to progressively decarbonise, while helping to ensure a just and stable transition to maintain economic stability.

Included within the $100bn facilitation total is $2.8bn-worth of advisory services on HSBC-issued green/SDG bonds. Our green bond report summarises and our asset register lists the loans that underpin our issuances. The latest report includes $1.6bn of balances as at 30 June 2020 that have been included within the financing total. The green report and asset register are available at: www.hsbc.com/our-approach/esg-information/esg-reporting-and-policies.

Our carbon dioxide emissions in 2020
We report our carbon emissions following the Greenhouse Gas Protocol, which incorporates the scope 2 market-based emission methodology. We report carbon dioxide emissions resulting from energy use in our buildings and employees' business travel.

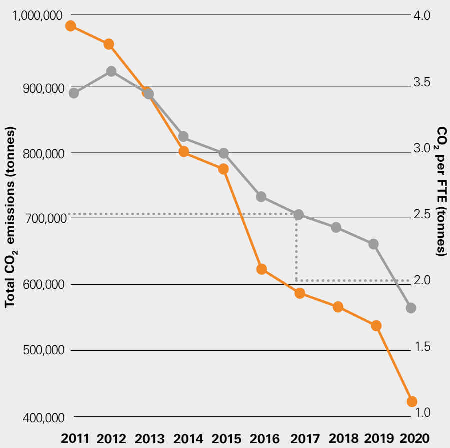
In 2020, we surpassed our carbon emissions target of 2.0 tonnes per FTE, achieving 1.76 tonnes per FTE. This was mainly attributed to travel restrictions and the reduction of usage of our buildings due to the Covid-19 outbreak. We also implemented over 600 energy conservation measures that amounted to an estimated energy avoidance in excess of 15 million kWh.

In 2020, we collected data on energy use and business travel for our operations in 28 countries and territories, which accounted for approximately 93% of our FTEs. To estimate the emissions of our operations in countries and territories where we have operational control and a small presence, we scale up the emissions data from 93% to 100%.

We then apply emission uplift rates to reflect uncertainty concerning the quality and coverage of emission measurement and estimation. The rates are 4% for electricity, 10% for other energy and 6% for business travel. This is consistent both with the Intergovernmental Panel on Climate Change's Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories and our internal analysis of data coverage and quality.

Further details on our methodology, our third-party assurance report and relevant environment key facts found in our *ESG Data Pack* can each be found at www.hsbc.com/esg.

Carbon emissions (total and FTE)



Key:
Total CO_2 emissions (tonnes)
CO_2 per FTE (tonnes)
The 2020 target was set at 2.5 CO_2 tonnes/FTE until 2017, when the target was stretched to 2.0 CO_2 tonnes/FTE

Carbon dioxide emissions in tonnes

		2020	2019
Total	▼	**406,000**	530,000
From energy	▼	**363,000**	414,000
Included energy UK	▼	**8,000**	10,400
From travel	▼	**43,000**	116,000

Carbon dioxide emissions in tonnes per FTE

		2020	2019
Total	▼	**1.76**	2.26
From energy	▼	**1.57**	1.76
From travel	▼	**0.19**	0.5

Energy consumption in GWh

		2020	2019
Total Group	▼	**928**	1,050
UK only	▼	**247**	281

Becoming a net zero bank continued

Measuring our progress
We are using several metrics to measure our progress of our net zero journey, including our carbon emissions, renewable energy sourced for our operations, balance sheet exposure to carbon-intensive sectors and progress made against our sustainable finance commitment.

We intend to develop clear, measurable pathways to net zero within our financing portfolio, using the Paris Agreement Capital Transition Assessment ('PACTA') tool, which measures the alignment of relevant sectors with net zero.

In 2020, we began to apply PACTA to the relevant segments of our loan book, starting with the automotive sector, to build our knowledge of the tool and improve our understanding of its effectiveness and limitations (for further details, see page 18 of our *TCFD Update 2020*).

We know this is a journey and recognise that the current means of measurement of financed emissions globally need improving to track reductions better. Over the course of 2021, we will be refining our approach to financed and supply chain emissions, formalising the qualifying criteria for sustainable finance, and enhancing reporting on investments.

In the following table, we set out our ambition, the metrics and indicators we used in 2020 to measure our progress, and the metrics and indicators we aim to develop in future to measure our progress.

Ambition	Metrics and indicators used in 2020	Metrics and indicators to be developed in 2021
Becoming a net zero bank[1] Be net zero in our operations and supply chain by 2030 or sooner	– CO_2 emissions per FTE across scope 1, 2 and 3	– Supply chain emissions
	– Absolute CO_2 emissions across scope 1, 2 and 3	
	– Percentage of renewable electricity sourced	
Align our financed emissions to achieve net zero by 2050 or sooner	– Illustrative PACTA results for our automotive book. (For further details, see pages 18 and 19 of our *TCFD Update 2020*.)	– Net zero alignment of our financing portfolio
	– Percentage of wholesale loans and advances in high transition risk sectors. (For a breakdown by sector, see page 9 of our *TCFD Update 2020*.) – Illustrative impacts of climate scenarios on our transition risk sectors. (For further details of our scenario analysis, see pages 14 to 16 of our *TCFD Update 2020*.)	
Supporting our customers Support our customers in the transition to a sustainable future with $750bn to $1tn of sustainable finance and investment by 2030	– Sustainable finance and investment provided ($bn). (For further details of our progress, see pages 48 to 50.)	
	– Ranking in Dealogic green, social and sustainable bond league tables[2]	
Unlocking new climate solutions Help transform sustainable infrastructure into a global asset class, and create a pipeline of bankable projects	– Established HSBC Pollination Climate Asset Management with the aim to launch the first fund in mid-2021. (For further details, see page 50.)	– Cleantech investment within our technology venture debt fund – Philanthropic programme to provide scale to climate innovation ventures, renewable energy, and nature-based solutions

1 Our reported CO_2 emissions in 2020 related to energy and business travel. For further details on scopes 1, 2 and 3, and our progress on carbon emissions and renewable energy targets, see pages 45 and 46.

2 Dealogic ranking based on apportioned bookrunner value, excluding self-issuances.

Supporting our customers through transition

Our ability to finance the transformation of businesses and infrastructure is key to building a sustainable future for our customers and society. The most significant contribution we can make to this is supporting our portfolio of customers to decarbonise within the transition to a net zero global economy.

A leader in sustainable finance
We are a recognised leader in sustainable finance, helping to pioneer the market for green, social and sustainable bonds and attaching ambitious environmental targets to business loans. We maintained leadership in green, social and sustainable bonds, ranking third globally in 2020, according to Dealogic on an excluding self-mandated basis. We also set up HSBC Pollination Climate Asset Management, the first large-scale venture to invest in natural capital as an asset class (see page 50). We have been recognised as the World's Best Bank for Sustainable Finance by *Euromoney* in 2019 and 2020.

In 2020, we continued to expand the horizons of sustainable finance. We helped the Egyptian government launch the first sovereign green bond in the Middle East and supported Henkel, a German household goods company, to issue the world's first plastics reduction bond (see page 76). We also issued the first transition Islamic bond to enable Etihad, a Middle Eastern airline, to become more sustainable (see page 266). As we set out below, we are intensifying our support to customers as they transition to lower carbon emissions.

Our vision is to help create a vibrant, thriving and resilient future that opens up opportunities for new skills, ideas and jobs to thrive. Providing transition finance solutions, particularly in emerging markets where the opportunity is greatest, is core to our climate strategy.

Transition solutions
In 2017, we committed to providing and facilitating $100bn of sustainable finance and investment by 2025. At the end of 2020, we had fulfilled $93.0bn of this commitment, comprising $66.9bn through facilitating the flow of capital and providing customers access to capital markets, and $20.0bn in financing and $6.1bn in investments to support environmental and social goals.

Our sustainable finance commitment has enabled sustainable infrastructure and energy systems, financed the transition towards net zero emissions by promoting decarbonisation efforts across the real economy, and enhanced investor capital through sustainable investments.

We recognise that more and faster action is needed to achieve the Paris Agreement goal of net zero by 2050 or sooner. That is why in October 2020 we announced our ambition to provide between $750bn and $1tn of sustainable finance and investment over the next 10 years. This new commitment builds on our 2017 target. Our new commitment incorporates sustainable finance and investment of $40.6bn in 2020, which also contributed to our initial 2017 target, as well as additional products of $3.5bn.

Our sustainable finance and investment in 2020 for our updated target comprises 23% green and sustainability-linked lending to companies, 9% investments we manage and distribute on behalf of investors, and 68% facilitating the flow of capital and providing access to capital markets.

We have developed and evolved our existing data dictionary, taking into consideration the principles we developed with UK Finance in the white paper 'Sustainable finance: Establishing a principles-based framework for the measurement and reporting of multi-year commitments'. Our progress will be published each year and will seek to continue to be independently assured.

Our revised data dictionary, which includes a detailed definition of contributing activities, and our *ESG Data Pack*, which includes our third-party assurance letter and the breakdown of our sustainable finance and investment, can be found at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-and-policies.

For further details of our net zero ambition, see www.hsbc.com/who-we-are/our-climate-strategy/becoming-a-net-zero-bank.

Sustainable finance
We define sustainable finance as:

- any form of financial service that integrates ESG criteria into business or investment decisions; and
- financing, investing and advisory activities that support the UN Sustainable Development Goals ('SDGs'), in particular taking action to combat climate change. The SDGs, also known as the Global Goals, were adopted by all UN member states in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

We have reviewed and updated these definitions to reflect our updated climate ambition, which is available at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-and-policies.

$93.0bn
Cumulative progress since 2017 on our commitment to provide and facilitate sustainable finance and investment.
(Target: $100bn by 2025)

3rd
Dealogic ranking for green, social and sustainability bonds globally in 2020.
(2019: 2nd)

Our approach to climate risk

We continue to improve the identification, oversight and management of climate risk. In 2020, we enhanced our climate risk appetite statement with quantitative metrics to articulate the risks from climate change, and we plan to develop our risk appetite and key indicators iteratively through 2021.

We also formalised our overall approach to climate risk management to integrate climate risk into the Group-wide risk management framework.

For further details on climate risk, see our *TCFD Update 2020* at www.hsbc.com/esg.

Supporting our customers through transition continued

Sustainable infrastructure
Good infrastructure is the backbone of any successful society and economy. However, addressing climate change requires the world – particularly emerging markets – to develop a new generation of sustainable infrastructure quickly. The OECD estimates that up to $6.9tn each year is needed through to 2030 to achieve this. While many institutions have been engaged in mobilising finance for this purpose, there remains a significant investment gap and lack of adequate, bankable projects. Stronger standards are also needed to bring investors to the table.

To help solve for this, we are leading the Finance to Accelerate the Sustainable Transition-Infrastructure ('FAST-Infra') initiative. This was established in partnership with the International Finance Corporation ('IFC'), the OECD, the World Bank's Global Infrastructure Facility and Climate Policy Initiative under the auspices of the One Planet Lab to develop a consistent, globally applicable labelling system for sustainable infrastructure investment. This will aim to ensure that governments and project developers embed high ESG standards into new infrastructure to access this label. We also co-chair the Coalition for Climate Resilient Investment, launched at the UN General Assembly's Climate Action Summit in 2019, bringing together institutional investors, banks, insurers, rating agencies and governments to develop risk-informed frameworks and tools to integrate and price physical climate risks in decision making.

Responsible and sustainable investment
We offer a broad suite of ESG capabilities across asset management, global markets, research, wealth, private banking and securities services, enabling institutional and individual investors to manage risk and pursue ESG-related opportunities.

Our endeavour is to influence the market through active engagement on ESG issues. We have a dedicated Responsible Investment team across developed and emerging markets. The team's activities, along with portfolio managers and other investment analysts, led to ESG issues being raised in engagements with over 2,300 corporate and non-corporate issuers in 78 markets in 2020. We voted on more than 86,000 resolutions at over 8,200 company meetings in 70 markets.

At HSBC Global Asset Management, nearly 89% of total assets under management were invested according to at least one of the seven strategies defined by the Global Sustainable Investment Alliance, as at December 2020.

We define sustainable investing as: inclusion, which involves strategies that enhance portfolio exposure to better ESG performers; thematic, where strategies provide exposure to transformative environmental or social trends; and impact, which are strategies linked to tangible societal or environmental outcomes/impact.

We launched the Real Economy Green Investment Opportunity ('REGIO') fund with the IFC, and at December 2020 had raised $475m to fund green projects in developing economies that reduce emissions and meet the UN SDG Goals. Through our HGIF Lower Carbon Equity and Bond Funds, which are available in nine Wealth and Personal Banking markets and seven Global Private Banking markets, we aim to help investors generate long-term total return with a lower carbon footprint than reference benchmark indices. We expanded our investment offering for private banking and wealth clients, including: TPG Rise, an impact fund linked to the UN SDGs; structured products and certificates of deposit where proceeds were used to fund green and sustainable development projects; and various thematic solutions such as gender equality and energy transition.

As a signatory of the United Nations Environment Programme Finance Initiative's Principles of Sustainable Insurance, our insurance business has continued to implement its sustainability policy. The policy includes restricting investments that may have adverse impacts on people and the environment, and incorporating ESG principles into our investment governance. We continued to build our sustainable investment portfolios to support the UN SDGs and the Paris Agreement. During 2020, we expanded the assets in scope of the policy with full compliance due in early 2021.

Embedding ESG into our engagement
Our vision is to support our customers' aspirations to make a positive change in the world through wealth value creation. We are embedding ESG across client engagement and investment solutions in our wealth management and private banking businesses.

We offer a comprehensive range of sustainable investment products to help clients marry their sustainability and financial goals. These include green, social and sustainability bonds, investment funds, ETFs, discretionary mandates, private market investments, structured products and green certificates of deposit. Our advisory offering also covers securities with substantial exposure to environmental themes.

To help customers understand the topic and the benefits of investing sustainably, a range of educational materials, thought leadership publications, and articles on sustainability themes are distributed regularly. We partnered with the Principles for Responsible Investment to develop a training programme for our advisers, covering ESG fundamentals, investing strategies and client engagement.

We provide our customers with ESG insights and foster industry development. HSBC Global Research published over 200 climate and ESG-related reports in 2020, accompanied by approximately 500 client meetings and 15 client webcasts. Our ESG team works in close collaboration with analysts from other asset classes and across markets, embedding sustainability into research and offering a deeper integration approach to a global investor client base. The team released four episodes of the ESG Brief podcast. ESG Insights from HSBC Global Research are also repackaged for retail investors as a series known as #WhyESGMatters.

Laying the foundations for a sustainable future

Cement is one of the world's most socially and economically important materials – and also among the most highly carbon intensive. Long-term change is needed to help cement producers reduce their environmental impact. Switzerland-based LafargeHolcim, one of the largest global cement producers, aims to lead its industry in becoming greener.

We helped LafargeHolcim towards its goals by playing a major role in the world's first building materials sustainability-linked bond. We acted as joint bookrunner on the €850m sustainability-linked bond, whose terms mean LafargeHolcim must pay a premium if it does not meet its target to reduce the carbon intensity of the cement it produces by 17.5% – from 2018 levels – by 2030.

Unlocking climate solutions and innovations

We understand the need to find new solutions to increase the pace of change if the world is to achieve the Paris Agreement's goal of being net zero by 2050. We are working closely with a range of partners to accelerate investment in natural resources, technology and innovations, and sustainable infrastructure to reduce emissions and address climate change.

Working with our partners
We know that many investors want to invest in companies that can demonstrate their ESG credentials. Through philanthropy, partnerships and new initiatives our aim is to help them invest in protecting the planet, with HSBC Global Asset Management offering a range of funds for clients to invest in businesses and projects that have strong ESG track records and ambitions.

HSBC Global Asset Management also created a joint venture in 2020 with Pollination, a specialist climate change advisory and investment firm. The joint venture, HSBC Pollination Climate Asset Management, aims to be the world's largest manager of capital invested in natural resources (see box below).

To encourage more investment in building sustainable infrastructure, we are at the forefront of an initiative that gives investors greater confidence about where their money is going. Working with the IFC, OECD, the World Bank's Global Infrastructure Facility and the Climate Policy Initiative, under the auspices of the One Planet Lab, we helped conceive the FAST-Infra initiative. Our collective aim is to turn sustainable infrastructure into a mainstream asset class. We will aim to achieve this by establishing a global labelling system that clearly shows investors the infrastructure in which they are investing is sustainable and contributes to achieving the UN's SDGs.

Backing new technology and innovations
Addressing climate change requires innovative ideas. By connecting financing with fresh thinking, we can help climate solutions to scale to support sustainable growth. Formed in 2020, our $100m philanthropic climate programme aims to do this and truly transform the way we protect our planet, overcoming barriers to addressing climate change. We provided $7.1m to our non-governmental organisation partners during the year to get the programme underway.

We intend to expand our technology venture debt capabilities to provide $100m of financing to companies developing clean technologies that can be deployed at scale to support businesses and households to transition to a low-carbon economy. We will provide further updates on cleantech investment and the philanthropic programme in 2021.

Skills for a sustainable future
We have a responsibility to invest in the long-term prosperity of the communities where we operate. We recognise that technology is developing at a rapid pace and that a range of new and different skills are now needed to succeed. For this reason, much of our focus is on programmes that develop employability and financial capability. We also back climate solutions and innovation, and contribute to disaster relief efforts based on need (see panel on the right).

We also continue to increase knowledge on sustainability issues with our people. We developed a seven-part online course exclusively for our employees in partnership with the University of Cambridge Institute for Sustainability Leadership. In 2020, our colleagues completed more than 36,700 modules.

Our charitable contributions

In 2020, our charitable giving totalled $112.7m, including our $25m Covid-19 donation fund. We also encourage our people to volunteer time and share their skills, offering paid volunteer days. In 2020, our colleagues gave over 82,000 hours to community activities during work time.

In 2018, we set out a three-year goal to help two million people in our communities be more employable and financially capable through providing more than $100m in charitable donations. Current projections from our charity partners indicate our support reached more than four million people through donations of over $115m. This funding helped marginalised young people prepare for and secure their first jobs, supported indigenous people to complete their education and gain employment, and helped migrant workers avoid financial fraud. The increased reach from our initial projection is due in part to increased reach from programmes moving online.

Investing in nature-based projects with Pollination

A key part of our strategy is to unlock new climate solutions, helping to transform sustainable infrastructure into a global asset class. As part of this ambition, we launched HSBC Pollination Climate Asset Management in August 2020, with the vision to create the world's largest dedicated natural capital investment manager. The joint venture with Pollination, a specialist climate change advisory and investment firm, intends to set up funds that will invest in a range of nature-based projects that protect and enhance nature over the long term, and reduce greenhouse emissions. The intention is to launch a series of natural capital and carbon credit funds for institutional investors, with the aim to launch the first fund in mid-2021.

Our approach to sustainability policies

We recognise that businesses can have an impact on the environment, individuals and communities around them. We have developed, implemented and refined our approach to working with our business customers to understand and manage these issues.

Our sustainability risk policies seek to ensure that the financial services that we provide to customers do not contribute to unacceptable impacts on people or the environment. We seek to analyse the impact of ESG issues and follow international good practice in these areas.

We believe that the key to managing sustainability risk is creating partnerships with our customers, assisting them on their transition path to a more sustainable and low-carbon economy.

Our policies
Our sustainability risk policies cover agricultural commodities, chemicals, defence, energy, forestry, mining and metals, UNESCO World Heritage Sites and Ramsar-designated wetlands.

These policies define our appetite for business in these sectors and seek to encourage customers to meet good international standards of practice. Where we identify activities that could cause material negative impacts, we will only provide finance if we can confirm customers are managing these risks responsibly. Such customers are subject to greater due diligence and generally require additional approval by sustainability risk specialists. We will not provide finance if the business activities are not aligned to our aims and values.

Our sustainability policies are being aligned with our approach to climate risk as well as our net zero commitments, and will be enhanced during 2021.

For further details on how we manage sustainability risk as well as our full policies, see www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk.

Supporting the transition
At the heart of our net zero plan is an aim to align our financed emissions – emissions produced by our portfolio of customers – to the Paris Agreement goal of net zero by 2050 or sooner. The most significant contribution we can make is to support our customers' transition to lowering carbon through transition financing, which is financial support that helps heavy-emitting companies take action to become more environmentally sustainable over time.

To accelerate the global transition to net zero, we also want to unlock climate solutions, such as cleantech innovation, sustainable infrastructure and nature-based solutions. These will help smooth a transition and shift to a more sustainable economy in the long term. As we move closer to 2050, we expect our portfolio of financed emissions to reflect this and our customers' business activities to be less carbon intensive.

In that light, we are undertaking a review of our sustainability risk policies to ensure that they will reflect this need to transition and the phased reduction of carbon-intensive business activities.

Governance
Within our Global Risk function, we have reputational and sustainability risk specialists who are responsible for reviewing, implementing and managing our sustainability risk policies as well as our application of the Equator Principles. Our global network of more than 75 sustainability risk managers supports the implementation of these policies. In 2020, these local sustainability risk managers were further supported by regional reputational risk managers across the Group who have taken on additional oversight responsibilities for sustainability risk.

We have also established a Sustainability Risk Oversight Forum, made up of senior members of the Global Risk function and global businesses across the Group.

Equator Principles
The Equator Principles provide a risk management framework for determining, assessing and managing environmental and social risk in projects. We were an early adopter of the principles in 2003.

In October 2020, the revised Equator Principles framework came into effect, after consultation with member banks and external stakeholders. In response to the launch of the revised framework, we are rolling out updated training for staff in 2021 to ensure that Equator Principles transactions are properly identified and managed.

We report annually on the transactions completed under the principles. Our latest Equator Principles report is available at: www.hsbc.com/who-we-are/our-climate-strategy/sustainability-risk/equator-principles.

For further details of our approach to human rights, see page 71.

For further details of our approach to risk management, see page 37.

Our energy policy

When we last updated our energy policy in 2018, we stated that we would not finance any new coal-fired power plants, with the potential targeted and time-limited exceptions in Bangladesh, Indonesia and Vietnam, recognising the need to balance local humanitarian needs with the need to transition to a low-carbon economy.

We therefore agreed that any funding of new coal-fired power plants in those three countries would only be considered subject to certain strict criteria. It is important to note that we have not provided any project finance for any new coal-fired power plants anywhere in the world since then, including those countries.

In April 2020, we removed these exceptions and will not finance any new coal-fired power plants anywhere globally. We continue to support the other needs of our customers in these countries and continue to support their governments.

Within the power and utilities, and metals and mining sectors shown in our TCFD disclosures on page 19, our direct exposure to thermal coal is 0.2% of the wholesale loans and advances figures.

Customers

We are bringing the benefits of connectivity and a global economy to more people around the world.

At a glance

Our relationship
We create value by providing the products and services our customers need and aim to do so in a way that fits seamlessly into their lives. This helps us to build long-lasting relationships with our customers. We maintain trust by striving to protect our customers' data and information, and delivering fair outcomes for them. If things do go wrong, we aim to take action in a timely manner.

Operating with high standards of conduct is central to our long-term success and underpins our ability to serve our customers.

In this section, we report on our customers as three distinct groups: our wealth and personal banking customers; medium and large-sized corporate customers; and our global and institutional customers. These groups are served by our three global businesses respectively: Wealth and Personal Banking ('WPB'), Commercial Banking ('CMB') and Global Banking and Markets ('GBM').

Digital and technology

Our retail and wholesale customers are using digital services more than ever before, with the Covid-19 outbreak accelerating the shift to digital banking. We have continued to invest in digital and technology to help make banking simpler and safer, and have launched new products and platforms to assist and support our customers.

Read more on digital and technology on page 53.

Customer satisfaction

Through a series of surveys, we aim to listen to our customers to put them at the centre of our decision making. We continued to redesign how we receive feedback to create a consistent measure of the customer experience and act on customers' feedback. While the roll-out of the full programme was slowed during the Covid-19 outbreak, we continue to embed the new ways of working.

Read more on customer satisfaction on page 54.

How we listen

We aim to be open and consistent in how we track, record and manage complaints. In 2020, complaints fell across our WPB and GBM businesses and were up overall in CMB. Complaint resolution was impacted by staffing challenges from the Covid-19 pandemic, while corporate complaints were focused on account opening and operations due to increased demand for finance.

Read more on how we listen on page 56.

Conduct

We responded to the changing environment and sought to help our customers, particularly the most vulnerable, with payment relief measures, lending support and improvements to our products and services. The conduct of our people is linked to the way we work. We adapted our global training and support for our colleagues, updated how we design products and deliver fair value, and continued to help customers transition from interbank offered rates.

Read more on conduct on page 58.

Digital and technology

The Covid-19 outbreak meant that many of our customers needed to increasingly use our services remotely. The significant technology investments we made in the years before the pandemic to make digital banking easier meant we could support the accelerated shift to mobile and online channels during 2020.

In 2020, more than nine out of every 10, or 92.7%, of our global personal banking transactions were done digitally, an increase of four points year-on-year. At the same time, 54% of our retail customers were digitally active, an increase of five points from 2019.

Our corporate customers also increased their use of our digital services, with mobile app downloads of our core business digital platform, HSBCnet, growing 146% in 2020.

Throughout the Covid-19 outbreak, we continued to invest in technology to help our customers to do more of their everyday banking online, and we rolled out new functionality to support them through the pandemic and provide digital solutions for their growth ambitions.

Making banking simpler and faster
During 2020, we completed the initial roll-out of new online banking and mobile platforms for our retail customers, replacing legacy technology across 16 markets, which will let us innovate more quickly in the future.

In 2020, the retail mobile banking app achieved an average Apple rating of 4.8 in the UK and 4.7 in Hong Kong, and an average Android rating of 3.8 in the UK and 3.5 in Hong Kong.

We helped many customers in need of support during the economic slowdown. On average we deployed digital lending portals within six days for business customers to be able to apply for government lending schemes in the UK, the US and Hong Kong.

As it has been more difficult to meet in person, we introduced customer video meetings for all business areas across 47 markets. We also continued to expand the use of chatbots to support customers with day-to-day queries. In WPB, we launched online and in-app chat services across eight new markets and there were more than 10.5 million chat conversations in 2020.

For our clients with wealth management needs we launched a simplified version of Wealth View, an online platform enabling easier analysis of their holdings and transactions. It is available in Hong Kong, Singapore, Luxembourg, the UK, Channel Islands and the US.

Our improved global online Business Banking Experience, used by more than 49,000 businesses across nine markets, helps customers to complete everyday banking tasks themselves and run their businesses remotely. It has an average customer satisfaction score of 9 out of 10.

Helping businesses to grow
We continue to transform our digital platform for Global Trade and Receivables Finance, HSBC Trade Solutions. We launched trade finance and risk mitigation solutions to 2,100 customers in Hong Kong in November 2020, making trade simpler, safer and faster.

In the UK, HSBC Kinetic, a new mobile proposition for SMEs, had 2,899 customers onboarded by the end of 2020. Launched in June 2020, it enables customers who need a business current account or a Business Bounceback loan from the UK Government to apply online and do their day-to-day banking digitally.

In GBM, we are investing heavily in digital and data capabilities to support our clients' growth ambitions and accelerated digital needs. In Securities Services, we are developing solutions to provide clients with fast access to data, and more control of their assets and transactions. The monthly usage of our API suite, which gives on-demand access to data, grew 2,716% in the year to December 2020, with a significant increase in committed customers.

To help make HSBC even more secure, we provide a front-end digital know-your-customer solution via our SmartServe platform, which has been launched in 20 countries and territories, including the UK, UAE, the US, Hong Kong and France.

For further details of our digital satisfaction scores, see page 54.

For further details of new features we introduced to give people more control over their financial lives during the Covid-19 outbreak, see page 58.

Harnessing the benefits of blockchain

We are implementing distributed ledger technology, including blockchain, to improve efficiency, transparency and security for clients. In global trade, we are using the technology to replace the previously paper-driven letter of credit process, which are the documents guaranteeing the seller will be paid. It offers a fast and secure alternative, which is helping reduce letters of credit processing time from between five and 10 days to a matter of hours.

151%
Year-on-year increase in wholesale customer mobile payments during 2020.

92.7%
Retail banking transactions globally that were digital at the end of 2020.

119,782
Downloads of the HSBCnet mobile app in 2020, a 146% year-on-year increase.

Customer satisfaction

We are continuing to redesign how we receive feedback from our customers to put them at the centre of decision making.

In 2019, we said we wanted to measure the likelihood of customers to recommend HSBC across our global businesses, and we now have this consistent measure of our customer experience to help engage our people and improve how we benchmark our performance internally and against our competitors.

Our transition to a new feedback system
What we are trying to achieve goes beyond just a measure. It is a way of systematically collecting, analysing and acting on our customers' feedback. Across our global businesses, it will help us get better insight from our customers, build stronger relationships with them, and identify and prioritise areas where we can improve the experience they have with us.

Through a series of surveys, we ensure we are listening to our customers and creating insights at all levels of the relationship. We create more transparency of the customer experience by sharing feedback directly with our customer-facing teams and allowing them to respond directly to those customers to address specific feedback.

The metric that underpins this new system is the net promoter score based on the question: 'On a scale on 0 to 10, how likely is it that you would recommend HSBC to a friend or colleague?' The score is calculated by subtracting the percentage of 'detractors', who provide a score of 0 to 6, from the percentage of 'promoters', who provide a score of 9 to 10. It can range as low as -100 to as high as 100.

Although the roll-out of the full programme was slowed during the Covid-19 outbreak, as we redirected resources to ensure our front-line teams could focus on delivering for our customers, we continue to embed the new ways of working. In 2020, WPB launched more than 157 new surveys across 15 markets. In CMB, we launched elements of our programme in the UK, the US, Canada, Mexico and India, with more than 30 markets planned for 2021. Our GBM business is also continually working on ways to collect valuable feedback and improve customer experience. In 2020, we started conducting post-implementation assessments through questionnaires, which provide useful insights on our performance.

How we fared
In 2017, we set ourselves the strategic targets to improve customer satisfaction in our WPB and CMB global businesses by 2020. Both businesses achieved high levels of satisfaction in the majority of their respective 'scale markets', although were unable to fully achieve their 2020 ambitions to be either ranked as top three against relevant competitors in these markets, or to have improved by at least two ranks compared with their 2017 baselines.

Our WPB business, which surveyed more than one million customers on their likelihood to recommend HSBC and their satisfaction with our services, achieved its target in seven of our eight scale markets in 2020. Overall, our ranking fell below ambition in Malaysia, despite our rank position improving during 2020. Our lower performance than target was largely due to 'the ease of banking with us' compared with our competitors. We are carrying out several initiatives to improve its performance, including the release of new digital features, staff training and a refresh of our customer propositions.

In surveys that we largely conducted of customers' views of our specific services and channels, increased market attention, geopolitical tensions and market volatility impacted scores in mainland China. This trend began to reverse due in part to enhanced customer communications and a greater emphasis on digital assistance. For our relationship manager scores, we noted performance below expectations in France, where we have ongoing action plans to improve communications and drive more proactive contact with customers.

7 out of 8

WPB markets sustained top-three rank and/or improved in customer satisfaction.

5 out of 8

CMB markets sustained top-three rank and/or improved in customer satisfaction.

48

GBM's overall net promoter score, outperforming competitors' score of 39.

In our private bank, our global net promoter score fell to nine in 2020, compared with 24 in the previous year, largely due to a decline in Hong Kong and Switzerland. However, our scores improved in Singapore and in France. We achieved strong scores for our relationship management services, and our approach to coping with the Covid-19 outbreak was commended in many markets. Key areas where our clients would like us to improve were our digital and advisory offerings, on which we are focusing significant investment.

In CMB, five out of eight tracked markets met targets by improving their rank position by two places from 2017 or being in the top three against competitors, which were Hong Kong, the UAE, the Pearl River Delta, Singapore and Saudi Arabia in 2020. We declined to fifth position in the UK, as we deployed staff to Covid-19-related lending schemes impacting customer experience in telephony and specialist availability in branches. Our rank in Mexico remained unchanged at fifth. Similarly, in Malaysia, our position remained unchanged at sixth, notwithstanding improvement in underlying satisfaction scores.

In GBM, our aim is to outperform the average competitor score. To measure this, each year we partner with Greenwich Associates to conduct a relationship level satisfaction survey. In 2020, we achieved an overall net promoter score of 48, outperforming our competitors' score of 39. We scored 49 in Asia-Pacific, compared with 32 for our competitors, and 44 in the Europe and Middle East region, compared with 41 for our competitors. However, we scored 54 in North America, below our competitors' score of 73.

Digital channels
Our customers have increasingly turned to our digital services in recent years, a trend which was accelerated in 2020 due to the Covid-19 outbreak. We launched new capabilities and digital enhancements in each of our global businesses to be closer to our customers and support them during the pandemic.

In WPB, we were able to maintain robust performance in our digital channels, with an improvement in scores in online banking in almost all markets compared with 2019.

This reflects the success of new mobile app functionality in the UK, including balance after bills forecasting, direct debits and standing orders cancellation and in-app overdraft limit

Customer satisfaction continued

WPB customer satisfaction by channel
(Net promoter score[1])

		Branch	Contact centre[2]	Online banking	Relationship manager
UK	**2020**	▶ **62**	▲ **39**	▲ **48**	▲ **58**
	2019	62	36	41	45
Hong Kong	**2020**	▲ **57**	▶ **57**	▲ **4**	▲ **49**
	2019	42	57	2	25

1 The net promoter score is measured by subtracting the percentage of 'detractors' from the percentage of 'promoters'. 'Detractors' are customers who provide a score of 0 to 6, and 'promoters' are customers who provide a score of 9 to 10 to the question: 'On a scale on 0 to 10, how likely is it that you would recommend HSBC to a friend or colleague'.

2 Hong Kong benchmark data for 2019 is unavailable as the survey methodology changed. The data reported for 2019 is based on January 2020.

management. Customers in the US, Canada and the UK gained a view of pending transactions, while in Hong Kong and UAE we added block and unblock cards capability. We introduced digital secure key access and pay by instalment in Singapore and Malaysia, and launched our HSBC Life Well+ in-app wellness and lifestyle programme in Hong Kong.

We faced a temporary technical issue related to Bill Pay, a service that allows our US customers to pay third-party bills online. This affected our digital banking scores, but they rebounded once this was resolved.

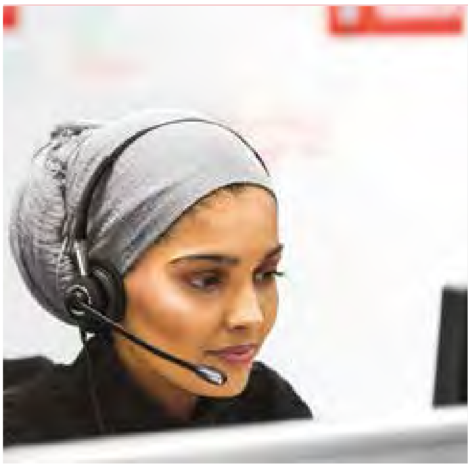
In CMB, customer satisfaction with our digital services improved in six of the seven markets assessed compared with 2019, which were Hong Kong, the UAE, Singapore, Malaysia, Mexico and the Pearl River Delta. However, it fell in the UK, as the significant increase in Covid-19-related lending schemes negatively impacted turnaround times and our customers' perception of our digital services.

Despite the difficulties of operating during the Covid-19 outbreak, technology enhancements introduced during 2020 increased our interactions with our customers, helping us to provide solutions to their problems, and contributed to performing at industry best practice levels in our Global Liquidity and Capital Management and Global Trade and Receivables Finance businesses.

All of our relationship managers were enabled to work remotely to support customers from home. We introduced digital capabilities that were particularly relevant in key markets, including remote cheque deposits, a one-hour turnaround of shipping guarantees and a dedicated trade finance helpline in the UK, and electronic signing for key product onboarding in Hong Kong. Improvements to our digital tools contributed to a 146% year-on-year increase in customer downloads of HSBCnet mobile in 2020 compared with 2019. Active desktop users increased from 400,000 to more than 470,000.

In GBM, the overall satisfaction with our digital proposition was strong with 64% satisfaction globally, and well ahead of competition in the Asia-Pacific, and Europe, Middle East and Africa regions, according to our relationship level satisfaction survey. Our scores were only slightly above our competitors' score in North America. Feedback from clients showed we needed to reduce the complexity associated with our systems and procedures. To address this, we are shifting towards the use of technology in our processes, helping to remove unnecessary layers while increasing efficiency. In 2020, we began the roll-out to a small set of customers of HSBC SmartServe, an automated centralised service that aims to help clients onboard digitally and use services with fewer manual transactions.

We also now offer customers the opportunity to sign documentation electronically for credit and lending, with this service live in 22 countries at December 2020. We have also begun rolling out new soft token security solutions.



Providing support in challenging times

While we have invested in digital and technology, it has been important to provide effective access to support our vulnerable personal customers in our other channels during the Covid-19 outbreak.

Conditions have been challenging for in-person interactions at retail branches and with relationship managers, which hindered performance in some markets, such as in Mexico, where a portion of our branches remained closed until August 2020. This affected wait times and staffing at open branches.

Our WPB contact centres recorded strong scores during 2020.

In the UK, our WPB business issued new telephone security numbers to 1.6 million non-digitally active customers. We also created a customer line for key workers and vulnerable customers, supporting more than 1.67 million customers in 2020 through our contact centres.

How we listen

To improve how we serve our customers, we must be open to feedback and acknowledge when things go wrong. This was especially true during periods of Covid-19-related lockdown restrictions when our customers encountered new challenges and we needed to adapt quickly.

We aim to be open and consistent in how we track, record and manage complaints, although as we serve a wide range of customers – from personal banking and wealth customers to large corporates, institutions and governments – we tailor our approach in each of our global businesses.

When things go wrong
In 2020, our WPB business received just over one million complaints from customers. The ratio of complaints per 1,000 customers per month in our large markets reduced from 3.7 to 2.6.

During the year, 73% of complaints were resolved on the same or next working day, a decline from 77% in 2019, and 80% were resolved within five working days, compared with 83% in 2019. Complaint resolution was impacted predominantly due to staffing challenges caused by the Covid-19 outbreak, and by our focus on ensuring our customers were served safely during this difficult time.

The reduction in complaints in the UK was driven in part by the end of the payment protection insurance ('PPI') complaints programme in 2019. Our customers also demonstrated a high level of understanding of our Covid-19-related challenges. The increase in complaints in Hong Kong was related to operational stresses due to external events, such as the Covid-19 outbreak, economic relief measures, social-political sentiments and investment market activities. We are addressing these by equipping our colleagues with home working capabilities, offering flexible solutions and enhanced digital solutions to improve our customer servicing capabilities. In the fourth quarter of 2020, we succeeded in bringing down the number of complaints by 13% from its peak during June to September.

In our private bank in 2020, we received 572 complaints, an 8% increase on 2019. Administration and servicing issues remained the largest contributor of complaint categories, at 79% in total. Complaints linked to product and performance as well as advice and suitability were higher than in the previous year. This was largely attributable to complaints indirectly linked to the Covid-19 outbreak.

In 2020, the private bank resolved 557 complaints, which was a 14% increase from 2019. We upheld 270 complaints, which was a 3% increase on 2019.

Our CMB business resolved 105,215 customer complaints in 2020, a 14% increase from 2019. Of the overall volumes, 78% came from the UK, 16% from Hong Kong and 1% from France.

The highest sources of complaints involved operations and account opening. This was due to the unprecedented demand from customers for funding and finance during the Covid-19 outbreak through government lending schemes and other relief measures, which resulted in account opening delays and increased call handling times. Recognising the impact on our customers, we increased automation in our loan application process, extended repayment holidays and improved processes to escalate and prioritise vulnerable customers. We also redeployed resources to support increases in call volumes in key customer support functions.

Complaints on operations fell compared with the previous year. However, based on customer feedback, we are continuing to implement changes to reduce payment processing errors and delays, most notably in the UK and in Hong Kong with several digital business banking enhancements, including payment notification services.

An overall increase in the number of complaints in Hong Kong was largely attributed to the adoption of a more prudent complaints definition. This resulted in a substantial increase in March 2020, although it stabilised from July 2020.

WPB complaint volumes[1]
(per 1,000 customers per month)

		2020	2019
UK	▼	**2.1**	4.5
Hong Kong	▲	**0.6**	0.5
France	▼	**6.8**	7.8
US	▼	**2.8**	2.9
Canada	▼	**3.8**	3.9
Mexico	▼	**4.9**	5.7
Singapore	▲	**1.4**	1.3
Malaysia	▼	**0.5**	0.6
Mainland China	▶	**0.6**	0.6
UAE	▼	**4.5**	5.1

CMB complaint volumes[2]
(000s)

		2020	2019
UK[2]	▲	**81.9**	78.8
Hong Kong	▲	**16.4**	5.4
Europe	▼	**2.4**	2.7
Latin America	▼	**1**	1.3
US	▼	**0.9**	1.2
Middle East, North Africa and Turkey	▼	**1.2**	1.5
Rest of Asia-Pacific (excluding Hong Kong)	▲	**0.9**	0.8
Canada	▼	**0.5**	0.8

1 A complaint is defined as any expression of dissatisfaction, whether upheld or not, from (or on behalf of) a former, existing or prospective customer relating to the provision of, or failure to provide, a specific product or service activity.

2 Volumes for the UK are received complaints from eligible complaints aligned to the current FCA reporting requirements. Volume of complaints for all other markets, complaint reason breakdown and commentary are based on total volumes of resolved complaints.

How we listen continued

Our GBM business received 1,432 customer complaints, which represented a 14% decline compared with 2019, despite the increased transaction volumes during the Covid-19 outbreak in 2020. Our Global Liquidity and Cash Management business received the most complaints of GBM businesses. This corresponds to the nature of the business and the high volume of transactions processed daily. Despite increased demands as a result of the Covid-19 pandemic, Global Liquidity and Cash Management demonstrated resilience to major shocks and had a reduced number of complaints compared with 2019.

Capturing feedback

We listen to complaints to address customers' concerns and understand where we can improve processes, procedures and systems.

In 2020, we continued to focus on staff training in each of our global businesses and emphasise the importance of recording complaints. This is intended to improve our complaint handling expertise and help ensure our customers are provided with fair outcomes. Complaints are monitored and reported to governance forums to ensure they are handled quickly and thoroughly.

In our WPB business, we are using our new complaints management platform, which we set up in 2018, in seven markets, allowing us to deliver a more customer-focused experience when managing feedback. We have been able to streamline the complaints process by simplifying complaints forms and procedures, and integrating with our back-end systems. We introduced greater automation to track complaints from beginning to end and provide customers with regular updates. We also enhanced our reporting so we can spot trends and fix emerging issues more quickly.

We have also continued our efforts to improve the way we capture and report on customer complaints in our wholesale businesses. We are now piloting a single, overarching tool to gather customer feedback for parts of our wholesale businesses. The tool enables customer complaints to be recorded by customer-facing employees across GBM in four sites and CMB in one site. This holistic approach helps ensure consistent handling of complaints and fair outcomes for customers. It also makes it easier to identify a clear root cause for each complaint, allowing detailed thematic analysis, faster resolution and more efficient reporting. In 2021, we plan to expand the scope of the tool and use it in the majority of countries and territories in which we operate.

GBM complaint volumes[1]

		2020	2019
Global Banking	▼	**309**	340
Global Markets and Securities Services	▼	**363**	409
Global Liquidity and Cash Management[2]	▼	**760**	919
Total	▼	**1,432**	1,668

1 A complaint is defined as any expression of dissatisfaction, whether upheld/justified or not, from (or on behalf of) a client relating to the provision of, or failure to provide, a specific product or service activity.

2 Global Liquidity and Cash Management excludes 1,175 complaints relating to payment operations, which is part of Digital Business Services.

WPB top complaint categories
(% of total)

- Process and procedures **43%** (2019: 33%)
- Service **25%** (2019: 24%)
- Other[1] **16%** (2019: 29%)
- Fees, rates and charges **9%** (2019: 9%)
- Product features and policy **7%** (2019: 5%)

CMB top complaint categories
(% of total)

- Operations **25%** (2019: 26%)
- Account opening **23%** (2019: 4%)
- Other[1] **16%** (2019: 22%)
- Contact centre **11%** (2019: 6%)
- Process and procedures (global standards) **8%** (2019: 27%)
- Internet banking **8%** (2019: 8%)
- Fees, rates and charges **5%** (2019: 5%)
- Credit risk decisions **4%** (2019: 3%)

GBM top complaint categories
(% of total)

- Process **41%** (2019: 34%)
- Systems and data **21%** (2019: 29%)
- People **20%** (2019: 21%)
- Other[1] **18%** (2019: 16%)

1 'Other' in WPB includes issues related to underwriting decisions, claims, personal data privacy, global standards; in CMB, it refers to a wide range of issues, including service closures and mobile banking; and in GBM it includes complaints in relation to third parties, as well as legislative and regulatory changes.

Conduct

We are committed to providing customers with products that meet their needs. Good conduct at HSBC means that we deliver fair outcomes for customers, and maintain the orderly and transparent operation of financial markets

In this section, we address how we endeavoured to help our customers in each of our global businesses during a difficult year, which included the global Covid-19 pandemic.

17

Number of major markets where we introduced payment relief measures for our personal and wealth customers.

>237,000

Wholesale customers supported globally with $35.3bn of lending through both government schemes and our own initiatives at the end of 2020.

21,000

GBM colleagues who completed virtual conduct training in 2020.

Supporting our customers responsibly

We responded rapidly to the changing environment caused by the Covid-19 outbreak and revised our internal policies and procedures to help our customers – especially the most vulnerable – fairly and safely.

Many of our personal banking and wealth customers needed financial relief as a result of the economic slowdown caused by the Covid-19 outbreak, which we sought to address in a responsible way. At 31 December 2020, we had active payment relief measures impacting 87,000 accounts and $5.5bn in balances as part of market-wide schemes and our own payment holidays programmes. This consisted of $4.7bn of mortgage balances and $850m of other personal loans in repayment relief, compared with $21.1bn of mortgage balances and $5.2bn of other personal loans at the end of June 2020. To ensure customers were financially prepared, we followed local government guidelines. In the UK, we extended the payment relief scheme into March 2021 for customers who have not had a payment holiday, in line with local furlough timeframes.

In select markets, we used our digital messaging capabilities to inform customers about available financial help to reach more people more quickly. We also made the payment relief applications available online and offered support to customers through our chat functions, to enable a quick turnaround of payment relief requests. We responded quickly and flexibly to change our products for customers, adding insurance coverage for people whose health had been affected by Covid-19 in Hong Kong, mainland China, Singapore and Mexico, and extended the grace period for premium payment deferral in these countries as well as in France, the UK and Argentina.

While our digital services can support many of our customers, we were proactive in supporting the most vulnerable. In the UK, we identified customers who were at risk of being vulnerable during the Covid-19 outbreak, and conducted 565,780 outbound care calls to update them on safe options to access banking services, including access to emergency cash and the available payment relief options.

Global and country operational teams transitioned resources to homeworking throughout the period to ensure customer service levels were maintained with minimal disruption. Flexible resourcing and training was undertaken to allow staff to move from branches to call centres to support customers.

Seeking solutions with our 'Covid bundle'

We aimed to reach more of our personal and wealth customers in innovative ways during the Covid-19 outbreak, which contributed to higher demand for banking services due to its economic impact. Our 'Covid bundle' project aimed to support our customers in our most affected markets through new features, capabilities and initiatives. In addition to providing customers in financial need a variety of payment options, we upgraded our telephony services and conversational capabilities on mobile and web chat to improve how we routed queries on forbearance and collections to our relevant front-line colleagues. This helped support our customers more quickly and mitigate the increased demand on our other front-line operational colleagues.

Conduct continued

Prior to the Covid-19 outbreak, we increased our focus on identifying vulnerable customers in the UK, but this meant that our teams who service vulnerable customers in financial difficulty became much busier, resulting in a backlog of customer requests. In response, we added more staff to these teams, trained them and are working to resolve the backlog.

We also focused on training and coaching our customer-facing colleagues to meet the needs of customers who were made vulnerable due to having difficulties making payments.

Responding to business needs

Our CMB and GBM businesses introduced several measures to support our customers, many of whom faced pressures in their finances as lockdown restrictions impacted their businesses. As at the end of 2020, the lending support we provided to more than 237,000 wholesale customers globally was valued at $35.3bn, both through government schemes and our own initiatives. We offered repayment holidays to help businesses respond to cash flow pressures and provided trade finance solutions to support customers with their supply chains.

We launched online portals for customer applications to various government-initiated loan schemes, and set up a global team to help oversee the provision of the loans, expediting the turnaround of loan requests and getting funds to our customers quicker. In the UK, a dedicated Covid-19-related phone line supported our customers by conveying what financial guidance and support is available to them. In order to help identify and mitigate any potential fraud associated with the Bounce Bank Loan Scheme, our UK Commercial Banking business is also part of an industry-wide fraud collaboration working group, which has been set up by UK Finance and includes other lenders and government bodies.

In our GBM business, we focused on making responsible lending decisions and extending credit to corporate and institutional customers. We also sought to protect the integrity and flow of both internal and customer data, while maintaining an operationally resilient infrastructure. Relationship managers were in regular contact with customers, helping to ensure they received the most suitable support for their business.

Our Global Liquidity and Cash Management business, which helps our corporate clients access, manage and move their cash, provided urgent payment facilities to mobilise clients' cash where it was needed most, and helped them move rapidly to digital solutions. This included fast-tracking payments for urgent medical supplies from China to hospitals in Italy and enabling cashless, socially distanced payments for drive-through testing sites in Malaysia. Global Liquidity and Cash Management also launched a green deposit proposition during 2020 in the UK, Singapore and India, which involved allowing treasurers to make deposits that we use to finance environmentally beneficial initiatives, such as renewable energy and energy efficient projects.

Our Markets and Securities Services business provided additional guidance around pricing decisions in 2020, in light of heightened credit risk and remote working arrangements. We put in place measures and guidelines to help ensure information continues to be monitored effectively and controlled in the new working environment.

While working remotely, our Global Research team enhanced its review processes to provide timely research on economics, currencies, fixed income and equities, helping our institutional, government, corporate and central bank clients, as well as colleagues, navigate the extremely complex and fast-moving situation. We also increased the number of research products made freely available to help those affected by the crisis on a wide variety of platforms.

Digital support

We continued to invest in our digital services and tools to support our customers and colleagues, delivering initiatives to make banking with us simpler and more efficient, and we made greater use of online appointments and video calls to enable our workforce to work from home.

We launched new features in each of our businesses so we could handle crucial everyday activities remotely, such as onboarding.

In WPB, new digital features included allowing customers to activate cards and cancel regular payments through our mobile apps in select markets. Our CMB and GBM businesses each enabled key documents to be sent and received with paperless instructions, enabling digital sign-offs and eliminating the need for physical signatures.

We also rolled out globally our digital platform 'Vital Insights' in CMB following a pilot in Asia-Pacific, which helped enable us to understand the impact of Covid-19 on our customers and to take relevant action to help them manage uncertainty.

Conduct of our colleagues

The conduct of our people is inextricably linked to the way we work.

In WPB, in response to the Covid-19 outbreak, we adapted and reprioritised global training, and rolled out well-being programmes and tools, such as coaching plans to support virtual working to ensure our teams had the resources they needed to work safely and productively.

We also remodelled our incentive programme scorecards to allow for flexibility, to help our colleagues focus on our customer needs, ensuring they can provide the appropriate solutions as a result of the pandemic.

In our CMB and GBM businesses, we issued guidance to our colleagues on remote working to help maintain high standards of conduct, adhere to competition law, and manage potential conflicts of interest.

In GBM, classroom-based conduct training was adapted for virtual learning, with more than 21,000 colleagues completing the curriculum in 2020. Cultivating a positive working culture is central to the well-being of our colleagues and the performance of our business. We introduced culture ambassadors, set up new communication channels for interactions with senior management, and established various well-being programmes.

Conduct continued

Delivering fair outcomes with our products
We are committed to providing customers with products that meet their needs. We have policies and procedures to help deliver fair outcomes for our customers, and to maintain orderly and transparent financial markets. Conduct principles are embedded into the way we develop, distribute, structure and execute products and services. We are refreshing our approach to conduct arrangements across the Group with a view to ensuring that the arrangements remain appropriate for the nature of our business.

Product design and development
Our approach to product design and development entails the following overarching principles:

- We offer a carefully selected range of products that are continually reviewed to help ensure they remain relevant in each country they are offered and perform in line with expectations we have set. Where products do not meet our customers' needs or no longer meet our high standards, improvements are made or they are withdrawn from sale.
- Wherever possible, we act on feedback from our customers to provide better and more accessible products and services.
- We complete regular assessments of our products to help ensure we continue to deliver fair value.

Oversight of product design and sales governance for each of our global businesses is provided by governance committees chaired and attended by senior executives who are accountable for ensuring we manage our related non-financial risks appropriately, within appetite and in a manner designed to ensure fair customer outcomes.

Our CMB business considers customer feedback and user groups in its product development and has invested in the development of a new global product inventory and lifecycle management system to help ensure optimal product governance. The system uses Cloud technology to provide an improved way of managing our products from approval through to demise, and has been successfully piloted in our Global Trade and Receivables Finance and Global Liquidity and Cash Management businesses. The system, which we plan to deploy to all CMB markets within 2021, will help us to bring appropriate products to market more quickly, as well as helping to ensure we can more easily demonstrate fair customer outcomes.

In our GBM business, we made strides to further improve pricing transparency. We launched the first phase of our strategic foreign exchange margin management tool across 1.1 million wholesale customers in Singapore, the UAE, Australia and the UK. The tool provides customers who make or receive payments that require foreign exchange conversion with consistent pricing and improved transparency of information across our various banking channels.

Transitioning away from Ibors

As a result of the planned cessation of the London interbank offered rates ('Libor'), Euro Overnight Index Average ('Eonia') and other benchmarks actively known as Ibors, we are ensuring that we have the product capability in place to support our customers on the transition to alternative rates. We aim to clearly outline the options available to our customers holding existing Libor-based products, and our commercial strategy is designed to minimise value transfer when transitioning their products from Libor to alternative rates.

In October 2020, we launched loans using the Sterling Overnight Index Average ('Sonia') benchmark administered by the Bank of England, which means that customers wanting to borrow on sterling Libor now have the option to borrow against Sonia instead.

We began offering Secured Overnight Financing Rate ('SOFR') loans as an alternative to US dollar Libor in the US, Hong Kong and the UK in 2020. Further products, notably derivatives, and country roll-outs are scheduled in 2021.

For further details on the transition from Ibors, see 'Ibor transition' in the Risk section on page 112.

Conduct continued

Ensuring sales quality
In our WPB business, to help ensure the quality of our sales process and our colleagues' behaviour in each of our markets, we conduct a mystery shopping programme and/or a sales quality programme. Issues identified are treated seriously.

We will take action to help achieve a fair outcome for our customers. Where concerns are found, we will contact the customer to apologise, explain and remediate. Depending on the severity of the issue, the relevant employee will be given enhanced training to improve their behaviour and they may become ineligible for an incentive reward payment. Where a case of misconduct occurs, disciplinary action may be taken, which can lead to dismissal.

In CMB, for our smaller business clients, we operate sales outcomes testing in 12 markets to ensure we correctly explain important product features, pricing, risks and benefits. In 2020, we identified 65 issues related to documentation, sales process and pricing, as well as some wrong customer outcomes. We ensured appropriate customer remediation took place along with the necessary internal action to resolve the situation. We plan to expand sales outcome testing to a further six sites in 2021.

Meeting our customers' needs
We have robust oversight of the sales process, which aims to meet our customers' needs effectively. This involves reviewing the ongoing suitability of the products and services we offer and monitoring sales quality as well as examining how we incentivise our colleagues (see box below).

In our WPB business, we consider our customers' financial needs and personal circumstances to assist us in offering suitable product recommendations. This is achieved through:

- a globally consistent methodology to rate the riskiness of investment products, which is customised for local regulatory requirements;
- a thorough customer risk profiling methodology to help assess customers' financial objectives, attitude towards risk, financial ability to bear investment risk, and their knowledge and experience;
- robust testing during the design and development of a product to help ensure there is a clearly identifiable need in the market; and
- consistent standards to follow when we provide advice to our customers, while taking into account local regulations.

We realise that some circumstances can put customers in a vulnerable position, so we are training our colleagues to recognise and treat these individuals fairly.

Given the varying levels of customer sophistication and associated exposure to vulnerability in our CMB business, in 2020 we developed a globally consistent approach to ensure we can more effectively identify and support customers who are deemed potentially vulnerable, with a particular focus on sole traders and small and medium-sized enterprises.

Lessons learned from the FX DPA

In 2018, we entered into a three-year deferred prosecution agreement with the US Department of Justice arising from its investigation into HSBC's historical foreign exchange activities ('FX DPA'). Since then, we have significantly raised our standards of conduct and strengthened our controls. We have introduced systems and enhanced procedures to monitor how we execute client transactions, carried out extensive conduct-focused training and built a conduct-led culture. As a result, the FX DPA has now expired, although the process to formally dismiss the underlying criminal charges will continue for several months. Our corresponding 2017 Consent Order with the US Federal Reserve Board remains in force and going forward we seek to continue to implement further reforms and we aim to ensure that they are effective and sustainable in the long term.

Managing front-line employees and their incentives

In our WPB business, we provide training to our employees through our Product Management Academy, with more than 2,000 of our colleagues completing over 5,200 courses since 2017, including on customer insight, customer-focused design, communications, product development and governance.

We also use a discretionary approach to incentivising our front-line colleagues instead of a straight formula linked to sales. This global improvement has resulted in a more balanced performance assessment for our people. We have since reviewed the incentives approach during 2020 to establish opportunities to be even more customer-centric, have greater focus on employee development and simplify the framework. We have also strengthened our approach to third-party sales agents that distribute our products, such as insurance, to ensure that our principles on balanced reward are in place. While there is still more to do, this change is designed to improve oversight and alignment with third-party sales agents.

Employees

We are opening up a world of opportunity for our colleagues by building an inclusive organisation that prioritises well-being, invests in learning and careers and prepares our colleagues for the future of work.

At a glance

Our culture
Our organisation has been shaped by the many cultures, communities and continents we serve, with over 226,000 full-time equivalent employees ('FTEs') in 64 countries with 168 nationalities. We were founded on the strength of different experience and we continue to value that difference. We strive to champion inclusivity to better reflect the worlds of our customers and communities. Our culture is underpinned by our values: we value difference; we succeed together; we take responsibility, and we get it done.

For further details on region, age, ethnicity, tenure and employment type of our workforce, see the *ESG Data Pack* at www.hsbc.com/esg.

The future of work

The Covid-19 outbreak taught us many roles can be undertaken effectively outside of our branches and offices, accelerating our focus on enabling greater flexibility in future working arrangements. Reskilling is also a key priority for us and we are investing in a programme to build future skills as we transform the structure of our business.

Read more on the future of work on page 63.

Inclusion

While there have been many new challenges during the Covid-19 outbreak, we continued our emphasis on inclusion. We believe that diversity makes us stronger, and we are dedicated to building a diverse and connected workforce. We made good progress on gender diversity and increased our focus on ethnicity and supporting our Black colleagues.

Read more on inclusion on page 64.

Well-being

We provided extra resources to help colleagues manage the mental and physical health challenges caused by the Covid-19 outbreak. We carried out two global well-being surveys of our colleagues in 2020, helping to shape our response and ensure we had the right assistance in place.

Read more on well-being on page 66.

Learning and skills development

We have continued to find new ways to support colleagues' learning and growth, transitioning to on-demand and digital platforms. We are also using video technologies to collaborate across boundaries more than ever before.

Read more on learning and skills development on page 67.

Listening to our colleagues

We believe in the importance of listening to our colleagues and seeking innovative ways to encourage colleagues to speak up. We monitor how we perform on selected metrics and benchmark against our peers.

Read more on listening to our colleagues on page 68.

The future of work

We expect the way our colleagues work to change as the workforce of the future meets new demands. Colleagues will be using new skills we have helped them to develop, and working more flexibly to support a better work-life balance.

Adapting how we work
The Covid-19 outbreak tested our colleagues in many ways and they adapted at pace in this fast-changing environment.

In branches, we introduced social distancing measures, provided personal protective equipment, reduced operating hours and offered virtual appointments. For office workers, we made sure cybersecurity controls and software supported home working. In 2020, we delivered laptops, desktops or virtual desktop infrastructure to over 78,000 colleagues and had at points up to 70% of our whole workforce working from home at the same time. For some of our colleagues, we changed their roles, asking them to undertake activities that were outside of their normal activities (see box). We took an early decision not to furlough colleagues in the UK or apply for government support packages for our employees throughout 2020.

Our businesses are thinking about how we adapt to the future of work. As our offices reopen we expect to see a much greater degree of hybrid working, recognising that some roles and groups, such as regulated roles and new graduates, will need to spend more time in the office than others. We expect a change in the way we use our office space, recognising the work-life balance and environmental benefits of hybrid working arrangements.

The Covid-19 outbreak also impacted turnover, with 2020 recording the lowest voluntary turnover in the last 10 years at 8%, down three percentage points on 2019. The rates gradually declined month on month from April as the pandemic became more of a global challenge. Historically, voluntary turnover has on average been closer to 11%, and has remained largely flat at this rate over recent years.

Building the skills of the future
We have developed a flagship Future Skills programme to prepare our colleagues for the changing skills required in the future workplace. We want our employees to take greater ownership of their development and invest time in learning new skills. We are creating an innovative internal talent marketplace through new technology that helps improve career development by matching the skills and aspirations of our colleagues with business needs and opportunities.

Managing change
Our three-year transformation programme, launched in February 2020, is accelerating the delivery of our strategy by creating a simpler, more customer-centric and future-focused bank.

We work hard to ensure our colleagues understand the reasons for change and how they might be affected. We communicate through our managers, supported by our transformation programme website, which explains our plans and rationale in each of our global businesses and functions, and we are committed to engaging meaningfully with our employee representative bodies. We ask our businesses to apply global guidance when carrying out changes to how we work to ensure a fair and consistent experience for our colleagues. We also provide mental health support guidance to managers to ensure they are mindful of the psychological impact of change for our colleagues and know how to access help. During the height of the Covid-19 outbreak, we paused the vast majority of redundancy activity.

We redeploy our colleagues impacted by change where possible. During 2020, we restricted external hiring and retained employees in preference to contractors so that internal talent came first wherever possible. We have made it easier for our colleagues affected by the transformation programme to find alternative roles with us by creating a dedicated platform on which their CVs are directly visible to internal recruiters. Of those whose roles became redundant in 2020, 14% were able to find new positions within HSBC. We provide skills development, career transition support and education for all our colleagues, including those who leave as a result of the transformation programme. We will aim to continue to retain and reskill our colleagues as much as possible over the next two years of the programme but where we cannot we provide severance payments in many locations that exceed statutory minimum levels.

Adapting to a changing environment

Many of our colleagues have needed to adapt to the challenges brought about by the Covid-19 outbreak, and in some cases took on new responsibilities. In the UK, we asked colleagues to volunteer to undertake activities that were outside of their normal roles to meet the changing needs of our customers. This helped to keep many of our colleagues working during these extraordinary times. When we reduced branch opening times, over 1,000 UK branch staff worked in other business areas supporting activities such as processing Bounce Back loans to businesses, helping customers access loan repayment holidays and supporting with card disputes.

70%
Workforce working from home at the same time during the Covid-19 outbreak.

8%
Voluntary employee turnover.
(2019: 11%)

Inclusion

Our customers, suppliers and communities span many cultures and continents. We believe this diversity makes us stronger, and we are dedicated to building a diverse and connected workforce where everyone feels a sense of belonging.

Women in senior leadership

In 2018, we committed to reach 30% women in senior leadership roles by 2020, which are classified as 0 to 3 in our global career band structure. We achieved 30.3%. Appointments of external female candidates into senior leadership reduced from 33.0% in 2019 to 31.6% in 2020. We will continue efforts to build more gender-balanced leadership teams and have set ourselves a target to achieve 35% women in senior leadership roles by 2025.

To diversify the talent pipeline, every member of our Group Executive Committee, as well as many members of their management teams, actively sponsor colleagues from under-represented groups, including women. We paid specific attention to how we select and promote candidates for roles and how colleagues can readily access opportunities.

In 2020, we expanded the Accelerating into Leadership programme to all businesses and functions. The programme provides group coaching, networking and development for high-performing women at manager level, which are those at level 4 in our global career band structure. Our Accelerating Female Leaders programme, which focuses on developing high-performing women at level 3 in the global career band structure, was attended by four times as many women in 2020 than in the previous year.

Focus on UK gender and ethnicity pay gaps

In 2020, our median aggregate UK-wide gender pay gap, including all reported HSBC entities, was 48%, and our median bonus gap was 57.9%. Our overall UK gender pay gap is driven by the shape of our UK workforce. There are more men than women in senior and high-paid roles, and more women than men in junior roles, many of which are part-time.

For the first time we also published our UK ethnicity pay gap. Our median aggregate UK-wide ethnicity pay gap across all reported HSBC entities was -5.6%. Our median bonus gap was 0.8%. However, the pay gaps differ depending on the underlying ethnic minority group. The businesses and roles which employees from different ethnic groups work in impact the gaps, with relatively lower representation of ethnic minority employees in senior, higher paid roles. While 79% of our UK employees have declared their ethnicity, fewer senior, higher paid employees have done so to date and were therefore not included in our ethnicity pay gap analysis.

We intend to publish ethnicity representation and pay gap data annually to help ensure we continue making progress and help us identify further areas for action.

We review our pay practices regularly and also work with independent third parties to review equal pay. The most recent exercise was undertaken in 2020. If pay differences are identified that are not due to objective, tangible reasons such as performance or skills and experience, we make adjustments.

Our complete Gender and Ethnicity UK Pay Gap Report 2020, along with more information about our pay gaps and related actions, can be found at www.hsbc.com/who-we-are/our-people-and-communities/diversity-and-inclusion.

Gender diversity statistics[1,2]

	Male		Female	
Holdings Board	9	64%	5	36%
Group Executive Committee	13	81%	3	19%
Combined executive committee and direct reports	141	69%	62	31%
Senior leadership	6,621	70%	2,875	30%
Senior leadership WPB	1,059	66%	545	34%
Senior leadership CMB	710	70%	300	30%
Senior leadership GBM	2,218	78%	635	22%
Senior leadership Digital Business Services	732	72%	285	28%
All employees	111,422	48%	119,618	52%

■ Male ■ Female

1 Combined executive committee and direct reports includes HSBC executive Directors, Group Managing Directors, Group Company Secretary and Chief Governance Officer and their direct reports (excluding administrative staff).

2 Senior leadership refers to employees performing roles classified as 0, 1, 2 and 3 in our global career band structure.

Gender balance

All employees

Male **48%** (2019: 48%)
Female **52%** (2019: 52%)

Senior leaders[2]

Male **70%** (2019: 71%)
Female **30%** (2019: 29%)

Percentage of our senior leadership who are women

30.3%

(2019: 29.4%)

Our approach to ethnicity and Black Lives Matter

In May 2020, we launched a global ethnicity inclusion programme to help us respond to challenges that we identified through our data. This programme aims to improve the diversity of our workforce ethnicity profile across the organisation to reflect the customers and communities we serve.

The tragic death of George Floyd in the US accelerated conversations around race and ethnicity across the Group. Listening to what our colleagues have told us in response to the Black Lives Matter movement has been so important in informing our actions. In July 2020, we also set out our race commitments to improve opportunities for Black and ethnic minority colleagues and boost the diversity of our senior leadership.

As part of this, we set an aspirational target to at least double the number of Black employees in senior leadership roles from 0.7% at 31 December 2020 to 1.3% globally by 2025. To achieve our commitments, we are also strengthening our recruitment processes, partnering with specialist search firms, and enhancing talent development opportunities. In October 2020, we also published country-specific ethnicity data and action plans in the UK and US.

Inclusion continued

Delivering more inclusive outcomes for all
Our diversity and inclusion strategy is designed to deliver more inclusive outcomes for our colleagues, customers and suppliers. Globally we have driven improvements in representation and sentiment across multiple diversity strands, grown our commercial focus, strengthened our employee networks, and improved our diversity data. Here are some examples of our key achievements in 2020:

Beyond gender
Our global approach to diversity goes beyond gender to include ethnicity, disability and LGBT+ inclusion:

- Ethnicity: In 2020, we launched our global ethnicity inclusion programme, which is sponsored by Group Chief Risk Officer Pam Kaur and aims to diversify our workforce ethnicity profile (see box on page 64).
- Disability: We continue to develop our global approach to workplace adjustments to improve consistency for employees with disabilities, as part of our global disability confidence programme, sponsored by Group Chief Financial Officer Ewen Stevenson. We used our global footprint and connectivity to raise awareness about disability inclusion through our sponsorship of #PurpleLightUp.
- LGBT+: Our work, particularly around leadership and engaging colleagues, has again been recognised by Stonewall, which named HSBC as one of only 17 Top Global Employers for LGBT+ inclusion.

Beyond employees
Across our businesses, we are taking opportunities to be more inclusive of diverse customer groups.

In our private bank, we want to improve how we serve and gain insights into our female clients, and we are partnering with external networks AllBright and WealthiHer to address ways to improve women's wealth.

Our Global Banking and Markets business has a team that incorporates a gender perspective into our mainstream products and business lines to generate business revenue from transactions that drive gender equality.

Our insurance business HSBC Life uses a diversity and inclusion framework to ensure product development and engagement opportunities are designed to address needs across different customer groups.

Employee networks
By appointing global executive sponsors from our Group People Committee as well as global co-chairs across our employee networks we are helping them to deliver consistent and impactful outcomes aligned to our strategy.

In 2020, we appointed our first global executive sponsors for our Embrace (ethnicity) and Generations (age) networks, and our first global co-chairs for Embrace, Ability (disability) and Nurture (caregivers) networks. Global sponsors and co-chairs are identifying issues and opportunities across their groups in different markets, and are collaborating with key business areas and across networks to implement changes that will help improve representation and engagement with diverse groups of colleagues.

Enhancing data
Collecting better diversity data is imperative to measure the success of our diversity and inclusion strategy, and to inform our inclusion priorities going forward. It will help us to gain a more accurate picture of our workforce diversity, pinpoint inclusion hotspots and be more transparent about our progress.

We have updated ethnicity categories in markets where we can currently collect that data to better reflect how colleagues self-identify. In many locations we have also delivered local campaigns to promote self-identification. In 2021, we are enabling more colleagues to share their ethnicity data with us where it is legally permissible and culturally acceptable to do so. We will run similar self-identification campaigns to improve declaration rates throughout the year.

Making progress and next steps

There is a clear commitment to achieve change from across our leadership. This commitment is reinforced by enhanced recruitment processes, targets, partnerships with like-minded organisations, programmes to accelerate diverse leadership and ongoing dialogue with employees from under-represented groups to understand what we can do better.

The next phase of our strategy will take a broader approach to inclusion across the organisation. We will expand our focus to recognise the impact of belonging to multiple under-represented groups – for example, the barriers that might be faced by a Black women with disability.

We will continue to integrate inclusion principles into how we do business, and will use our employee networks to help us address barriers or opportunities together. Following colleague feedback, we will also seek to improve the HSBC experience for those with disability, using the Business Disability Forum's Disability Standard – for which we achieved Silver in 2020 – as well as for our ethnic minority colleagues.

We are realistic that some progress will take time, and we will keep seeking to understand different perspectives and experiences to grow, learn and improve.

For further details on how our colleagues self-identify, see the *ESG Data Pack* at www.hsbc.com/esg.

Well-being

We are deeply committed to supporting the well-being of our people. Given the immense strain caused by the Covid-19 outbreak, including the new realities of working from home, home schooling and lack of physical contact with family members, friends and colleagues – it has never been more important. Our well-being priorities, driven by feedback from surveys of our people, remain mental health, work-life balance and financial security. Helping our colleagues be healthy and happy is the right thing to do, but by doing so, we also enable them to better support our customers and communities, which has been hugely important this year.

Adapting to the challenges

In 2020, we provided extra resources to help colleagues manage the mental and physical health challenges caused by the Covid-19 outbreak. We launched a microsite to provide them with up-to-date information to support well-being, including guidance on how to work safely from home. We also made medical services available via video-conferencing to more than 50,000 colleagues.

At the start of the outbreak, we undertook additional surveys and virtual focus groups, helping us shape our response to the Covid-19 outbreak and to ensure we had the right assistance in place. From this, 86% told us they were confident in the approach our leadership team was taking to managing the crisis. In December 2020, we ran our annual global well-being survey, where 92,000 colleagues took part, helping us evaluate progress since 2019 and to shape future plans.

Mental health

Our global well-being survey revealed 81% of colleagues rated their mental health as positive, a decrease of two points compared with 2019. Given the extraordinary challenges caused by the Covid-19 outbreak, we are not surprised to see that decrease. However, we are very encouraged to see that 70% of colleagues feel confident talking to their line manager about mental health, an increase of 12 points compared with 2019.

Just over three-quarters (78%) of colleagues know how to get support at work about their mental health, an increase of 17 points compared with 2019, and 63% of colleagues feel able to take time off work when they experience a mental health concern, an increase of 17 points compared with 2019. In 2020, we provided specialist support to colleagues who were particularly affected by the Covid-19 outbreak, including a mental health seminar to colleagues in Wuhan, China. Human resources advisers and business continuity teams were given mental health resource packs. Our employee network group, Ability, offered weekly mental health calls to those in need.

We conducted an independent review of all our employee assistance programmes to see if they met best-practice standards, and to identify ways to improve our counselling services. We continued to promote our global mental health education programme that we launched in 2019, which has been completed by more than 22,000 colleagues. We also redesigned our mental health classroom course to be delivered virtually. Throughout 2020, we partnered with mental health groups, the City Mental Health Alliance and United for Global Mental Health, to share ideas with other organisations on ways to raise awareness and alleviate stigma surrounding mental health.

Flexible working

Our colleagues have had to adapt how they work due to the Covid-19 outbreak, with 80% needing to work from home at the height of the outbreak. Our global well-being survey revealed 74% of colleagues feel they have a positive work-life balance, an increase of two points compared with 2019.

We are encouraged to see 76% of colleagues feel confident talking to their line manager about work-life balance and flexible working, an increase of 12 points compared with 2019, and 71% of colleagues know how to get support at work about work-life balance and flexible working, an increase of 14 points since 2019. In 2020, we promoted new resources, videos and education to help colleagues working remotely. Topics included stress management, coping with isolation, remote collaboration, workstation support, and balancing care-giving responsibilities. We are also thinking about how we will adapt when our offices reopen, recognising a greater need for hybrid working arrangements and the work-life benefits these bring.

Financial security

Our global well-being survey revealed 68% of colleagues rated their financial well-being as positive, an increase of 14 points compared with 2019. We are encouraged to see that 50% of colleagues feel confident talking to their line manager about their financial well-being, an increase of 14 points compared with 2019. The survey also showed that 56% of colleagues know how to seek support at work about their financial well-being, an increase of 16 points since 2019, and 42% of colleagues feel they could handle an unexpected expense without significant hardship, an increase of 10 points since 2019. While these results are positive, we know there is more we can do.

Conscious that the pandemic may put financial pressures on some of our colleagues, we worked with experts from our Wealth and Personal Banking business to create a financial well-being education programme to help colleagues develop healthy financial habits. The programme was launched globally as part of our Future Skills Resilience curriculum. We will continue to expand this programme, with a follow-up module on the theme of building up savings, later in 2021.

World Mental Health Day

To celebrate World Mental Health Day, we ran a global awareness campaign and created a film of colleagues sharing personal stories. Our human resources teams and employee network groups held virtual events in all locations across the whole month of October 2020. These events featured colleagues and external experts providing advice on a range of mental health-related topics including resilience, sleep and management of stress. Following this activity, we saw a 29% increase in colleagues accessing well-being resources compared with the previous month. We believe this campaign activity contributed to the significant increases in levels of awareness, confidence and de-stigmatisation of mental health, and why 75% of colleagues said they believe HSBC cares about their well-being in our global well-being survey. In 2021, we will continue to work with our charity partner, United for Global Mental Health, to create campaigns that raise awareness and alleviate stigma.

Learning and skills development

A workforce capable of meeting the challenges of today and tomorrow requires significant support to develop the right skills. Whatever our colleagues' career paths, we have a range of tools and resources to help them.

A rapid shift to virtual learning
The Covid-19 outbreak resulted in a halt to classroom training and rapid expansion in virtual learning. We prioritised the transition to remote working and helping colleagues manage their well-being. The shift from physical classroom training to shorter virtual equivalents and online resources resulted in a total of 5.2 million hours and 2.9 days per FTE training in 2020.

We converted or rebuilt technical, professional and personal classroom programmes to deliver online. New joiners to HSBC experienced an immersive virtual induction programme and virtual internships. Our global graduate induction programme moved entirely online with more than 100 leaders and graduate alumni welcoming approximately 650 graduates.

Supporting self-development
We have a range of tools and resources to help colleagues take ownership of their development and career.

- HSBC University is our one-stop shop for learning delivered via an online portal, network of global training centres and third-party providers.
- Our My HSBC Career portal offers career development resources and information on managing change and on giving back to the organisation and the communities in which we operate. Over 100,000 of our colleagues made use of it in 2020.
- We launched a global mentoring system in 2020 to enable colleagues to match with a mentor or mentee. At 31 December 2020, we had in excess of 6,800 mentors and mentees in 58 countries and territories.

Developing core skills
Our managers are the critical link in supporting our colleagues. In 2020, we redesigned our suite of training and resources for managers so they can focus on the most important skills including leading and supporting teams through change.

Risk management remains central to development and is part of our mandatory training. Those at higher risk of exposure to financial wrongdoing experience more in-depth training on financial risks, such as money laundering, sanctions, bribery and corruption. Other programmes and resources address specific areas of risk, like management of third-party suppliers.

Our Cyber Hub brings together training, insights, events and campaigns on how to combat cyber-crime. We are also supporting those who develop models and senior leaders with training to help them understand and apply our Principles for the Ethical Use of Big Data and AI.

A learning and feedback culture
We want our colleagues to be well prepared for changing workplace requirements and so have developed a flagship Future Skills programme to support them. We identified nine key behaviours we believe are necessary future skills for colleagues and built a curriculum of resources to support learners to develop these.

More than 1,000 colleagues now act as Future Skills Influencers, supporting their businesses and teams to invest in learning. In November 2020, we ran a week-long MySkills festival, which helped colleagues explore future skills through virtual events, interactive workshops and online resources. Demand to join sessions surpassed our expectations with more than 45,000 registrations for the events.

Senior succession planning
Developing future leaders is critical to our long-term success. The Group Executive Committee dedicates time to articulate the current and future capabilities required to deliver the business strategy, and identify successors for our most critical roles.

Successors undergo robust assessment and participate in executive development. Potential successors for senior roles also benefit from coaching and mentoring and are moved into roles that build their skills and capabilities.

Inspiring future coders

We know supporting the next generation provides a sense of fulfilment to our colleagues. We support the Technovation Girls programme, which inspires girls globally to design and code applications that solve problems in their community. The long-term goals of the programme are to build the capacity of girls as technology innovators, thereby reducing the gender gap in science, technology, engineering and mathematics ('STEM') professions.

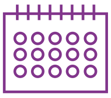
Through our support, over 1,400 girls across the globe were able to participate in the programme in 2020. In August 2020, we supported the virtual Technovation World Summit that had nearly 2,000 participants. Winning teams were awarded cash prizes to spend on furthering their education in STEM subjects or turning their ideas into commercial projects.

Training at HSBC

5.2 million

Training hours carried out by our colleagues in 2020.

(2019: 6.5 million)



2.9 days

Training days per FTE.

(2019: 3.5 days)

Listening to our colleagues

We run a Snapshot survey every six months and report insights to our Group Executive Committee and the Board. Results are shared across the Group to provide managers in each region with a better understanding to plan and make decisions.

As our colleagues faced considerable challenges in 2020, Snapshot was a critical tool to ensure we were responding to our colleagues' needs.

Listening to employee sentiment

In our 2020 Snapshot surveys, we had a record response rate of 62% in July and 56% in December, up from 52% and 50% respectively in the same periods of 2019. We undertook additional surveys and virtual focus groups, focusing on our colleagues' well-being, the changes that the Covid-19 outbreak brought to their working lives and their views on returning to the workplace. More than 50% of our colleagues participated in our Covid-19 well-being survey, with 86% telling us they were confident in the approach our leadership team was taking to managing the crisis.

Finding new ways to listen

We used new and innovative ways to gather feedback and ideas from our colleagues in 2020. In June, we conducted virtual focus groups for the first time. Approximately 850 employees in four markets discussed what it was like to work during the Covid-19 outbreak and considered how work will evolve in the future. In October, we organised our first 'employee jam' – a live online chat between employees in 49 countries. This online conversation ran over 72 hours and captured more than 9,500 online posts on topics including the future of work and our values, which we have refreshed to remain relevant and reflective of our organisation.

In February 2021, we introduced to our colleagues our revised purpose and values, which were co-created through an extensive listening, talking and reflecting exercise with tens of thousands of colleagues, customers and other stakeholders. Our new purpose is 'Opening up a world of opportunity'. Our new values are 'we value difference'; 'we succeed together'; 'we take responsibility'; and 'we get it done'.

It was the largest employee engagement programme in HSBC's history – helping to ensure our plans were an accurate reflection of everything our colleagues told us about what is best about HSBC, and everything we want to become.

During the consultation on our values, 90% of colleagues said they were clear on HSBC's new values and how they could be embedded into their day-to-day work.

Encouraging our colleagues to speak up

We believe that change only happens when people speak up. If our colleagues have concerns, we want them to speak up to help us do what's right. In 2020, acting on findings from the November 2019 Snapshot survey, we ran a programme to raise awareness of how to speak up and what happens when we do. Our efforts focused on improving the process, demystifying how we investigate concerns and improving transparency about what action we should take as a result. Following the 2020 'Speak Up' campaign, our speak-up index, which is formed by surveying our colleagues' comfort on speaking up, rose six points in December 2020, compared with November 2019. The index outperformed peers by 10 points. We were pleased to see an improvement in employee sentiment, with 78% of respondents saying they felt able to speak up when they saw behaviour they considered to be wrong. However, a smaller proportion (66%) said they were confident that if they speak up, appropriate action will be taken. We recognise there is more to do to give our colleagues confidence that their concerns will be fully addressed. In 2021, we aim to continue the speak-up programme and will monitor sentiment through our Snapshot survey.

Our whistleblowing channels

At times individuals may not feel comfortable speaking up through the usual channels. Our global whistleblowing channel, HSBC Confidential, allows our colleagues and other stakeholders to raise concerns confidentially, and if preferred, anonymously (subject to local laws). Enhancements to the channel in December 2020 mean the majority of concerns are now raised through an independent third party offering 24/7 hotlines and a web portal in multiple languages.

We also provide and monitor an external email address for concerns about accounting, internal financial controls or auditing matters (accountingdisclosures@hsbc.com).

In 2020, while we continued to actively promote the channel, the volume of whistleblowing concerns fell by 11%, driven in part by the change in working environment during the Covid-19 outbreak. Of the whistleblowing cases closed in 2020, 81% related to behaviour and conduct, 15% to security and fraud risks, 4% to compliance risks and less than 1% to other categories.

The Group Audit Committee has overall oversight of the Group's whistleblowing arrangements. Concerns are investigated proportionately and independently, with action taken where appropriate. This can include disciplinary action, dismissal, and adjustments to variable pay and performance ratings.

Our 2020 Snapshot survey showed increasing confidence among our colleagues in raising whistleblowing concerns without fear of reprisal, reflecting our policy of zero tolerance for acts of retaliation. This continues to be an area of focus.

Employee conduct and harassment

We rely on our people to deliver fair outcomes for our customers and to make sure we act with integrity in financial markets.

We foster a healthy working environment and expect our people to treat each other with dignity and respect, and take action where we find behaviour that falls short of our expectations.

The types of cases, thematic links between them, and changes in volumes are reported on a regular basis to management committees. Where we see themes or adverse trends we take action, including training, communications and policy changes.

In 2020, to ensure clarity over the standards of behaviour expected, we delivered mandatory training on bullying and workplace harassment. The training emphasised our commitment to creating an environment where our people feel comfortable to speak up and step in where they witness poor behaviour.

We also took disciplinary action against 2% of our employees for poor conduct, examples of which include avoiding customer calls and not treating colleagues respectfully. Over 800 colleagues were dismissed for poor behaviour, including 41 for workplace harassment. We believe in transparency on these matters, and also know that we have room to improve. In 2021, we will enhance our conduct policies and procedures so that they remain current, clear and effective.

Listening to our colleagues continued

Measuring our progress against peers
In 2020, we introduced six new Snapshot indices to measure key areas of focus and to enable comparison against a peer group of global financial institutions. The table sets out how we performed.

Index	Score[1]	vs 2019	HSBC vs benchmark[2]	Questions that make up the index
Employee engagement	72	+5	+2	I am proud to say I work for this company. I feel valued at this company. I would recommend this company as a great place to work.
Employee focus	72	New	+4	I generally look forward to going to work. My work gives me a feeling of personal accomplishment. My work is challenging and interesting.
Strategy	68	New	-1	I have a clear understanding of this company's strategic objectives. I am seeing the positive impact of our strategy. I feel confident about this company's future.
Change leadership	74	New	0	Leaders in my area set a positive example. My line manager does a good job of communicating reasons behind important changes that are made. Senior leaders in my area communicate openly and honestly about changes to the business.
Speak-up	75	+6	+10	My company is genuine in its commitment to encourage colleagues to speak up. I feel able to speak up when I see behaviour which I consider to be wrong. Where I work, people can state their opinion without the fear of negative consequences.
Trust	75	+6	+5	I trust my direct manager. I trust senior leadership in my area. Where I work, people are treated fairly.

1 Each index comprises three constituent questions, with the average of these questions forming the index score.
2 We benchmark Snapshot results against a peer group of global financial services institutions, provided by our research partner, Karian and Box. Scores for each question are calculated as the percentage of employees who agree to each statement. For further details on the constituent questions and past results, see the *ESG Data Pack* at www.hsbc.com/esg.

Measuring employee engagement
To understand how our colleagues perceive the organisation, we ask if they feel proud, valued and willing to recommend HSBC as a great place to work. These questions form our employee engagement index. Engagement rose significantly in 2020 and was two points above our peers. More colleagues said they 'feel valued by HSBC' compared with November 2019. Employee advocacy, which is defined as those who would recommend HSBC, improved five points in 2020 to 71%. We aim to continue improving our understanding and address why 20% of our colleagues report neutral levels of advocacy. Our research showed that key drivers of engagement are career opportunities, trust in leadership and our commitment to encourage speaking up. We expect our flagship programme to help build future skills and that this will in turn drive further improvements in engagement levels.

Measuring employee focus
Our employee focus index tells us about our colleagues' perception of their work. The 2020 results were four points above our peers. This will be a key measure of progress for our transformation and our programme to build future skills.

Measuring strategy and change leadership
Our strategy index, which measures how employees feel about HSBC's direction, was just below its benchmark. However, the index included an improvement in scores for questions on whether colleagues see a positive impact of our strategy and if they have confidence in the future. Our efforts to reshape the business and the uncertain business environment are affecting these results, and we recognise the challenge this creates for colleagues. Despite these challenges, our change leadership index, which measures how employees feel about change communication and leadership setting a positive example, performed in line with the benchmark. This will continue to be vital during our ongoing transformation.

Measuring speak-up and trust
Our speak-up index rose six points from November 2019, representing the biggest improvement in the indices we measure. Similarly, trust, particularly in senior leadership, improved significantly. These results are encouraging but need to be viewed in the context of the Covid-19 outbreak where research showed our colleagues were positive about HSBC's handling of the crisis. Maintaining these gains through a period of ongoing change and uncertainty will require sustained effort.

Whistleblowing concerns raised (subject to investigation) in 2020

2,510

(2019: 2,808)

Substantiated and partially substantiated whistleblowing cases in 2020[1]

42%

(2019: 33%)

Employee advocacy

71%

Would recommend HSBC as a great place to work.
(2019: 66 %)

1 The 2020 substantiation rate excludes concerns redirected to other escalation routes.

Governance

We remain committed to high standards of governance. We work alongside our regulators and recognise our contribution to building healthy and sustainable societies.

At a glance

Our relationship
We act on our responsibility to run our business in a way that upholds high standards of corporate governance.

We are committed to working with our regulators to manage the safety of the financial system, adhering to the spirit and the letter of the rules and regulations governing our industry. In our endeavour to restore trust in our industry, we aim to act with courageous integrity and learn from past events to help prevent their recurrence.

We meet our responsibilities to society, including through being transparent in our approach to paying taxes. We also seek to ensure we respect global standards on human rights in our workplace and our supply chains, and continually work to improve our compliance management capabilities.

We acknowledge that increasing financial inclusion is a continuing effort, and we are carrying out a number of initiatives to increase access to financial services.

For further details on our corporate governance see our corporate governance report on page 195.

Respecting human rights

We respect human rights and have signed, or expressed support for, a number of international codes, as set out in our Statement on Human Rights.

Read more on respecting human rights on page 71.

Supporting financial inclusion

We aim to deliver products and services that address financial barriers. We invest in financial education to help customers, colleagues and people in our communities be confident users of financial services.

Read more on supporting financial inclusion on page 71.

Protecting data

We are committed to protecting the information we hold and process in accordance with local laws and regulations. We continue to strengthen our controls to prevent, detect and react to cyber threats.

Read more on protecting data on page 72.

Safeguarding the financial system

We remain committed in our efforts to combat financial crime by continuing to invest in new technology to protect our customers and organisation, while supporting key industry initiatives.

Read more on safeguarding the financial system on page 73.

Our approach with our suppliers

Our ethical code of conduct for suppliers of goods and services, which must be complied with by all suppliers, sets out minimum standards for economic, environmental and social impacts.

Read more on our approach with our suppliers on page 73.

A responsible approach to tax

We seek to pay our fair share of tax in the jurisdictions in which we operate and to minimise the likelihood of customers using our products to inappropriately avoid tax.

Read more on a responsible approach to tax on page 74.

Restoring trust

We have sought to learn from past mistakes and we are seeking to develop and implement specific measures designed to prevent recurrence of similar events in the future.

Read more on restoring trust on page 75.

Respecting human rights

We recognise the duty of states to protect human rights and the role played by business in respecting them, in line with the UN Guiding Principles' Protect, Respect and Remedy framework. We have signed, or expressed support for, a number of international codes as set out in our Statement on Human Rights. Our Human Rights Steering Committee, which was set up in 2018, continues to develop our approach to human rights. Our Statement on Human Rights is available at www.hsbc.com/our-approach/esg-information.

Pioneering scheme

Our pioneering scheme to help survivors of human trafficking is now used as a model for making financial services more accessible to vulnerable communities through the UN's Finance Against Slavery and Trafficking ('FAST') Survivor Inclusion Initiative.

Building on the success of our Survivor Bank programme in the UK, for which we received a Stop Slavery Award from the Thomson Reuters Foundation, we became the first bank in Hong Kong to offer a Hong Kong Dollar Statement Savings account for residents who do not have a fixed abode, or who are living in subdivided flats without access to postal services. Having a bank account can improve financial security for members of disadvantaged communities – including those under potential risk of forced labour or debt bondage – and potentially enable them to receive welfare allowances or find employment.

Spotting the signs of human trafficking

In many cases, transactions related to modern slavery and human trafficking will not be identified by automated systems alone. As a result, our analysts also use a range of secondary indicators that may not signify suspicious activity on their own, but which can be assessed as part of a case review. Examples where such transactions have successfully been identified and escalated are then shared internally, as case studies for others to learn from.

For details of our approach to modern slavery, see: www.hsbc.com/our-approach/risk-and-responsibility/modern-slavery-act.

Identifying suspicious activity

When two large cash deposits were made to the same account on two consecutive days, it raised suspicion with one of our analysts. Further investigation identified a number of cautionary flags for potential illegal activity, including the apparent findings that 17 people – all of whom banked with HSBC – lived in the same property. The case was escalated to an investigations team, who filed a suspicious activity report with the UK regulator. We also proceeded to close the account. With these actions, we not only disrupted the individual, but also alerted the authorities to take the case forward through appropriate law enforcement channels.

Supporting financial inclusion

We believe that financial services, when accessible and fair, can reduce inequality and help more people access opportunities.

Access to products and services

We aim to deliver products and services that address the barriers people can face in accessing financial services.

In 2020, we continued to offer innovative product offerings. In the UK, we are educating people about banking services and reducing barriers for those who do not have a fixed address as well as for survivors of human trafficking. We also introduced new products, such as banking services for refugees in Hong Kong, allowing individuals to have a safe, affordable way to receive support from overseas family, friends or local non-governmental organisations.

We embedded diversity and inclusion standards into our new product approval framework for retail banking, wealth, insurance and digital products, such as in India, where we added a transgender option to the customer application and underwriting criteria for health insurance.

Access to financial education

We invest in financial education to help customers, colleagues and people in our communities be confident users of financial services.

In 2020, we provided more of our own financial education content, such as articles and features on our digital channels. We had over 1.7 million unique visitors to our digital content in 2020, making progress towards our 2019 goal of reaching four million unique visitors by the end of 2022.

We also support charity programmes that deliver financial education. In 2020, HSBC UK partnered with Young Money, a UK-based charity focused on children's financial education, to introduce Money Heroes, an innovative education programme that brings together teachers and parents or carers to develop a child's financial capability from ages three to 11. Combining learning with real life activities, Money Heroes aims to reach one million children over three years, supporting the most vulnerable communities.

Protecting data

Cybersecurity
The threat of cyber-attacks remains a concern for our organisation, as it does across the entire financial sector. Failure to protect our operations from internet crime or cyber-attacks may result in financial loss, disruption for customers or a loss of data. This could undermine our reputation and ability to attract and retain customers.

We have invested in business and technical controls to help prevent, detect and react to these threats. We continually evaluate threat levels for the most prevalent attack types and their potential outcomes. We have strengthened our controls to reduce the likelihood and impact of advanced malware, data leakage, infiltration of payment systems and denial of service attacks. In 2020, we continued to strengthen our cyber defences to enhance our cybersecurity capabilities, including: Cloud security; identity and access management; metrics and data analytics; and third-party security reviews. These defences are grounded in mature controls that mitigate the current cyber-attacks and build upon a proactive data analytical approach to identify and mitigate future advanced targeted threats. In addition, an important part of our defence strategy is ensuring our people remain aware of cybersecurity issues and know how to report incidents. We continue to run regular cyber awareness campaigns and have dedicated training programmes in place.

We operate a three lines of defence model, aligned to the operational risk management framework, to ensure robust oversight and challenge of our cybersecurity capabilities and priorities. In the first line of defence, we have risk owners within global businesses and functions who are accountable for identifying, owning and managing the cyber risk. They work with control owners to help ensure controls are in place to mitigate issues, prevent risk events from occurring and resolve them if they do. These controls are executed in line with policies produced by the information security risk teams, the second line of defence, which provide independent review and challenge. They are overseen by the third line of defence, which is the Global Internal Audit function.

We regularly report and review cyber risk and control effectiveness at relevant governance forums and the Board to ensure appropriate oversight. We also report across the global businesses, functions and regions to help ensure appropriate visibility and governance of risks and mitigating controls.

Data privacy
We are committed to protecting and respecting the data we hold and process, in accordance with the laws and regulations of the geographies in which we operate.

Our approach rests on having the right talent, technology, systems, controls policies, and processes to help ensure appropriate management of privacy risk. Our Group-wide privacy policy and principles provide a consistent global approach to managing data privacy risk, and must be applied by all of our global businesses and global functions.

We conduct regular training sessions on data privacy and security issues throughout the year, including global mandatory training for all our colleagues, along with additional training sessions, where required, to keep abreast of new developments in this space.

We provide transparency to our customers and stakeholders on how we collect, use and manage their personal data, and their associated rights. Where relevant, we work closely with third parties to help ensure adequate protections are provided, in line with our data privacy policy and as required under data privacy law. We offer a broad range of channels in the markets we operate, through which customers and stakeholders can raise any concerns regarding the privacy of their data.

We have established dedicated privacy teams reporting to the highest level of management on data privacy risks and issues, and overseeing our global data privacy programmes. We report data privacy regularly at multiple governance forums, including at Board level, to help ensure there is appropriate challenge and visibility among senior executives. In addition, we have established data privacy governance structures and continue to embed accountability across all businesses.

We are committed to implementing industry practices for data security and our privacy teams work closely to drive the necessary design, implementation and monitoring of privacy solutions, including conducting regular reviews and data privacy risk assessments. We implemented procedures that articulate clearly the action to be taken when dealing with a data privacy breach. These include notifying regulators, customers or other data subjects, as required under applicable privacy laws and regulations, in the event of a reportable incident occurring.

Data Privacy Day

In January 2020, we hosted a global data privacy event for all our colleagues to mark International Data Privacy Day. The event highlighted the importance of taking accountability for data privacy across the organisation and the continuing need to provide simple and clearer mechanisms for our customers to have more control and choice in managing their data.

We invited internal and external speakers, including the UK's former Deputy Information Commissioner, our Group Data Protection Officer and Group Chief Data Officer, as well as representatives from the technology industry. The event was broadcast across 62 countries.

Cybersecurity Awareness Month

Our cybersecurity teams endeavour to educate, support and equip every colleague with the tools to prevent, mitigate and report cyber incidents, and keep our organisation and customers' data safe. Throughout October 2020, the cybersecurity team hosted a number of virtual awareness events for all colleagues as part of a dedicated annual Cybersecurity Awareness Month. The global and local events were hosted by our executive leaders, with the support of a number of internal subject matter experts and external guest speakers. The Cybersecurity Awareness Month established a new level of awareness, participation, and commitment to cybersecurity inside the Group.

Safeguarding the financial system

We have continued our efforts to combat financial crime risks and reduce their impact on our organisation and the wider world. These financial crime risks include money laundering, terrorist and proliferation financing, tax evasion, bribery and corruption, sanctions and fraud. As part of this work, we have made progress on several key initiatives, enabling us to manage and mitigate these risks more effectively, and further our pioneering work in financial crime risk management across the financial services industry.

Financial crime risk management

We have embedded a strong financial crime risk management framework across all global businesses and all countries and territories in which we operate. For further details on our financial crime risk management framework, see page 187.

We continue to invest in new technology to enable us to make an impact in the fight against financial crime. Our global social network analytics platform, which we launched in 2018 as an investigative tool, now helps us detect high-risk activity across our trade finance business. Using a contextual monitoring approach, we are able to improve the accuracy and efficiency of our operations, removing delays in approving genuine customer transactions while focusing attention on behaviour of concern.

Building on this approach, we have made progress in applying machine learning techniques to improve the accuracy and timeliness of our financial crime detection capabilities. Working with industry leaders, we have sought to share what we have learned, contributing to the development of best practice in this emerging field, in line with our Principles for the Ethical Use of Big Data and AI.

We are confident our adoption of these new technologies will continue to enhance our ability to respond quickly to suspicious activity and be more granular in our risk assessments, helping to protect our customers and the integrity of the financial system.

The scale of our work

Each month, we screen over 708 million transactions across 275 million accounts for signs of money laundering and financial crime. In addition, we screen approximately 114 million customer records and 45 million transactions monthly for sanctions exposures. During 2020, we filed almost 50,000 suspicious activity reports to law enforcement and regulatory authorities where we identified potential financial crime.

Our approach with our suppliers

We have globally consistent standards and procedures for the onboarding and use of external suppliers. We require suppliers to meet our compliance and financial stability requirements, as well as to comply with our supplier ethical code of conduct. We consider on time payment to be of paramount importance, and our commitment to paying our suppliers is in line with all local requirements, including the Prompt Payment Code in the UK.

Supplier ethical code of conduct

We have an ethical code of conduct for suppliers of goods and services, which must be complied with by all suppliers. While our businesses and functions are accountable for the suppliers they use, our global procurement function owns the code of conduct review process for them. Our goal is to work collaboratively with our supply chain partners on sustainability at all times.

The ethical code of conduct, which we require suppliers to adopt, sets out minimum standards for economic, environmental and social impacts and outlines the requirement for a governance and management structure to help ensure compliance. Our supplier management conduct principles set out how we conduct business with our third-party suppliers both in our legal and commercial obligations. They also explain how we treat suppliers fairly through our behaviour and actions and in line with our values.

Our supplier management principles and our ethical code of conduct are available at: www.hsbc.com/our-approach/risk-and-responsibility/working-with-suppliers.

A responsible approach to tax

We seek to pay our fair share of tax in the jurisdictions in which we operate and to minimise the likelihood of customers using our products and services to evade or inappropriately avoid tax. Our approach to tax and governance processes is designed to achieve these goals.

Through adoption of the Group's risk management framework, controls are in place that are designed to ensure that inappropriately tax-motivated transactions or products are not adopted by the Group and that any tax planning used must be supported by genuine commercial activity. HSBC has no appetite for using aggressive tax structures. Significant investment has been made to strengthen our risk processes and train staff to identify instances of potential tax evasion and we continue to enhance these processes.

With respect to our own taxes, we are guided by the following principles:

- We are committed to applying both the letter and spirit of the law in all jurisdictions in which we operate. This includes adherence to a variety of measures arising from the OECD Base Erosion and Profit Shifting initiative.
- We seek to have open and transparent relationships with all tax authorities. As with any group of our size and complexity, a number of areas of differing interpretation or disputes with tax authorities exist at any point in time. We work with the local tax authorities to try to agree and resolve these in a timely manner.
- We have applied the OECD/G20 Inclusive Framework Pillar 2 guidance to identify those jurisdictions in which we operate that have nil or low tax rates (12.5% or below). We have identified seven such jurisdictions in which we had active subsidiaries during 2020[1]. We continually monitor the number of subsidiaries within the Group as part of the Group's ongoing entity rationalisation programme. We intend to continue this process, with the aim of ensuring that the HSBC entities remaining in such jurisdictions are regulated entities essential for conducting business.

With respect to our customers' taxes, we are guided by the following principles:

- We have made considerable investment implementing processes designed to enable us to support external tax transparency initiatives and reduce the risk of banking services being used to facilitate customer tax evasion. These initiatives include the US Foreign Account Tax Compliance Act, the OECD Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard'), and the UK legislation on the corporate criminal offence of failing to prevent the facilitation of tax evasion.
- We have processes in place to help ensure that inappropriately tax-motivated products and services are not provided to our customers.

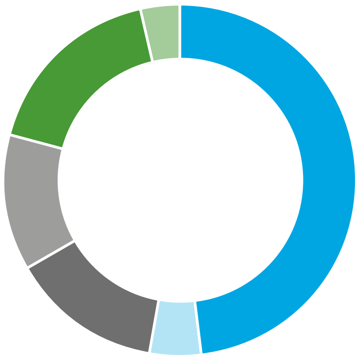
For further details of our approach to financial crime and action we have taken, see page 73.

Our tax contributions

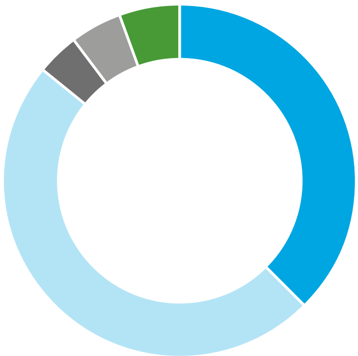
The effective tax rate for the year was 30.5%. Further details are provided on page 308.

As highlighted below, in addition to paying $8.1bn of our own tax liabilities during 2020, we collected taxes of $9.5bn on behalf of governments around the world. A more detailed geographical breakdown of the taxes paid in 2020 is provided in the *ESG Data Pack*. The tax we paid during 2020 was higher than in 2019 due to differences in the timing of payments, particularly in Hong Kong.

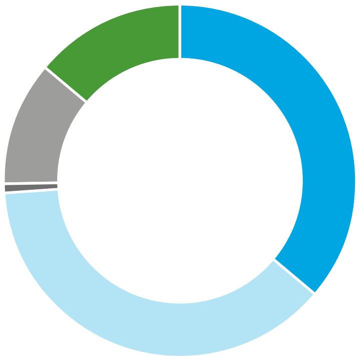
Taxes paid – by type of tax



Taxes paid – by region



Taxes collected – by region



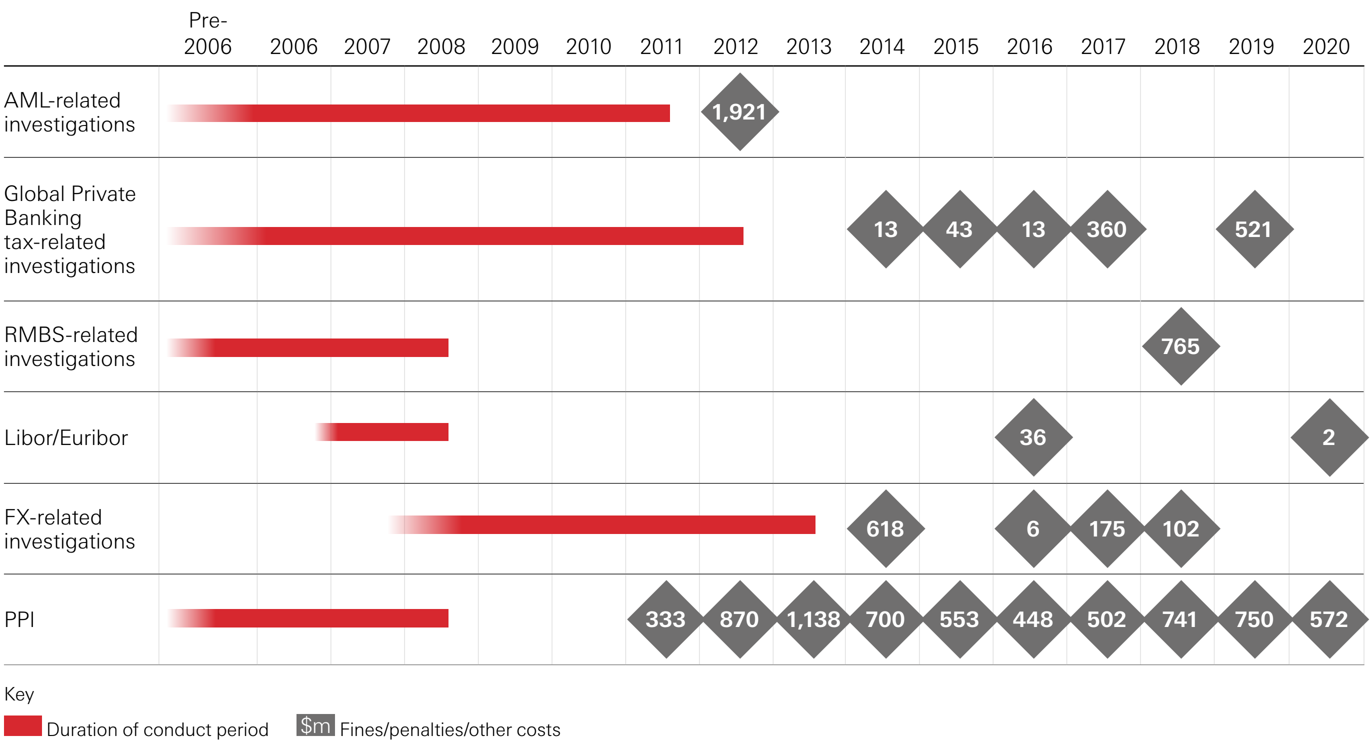
1 The Bahamas, Bermuda, the Cayman Islands, Guernsey, Ireland, Jersey and the British Virgin Islands.

Restoring trust

Restoration of trust in our industry remains a significant challenge as past misdeeds continue to remain in the spotlight. But it is a challenge we must meet successfully. We owe this not just to our customers and to society at large, but to our employees to ensure they can rightly be proud of the organisation where they work. We aim to act with courageous integrity in all we do. This guiding principle means having the courage to make decisions based on doing the right thing for customers and never compromising our ethical standards.

The chart below sets out fines and penalties arising out of major investigations involving criminal, regulatory, competition or other law enforcement authorities, and costs relating to PPI remediation. We have sought to learn from these past mistakes and are seeking to develop and implement specific measures designed to prevent recurrence of similar events in the future. Further information regarding the measures that we have taken to prevent the recurrence of some of these matters can be found at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-and-policies.

Major criminal and regulatory fines and penalties and PPI remediation[1]



1 This chart only includes fines and penalties arising out of major investigations involving criminal, regulatory, competition or other law enforcement authorities, and costs relating to PPI remediation. The chart reflects the year in which a fine, penalty or remediation cost was paid, which may be different from when a loss or provision was recognised under IFRSs. Settlements or other costs arising out of private litigation or arbitration proceedings are not included.