



July 2016

## HSBC Holdings plc

### ESG Update

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## Important notice and forward-looking statements

### Important notice

The information set out in this presentation and subsequent discussion does not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any recommendation in respect of such securities or instruments.

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is ‘adjusted performance’ which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 1Q16 Earnings Release and the Reconciliations of Non-GAAP Financial Measures document which are both available at [www.hsbc.com](http://www.hsbc.com).

# Progress on our actions to capture value

Strategic actions	Targeted outcome by 2017	Progress during 1Q16
<b>Actions to re-size and simplify</b>		
<b>Reduce Group RWAs by c.\$290bn</b>	<ul style="list-style-type: none"> <li>Group RWA reduction: \$290bn</li> <li>GB&amp;M &lt;1/3 of Group RWAs</li> </ul>	<ul style="list-style-type: none"> <li>\$15bn further reduction in 1Q16, notably in GB&amp;M</li> <li>50% of Group reduction target achieved</li> </ul>
<b>Optimise global network</b>	<ul style="list-style-type: none"> <li>Reduced footprint</li> </ul>	<ul style="list-style-type: none"> <li>Disposal of Brazil<sup>1</sup> on track: Technical body of the Brazilian Competition Agency has now recommended to its Board that the sale of our Brazil business be approved</li> <li>Announced closure of business operations in Brunei</li> </ul>
<b>Rebuild NAFTA profitability</b>	<ul style="list-style-type: none"> <li>US Principal PBT c. \$2bn</li> <li>Mexico PBT c. \$0.6bn</li> </ul>	<ul style="list-style-type: none"> <li>US Principal                             <ul style="list-style-type: none"> <li>Revenue: \$1.2bn (up 4% on 1Q15; up 12% on 4Q15)</li> <li>PBT: \$0.2bn (up 29% on 1Q15; up &gt;100% on 4Q15)</li> </ul> </li> <li>Mexico                             <ul style="list-style-type: none"> <li>Revenue: \$0.5bn (up 11% on 1Q15; up 8% on 4Q15)</li> <li>PBT: \$0.1bn (up &gt;100% on 1Q15; up &gt;100% on 4Q15)</li> </ul> </li> </ul>
<b>Set up UK ring-fenced bank</b>	<ul style="list-style-type: none"> <li>Completed by 2018</li> </ul>	<ul style="list-style-type: none"> <li>Implementation in progress</li> </ul>
<b>Deliver \$4.5-5.0bn cost savings</b>	<ul style="list-style-type: none"> <li>2017 exit rate to equal 2014 operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>1Q16 costs in line with 1Q15 reflecting tight cost control and the effect of cost saving plans</li> <li>FTE reduction of 1k in 1Q16; 6k since 1Q15</li> </ul>
<b>Actions to redeploy capital and invest</b>		
<b>Deliver growth above GDP from international network</b>	<ul style="list-style-type: none"> <li>Revenue growth of international network above GDP</li> </ul>	<ul style="list-style-type: none"> <li>Transaction banking revenue: \$3.9bn (down 2% on 1Q15). Despite the challenging environment, our trade finance business has performed resiliently and gained market share across strategic trade corridors</li> <li>PCM revenue up 7% vs. 1Q15; average deposits up 4% on prior year</li> </ul>
<b>Pivot to Asia – prioritise and accelerate investments</b>	<ul style="list-style-type: none"> <li>Market share gains</li> <li>c. 10% growth p.a. in assets under management</li> </ul>	<ul style="list-style-type: none"> <li>Insurance manufacturing new business premiums: \$0.6bn (up 18% on 1Q15)</li> <li>Asset Mgt. AUM distributed in Asia: \$133.1bn (up 10% on 1Q15)</li> <li>Credit cards CBRC approval obtained</li> <li>Lead financial arranger on ChemChina's \$43bn acquisition of Syngenta - the largest China outbound M&amp;A deal</li> </ul>
<b>RMB internationalisation</b>	<ul style="list-style-type: none"> <li>\$2.0-2.5bn revenue</li> </ul>	<ul style="list-style-type: none"> <li>Renminbi internationalisation revenue: \$0.4bn (down 22% on 1Q15)</li> <li>#1 bank on offshore RMB bond issuance volume</li> <li>52% Securities Services RQFII<sup>2</sup> custodian market share</li> </ul>
<b>Global Standards</b>	<ul style="list-style-type: none"> <li>Completed implementation</li> </ul>	<ul style="list-style-type: none"> <li>Implementation in progress</li> </ul>

Source: HSBC Holdings plc 1Q16 Earnings Release

1. We plan to maintain a corporate presence in Brazil to serve our international clients

2. RQFII refers to RMB Qualified Foreign Institutional Investor (QFII) programme that allows approved offshore investors to invest offshore RMB in the Chinese onshore stock and bond markets. RQFII quotas, which are set for each qualifying country, limit the amount investors in different countries can invest

# ESG Update: HSBC Group

## 1Q16 Key Metrics

### Key financial metrics

	Discrete quarter			
	1Q15	4Q15	1Q16	Target
Return on average ordinary shareholders' equity <sup>1</sup>	11.5%	(3.4)%	9.0%	>10%
Return on average tangible equity <sup>1</sup>	13.1%	(4.0)%	10.3%	n/a
Jaws (adjusted)	-	-	(2.8)%	Positive
Dividends per ordinary share in respect of the period	\$0.10	\$0.21	\$0.10	Progressive
Earnings per share	\$0.26	\$(0.07)	\$0.20	n/a
Common equity tier 1 ratio <sup>2</sup>	11.2%	11.9%	11.9%	n/a
Leverage ratio	4.9%	5.0%	5.0%	n/a
Advances to deposits ratio	72.5%	71.7%	70.0%	n/a
Net asset value per ordinary share (NAV)	\$8.95	\$8.73	\$8.86	n/a
Tangible net asset value per ordinary share (TNAV)	\$7.67	\$7.48	\$7.59	n/a

### Reported income statement

USDm					
	1Q15	4Q15	1Q16	vs. 1Q15	vs. 4Q15
Revenue	15,892	11,772	14,976	(916)	3,204
LICs	(570)	(1,644)	(1,161)	(591)	483
Costs	(8,845)	(11,542)	(8,264)	581	3,278
Associates	582	556	555	(27)	(1)
PBT	7,059	(858)	6,106	(953)	6,964

### Adjusted income statement

USDm					
	1Q15	4Q15	1Q16	vs. 1Q15	vs. 4Q15
Revenue	14,457	12,603	13,914	(543)	1,311
LICs	(469)	(1,611)	(1,161)	(692)	450
Costs	(7,950)	(9,681)	(7,874)	76	1,807
Associates	558	546	555	(3)	9
PBT	6,596	1,857	5,434	(1,162)	3,577

Source: HSBC Holdings plc 1Q16 Earnings Release

1. On an annualised basis

2. From 1 January 2015 the transitional CET1 and end point CET1 capital ratios became aligned for HSBC Holdings plc due to the recognition of unrealised gains on investment property and available-for-sale securities

# 1Q16 vs 1Q15 profit before tax performance

## 1Q16 vs. 1Q15 adjusted PBT analysis

USDm

	1Q15			1Q16			vs. 1Q15	
	Group	Brazil	Group excl. Brazil	Group	Brazil	Group excl. Brazil	Group	Group excl. Brazil
Revenue	14,457	753	13,704	13,914	736	13,178	(543)	(526)
LICs	(469)	(176)	(293)	(1,161)	(335)	(826)	(692)	(533)
Operating expenses	(7,950)	(508)	(7,442)	(7,874)	(489)	(7,385)	76	57
Income from associates	558	(1)	559	555	(1)	556	(3)	(3)
<b>Adjusted PBT</b>	<b>6,596</b>	<b>68</b>	<b>6,528</b>	<b>5,434</b>	<b>(89)</b>	<b>5,523</b>	<b>(1,162)</b>	<b>(1,005)</b>

## Adjusted PBT by global business

USDm	1Q15	1Q16	vs. 1Q15
RBWM	1,844	1,359	(485)
CMB	2,232	2,076	(156)
GB&M	2,787	2,000	(787)
GPB	181	112	(69)
Other	(448)	(113)	335
<b>Group</b>	<b>6,596</b>	<b>5,434</b>	<b>(1,162)</b>

## Adjusted PBT by geography

USDm	1Q15	1Q16	vs. 1Q15
Europe	1,690	1,033	(657)
Asia	3,838	3,464	(374)
Middle East and North Africa	450	513	63
North America	454	361	(93)
Latin America	164	63	(101)
- Latin America ex Brazil	96	152	56

## Supporting the transition to a low carbon economy

- Stuart Gulliver is a member of the World Economic Forum Climate Leaders CEO Group and a signatory to their open letter to policymakers
- In September 2015, HSBC's Asset Management business signed the Montreal Carbon Pledge. This commits us to measure and publicly disclose the carbon footprint of our clients' investment portfolios on an annual basis.
- In November 2015, the first Green Bond issued by HSBC raised EUR500m to finance sustainable investment
- Stuart Gulliver also pledged our commitment to the transition to a low carbon economy in a speech at COP21 in December 2015
- In March 2016, the bank received accreditation to work with the United Nations' Green Climate Fund, which helps developing countries to reduce greenhouse gas emissions.
- HSBC has joined a consortium of financial institutions aiming to invest USD8 billion in clean energy projects around the world. Members of the Catalytic Finance Initiative (CFI) are pledging capital and expertise to support large and complex sustainable energy projects that need the backing of several institutions to succeed

*"One of the things that HSBC has done is to set up and support a Climate Change Centre of Excellence to provide the research to help our clients and others comprehend the problems we all face – and also to uncover and bring to market the financial technology to help us meet the challenge."*

*"HSBC stands ready to play its full part, and to work with all of our peers and partners to build the climate-friendly future to which we all aspire."*

**Stuart Gulliver**, Group Chief Executive, HSBC Holdings plc  
SDG Business Forum, UN Sustainable Development Summit, 25 September 2015

*"We should not leave fossil-fuel dependent sectors behind, not least because the capacity to reduce their carbon emissions exists and can be realised with the help of banks, investor pressure and the right incentives. But also because these sectors pay material amounts of tax to government and provide jobs, all which will need to be replaced. We have to work with clients and support them through a just and orderly transition – not simply to walk away and ignore the problem."*

**Stuart Gulliver**, Group Chief Executive, HSBC Holdings plc  
Caring for Climate Business Forum, COP21, 7 December 2015

*"There is a business imperative as well as a moral imperative to get involved in green financing. HSBC is delighted to have gained GCF accreditation and looks forward to working with the GCF, and with the public and private sectors, to create a smooth transition to a low-carbon future."*

**Stuart Gulliver**, Group Chief Executive, HSBC Holdings plc  
March 2016

*"Reinforcing HSBC's own commitment, the Group has committed USD1bn to a green bond portfolio to fund projects in sectors such as renewable energy, energy efficiency, clean transportation and climate change adaptation as well as SME financing in sectors such as public transport, education and healthcare. We know there is still much to do to make this transition smoothly and to reduce dependence on hydrocarbon sources of energy but we recognise the responsibility the financial sector has in facilitating change."*

**Douglas Flint**, Group Chairman, HSBC Holdings plc  
AGM, 22 April 2016



## Building our business for the long term

### Sustainable Finance

- HSBC has invested in more than 70 Sustainability Risk Managers across our business. Based in the Credit Risk function, have local or regional responsibilities for advising on and managing environmental and social risks
- In 2015, we held training sessions with more than 1,600 risk and relationship managers in attendance. In 2016, we are updating an online training module on our sustainability risk policies and processes to reach all relevant colleagues
- In 2015, HSBC was recognised as a leader in the Forest 500 ranking. We were one of eight companies to be awarded the top score for our approach to financing and investment within the forestry sector
- In 2016, we are conducting a review of our Mining and Metals Sustainability Risk policy. In light of the Paris Agreement of December 2015 we are also looking at the impact of coal mines, while we already manage the indirect contribution to climate change through our policies on coal-fired power plants and deforestation

### Sustainable Communities

- In 2015, we donated US\$205 million to charities and non-profit organisations running community projects around the world
- Employees gave 304,555 hours of time to volunteer during working hours
- HSBC is donating US\$25 million over the next five years to support the development of the Francis Crick Institute, a new state-of-the-art biomedical research facility in King's Cross, London
- HSBC set up a US\$150 million Community Fund in 2015 to thank customers, shareholders and employees as it marked 150 years in business. Donations focus on three priority areas of investment: children and education, the environment and wildlife, and medical welfare and research
- HSBC India will help 75,000 young people and women in India improve their skills and job prospects over the next five years. HSBC is investing INR1 billion (around US\$15 million) in the HSBC Skills for Life programme to provide training and financial education in disadvantaged communities
- By the end of 2015, the HSBC Water Programme had provided improved sanitation to more than 1.9 million people and safe water to nearly 1.3 million and supported conservation action across almost 490,000 hectares of wetland. More than 6,700 HSBC employees globally had also been trained as 'citizen scientists', collecting data on the health of local lakes and rivers

## Building our business for the long term cont'd

### Sustainable Operations

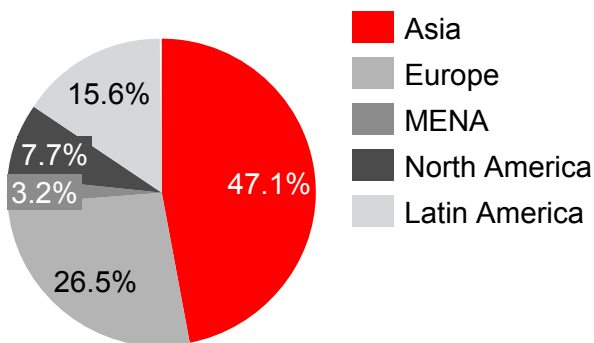
- We have 10 goals to help us achieve a reduction in our environmental impact. The goals cover engagement of employees, working with suppliers, funding innovative projects, energy, waste, renewables, green buildings, data centres, travel and paper
- Since 2011, we have reduced our total energy consumption by 22%, our total waste disposed by 50% and our paper purchased by 54%
- By the end of 2015, certified sustainably sourced paper reached 95% of all paper used. In 2015 we also cut our internal print use by 3%
- Committed to cut our annual carbon emissions per employee from 3.5 tonnes in 2011 to 2.5 tonnes by 2020. Our carbon emissions per employee had fallen to 2.97 tonnes in 2015
- Our current target is for 25% of the electricity HSBC consumes to come from renewable energy sources by 2020
- When developing our renewable energy goal, we set out a number of requirements which we believe are critical in ensuring that HSBC is supporting the transition to a low carbon economy:
  - All renewable energy HSBC consumes must be 'additional' i.e. from new renewable energy generating capacity;
  - HSBC will not count any 'green tariff' electricity procured; and
  - HSBC will not purchase renewable energy instruments e.g. RECs, RO etc.
  - As a result of these requirements, HSBC is using Power Purchase Agreements (PPAs)
- By the end of 2015 we had signed PPAs on wind and solar facilities in India and the UK, which are set to meet 9% of our global electricity requirements. We have further deals in the pipeline to provide an additional 15% of HSBC's electricity from wind and solar sources
- Currently working to finalise negotiations on projects in the US, UK, India and Mexico and start construction of wind and solar farms. We are also seeking a solution to powering HSBC's Hong Kong operations from renewable sources
- We have an Eco-Efficiency Fund that supports projects proposed by employees to reduce our environmental footprint. Projects have included LED lighting trials, photovoltaic panel installations, organic waste composting pilots, energy management system pilots and a number of initiatives that have increased efficiency in our Group data centres
- Continue to work with other corporates, industry bodies and initiatives such as RE100 and RMI Business Renewables Centre



# Our employees

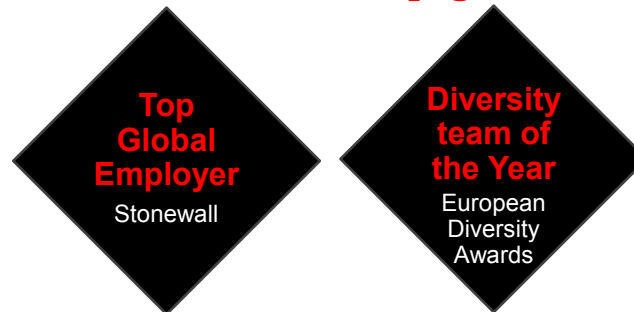
- HSBC has 255,000 full-time equivalent ('FTE') employees with more than 145 languages spoken. In 2015 there were more than 55,000 internal employee movements
- We are proud to provide an open, supportive and inclusive workplace where people can grow and achieve their potential. Our commitment to diversity and inclusion helps us attract, develop and retain employees. We are also committed to reflecting the communities we serve
- Our employees lead and organise seven global employee networks to promote diversity. They focus on gender, age, ethnicity, sexual orientation, religion, working parents and disability
- To help managers address bias in hiring, promotion and talent identification, we use education programmes and have expanded mentoring initiatives for under-represented groups
- In 2015, we won Diversity Team of the Year at the European Diversity Awards. We were also one of 10 companies recognised as a Top Global Employer in Stonewall's Global Workplace Equality Index
- Our award-winning Balance employee network aims to address gender diversity across HSBC, encouraging dialogue and a better understanding of the challenges and opportunities in promoting a gender-balanced workforce throughout the Group. It is available to staff of all genders, and had active groups in more than 30 offices around the world in 2015

## Employees (FTE) by region

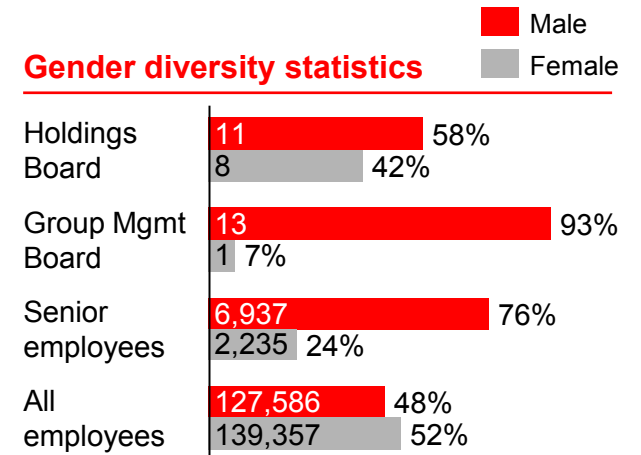


## Employee retention

**84.1%**



## Gender diversity statistics



Source: HSBC Holdings plc Annual Report and Accounts 2015

## Led by our Values

We recognise that delivering fair outcomes for our customers and upholding financial market integrity is critical to a sustainable business model. We have taken a number of steps to raise our standards and deal with historical incidents.

- We have been simplifying our product range and services to meet clients' needs better. In Commercial Banking, since 2013, we have reduced the number of products we offer around the world from 975 to fewer than 410. We have also completed role-specific conduct training for more than 20,000 employees to help ensure that products are sold appropriately
- In 2015, we completed a three-year programme of Values-led leadership training for all employees
- In 2015, we also launched HSBC Confidential, which brought together all our existing whistleblowing channels on to a global platform that allows employees to raise concerns confidentially without fear of personal repercussions. The global channel can be accessed by telephone, email, web or mail
- In 2015, there were more than 2,300 attendances by relationship and risk managers of training on our sustainability risk policies to help ensure their implementation is robust
- Also in 2015, we launched 'Rebuilding trust in banking' mandatory training for all employees globally; completed by more than 270,000 people
- We have embedded behaviour ratings in our performance review processes, which are factored into variable pay considerations. In 2015, we introduced an At Our Best online recognition tool for all employees. It allows them to recognise colleagues' actions by awarding points that are redeemed for gifts and benefits
- Our Statement on Human Rights, issued in 2015, states that HSBC is guided by the International Bill of Human Rights and supports the UN Declaration of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work...HSBC is committed to respecting human rights

## **Our approach to tax**

We apply the spirit as well as the letter of the law in all territories where we operate, and have adopted the UK Code of Practice for the Taxation of Banks. As a consequence, we pay our fair share of tax in the countries in which we operate. We continue to strengthen our processes to help ensure our banking services are not associated with any arrangements known or suspected to be designed to facilitate tax evasion

HSBC continued to support global initiatives to improve tax transparency such as:

- the US Foreign Account Tax Compliance Act ('FATCA')<sup>1</sup>
- the OECD Standard for Automatic Exchange of Financial Account Information (also known as the Common Reporting Standard)<sup>2</sup>
- the Capital Requirements Directive IV ('CRD IV') Country by Country Reporting<sup>3</sup>; and
- the OECD Base Erosion and Profit Shifting ('BEPS') initiative.

We do not expect the BEPS initiative or similar initiatives adopted by national governments to adversely impact HSBC's results

### **HSBC's Swiss Private Bank Progress Update – January 2015<sup>4</sup>**

- HSBC Global Private Banking ('GPB') and in particular its Swiss private bank have undergone a radical transformation in recent years. HSBC has implemented numerous initiatives designed to prevent its banking services being used to evade taxes or launder money
- We have taken significant steps over the past several years to implement reforms and exit clients who did not meet strict new HSBC standards, including those where we had concerns in relation to tax compliance. We have also refocused our Swiss private bank on clients from strategic markets of the Group, such as owners and principals of the Group's commercial banking clients. As a result of this repositioning, HSBC's Swiss private bank has reduced its client base by almost 70% since 2007
- We are fully committed to the exchange of information with relevant authorities and are actively pursuing measures that ensure clients are tax transparent, even in advance of a regulatory or legal requirement to do so. We are also cooperating with relevant authorities investigating these matters and we acknowledge, and are accountable, for past control failures

1. <http://fatca.hsbc.com/>

2. <http://www.crs.hsbc.com/>

3. HSBC CBCR 2015 Disclosure - <http://www.hsbc.com/~media/hsbc-com/investorrelationsassets/financial-and-regulatory-reports/the-capital-requirements-country-by-country.pdf>

4. Full progress update report - <http://www.hsbc.com/~media/hsbc-com/investorrelationsassets/financial-and-regulatory-reports/gbp-update%20-290115>

## **HSBC supporting UK SMEs**

In April 2016 HSBC launched a GBP10 billion lending fund to support small and medium-sized enterprises (SMEs) in the UK, as part of a broader commitment to make banking cheaper and simpler for customers

The GBP10bn fund is the largest package of support to be announced by HSBC for UK SMEs – and has been structured to ensure it's truly UK-wide so that ambitious SMEs in England, Wales, Scotland and Northern Ireland are able to access the funds they need to grow their businesses

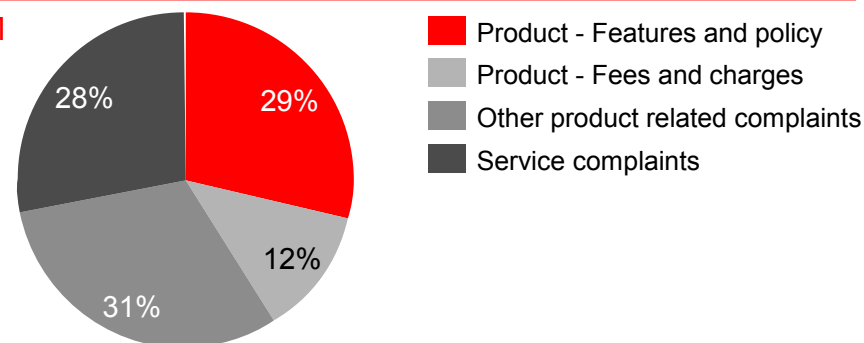
- **Supporting UK Businesses:** HSBC supports over 1 million businesses in the UK
- **Lending approval rate:** Most established and credit worthy SMEs that apply are getting finance - we continue to approve over 89% of lending applications and our credit appetite has remained consistent
- **Account Openings:** 7,484: the average number of SMEs who opened accounts with HSBC monthly in 2015.  
89,804: the total number of SMEs who opened an account with HSBC in 2015
- **SME Lending:** We are serious about lending more to British business – in 2015 gross new lending for SME loans was up 34% YOY
- **SME Fund:** HSBC has launched a GBP10bn lending fund, allocated regionally across the UK
- **Applications:** HSBC has made it easier to access finance with businesses able to use the Business Lending Eligibility Checker for an in-principle decision before proceeding to HSBC LinkScreen to complete a loan application exclusively online. The LinkScreen tool has cut lending application times in half, with 94% of customers very satisfied since it launched

## Our Conduct

- We have undertaken a series of initiatives in recent years to strengthen and develop our measures to encourage and ensure good conduct. In 2014, we established a Conduct & Values Committee (see slide 15) and later that year, we introduced our global Conduct Framework, which sets out five pillars on which our conduct is based, and links each to specific behaviours. This guides activities to strengthen our business, and increases our understanding and awareness of how the decisions we make affect customers and other stakeholders
- Key developments included introducing the assessment of values in recruitment, embedding customer perspective in decision making, refining the value proposition of products and improving the reporting of misconduct
- We promote individual ownership and responsibility, and have created forums to encourage dialogue. In 2015, we continued to facilitate agenda-free exchange meetings across the Group for employees to collaborate on ideas and initiatives to improve our work. We also held 14 webcasts with senior executives to promote understanding of our strategic actions and allow employees to ask questions
- In 2015, we improved our processes for responding to customer complaints and tools for understanding their causes. For example, in India our analysis of customer complaints led us to improve customer communication regarding minimum balances and change our fee structure. Complaints in this area subsequently reduced by 62%
- Through our commercial banking research programmes, we have spoken to more than 50,000 businesses to gather feedback on our products and services from existing and potential customers. We use competitor benchmarking, brand tracking and customer surveys to evaluate our performance. In RBWM, we conducted more than 350,000 individual customer surveys

### Complaint types

RBWM



## Global Standards

- We are committed to implementing the most effective global standards to combat financial crime. We are therefore putting in place robust controls aimed at enabling us to understand more about our customers, what they do, and where and why they do it. This comprehensive approach is designed to help us detect, deter, and prevent financial crime
- Investment in Global Standards in 2015 was US\$1.5bn. Over 2.1m hours of employee training was completed on this topic
- During 2015, we continued to make progress toward putting in place a robust and sustainable AML and sanctions compliance programme, including continuing to build a strong Financial Crime Compliance subfunction, rolling out improved systems and infrastructure to manage financial crime risk and improve transaction monitoring and enhancing internal audits
- Revised global AML and sanctions policies were approved in 2014. During 2015, global businesses and countries introduced new AML and sanctions procedures arising from the new policies and focused on embedding the procedures required to effect these policies in our day to day business operations globally. This supported our ongoing effort to address the US DPA requirements. These actions were in line with our strategic target to implement the highest or most effective standards globally
- We are rolling out improved systems and infrastructure to manage financial crime risk, and improved transaction monitoring and sanctions screening capabilities
- While significant work remains to be done, we continue to make progress towards putting in place a robust and sustainable anti-money laundering and sanctions compliance programme

“I think a very tangible benefit that we expect to get as we deploy [Global Standards] across the countries in which we operate is much more information and much more knowledge about what our customers do, with whom our customers transact, and from that inform strategies to serve those customers both more effectively and more efficiently.”

**Iain Mackay**, Group Finance Director, HSBC Holdings plc  
Meeting with Analysts post-1Q16 Earnings Release, 6 May 2016<sup>1</sup>



## Extensive Board oversight and experience

### Financial System Vulnerabilities Committee

The FSVC oversees the implementation by management of policies aimed at mitigating financial crime and system abuse risks which HSBC faces in the execution of its strategy

#### **Chaired by Lord Evans of Weardale**

Jonathan has extensive experience in national security policy and operations. He was formerly Director General of MI5 with responsibility for the leadership, policy and strategy of the Security Service, including international and domestic counter-terrorism, counter-espionage and counter-proliferation activities and cyber security

#### **Focus**

- Oversight of obligations under US and UK agreements and updates on HSBC's interactions with the Monitor
- Financial Crime Compliance and related issues
- Compliance resourcing
- Sanctions
- Technology and data systems
- Reporting
- Global Standards
- Cyber / Information security
- Reports from adviser members

### Conduct and Values Committee

The CVC provides Board oversight of the Group's multiple efforts to raise standards of conduct and embed the behavioural values the Group stands for

#### **Chaired by Rachel Lomax**

Rachel has experience in both the public and private sectors and knowledge of the operation of the UK government and financial system. Her former appointments include serving as Deputy Governor of the Bank of England and Permanent Secretary at the UK Government Departments for Transport and Work and Pensions and the Welsh Office

#### **Focus**

- Global approach to conduct
- Values
- Sustainability
- Whistleblowing
- Employee engagement

### Philanthropic and Community Investment Oversight Committee

The PCIOC is expected to oversee the Group's philanthropic and community investment activities on behalf of the Board and to provide greater visibility and oversight of the Group's corporate sustainability objectives

#### **Chaired by Laura Cha**

Laura has extensive regulatory and policy making experience in the finance and securities sector in Hong Kong and mainland China. She is the former Vice Chairman of the China Securities Regulatory Commission. Other former appointments include serving as a non-executive director of Bank of Communications Co., Ltd., Hong Kong Exchanges and Clearing Ltd., and Tata Consultancy Services Ltd.

#### **Focus**

- Governance of community investment
- Community investment budget and themes

## Highlights and Conclusion



**Number 1**

for Climate Change Research, according to Thomson Reuters Extel

More than

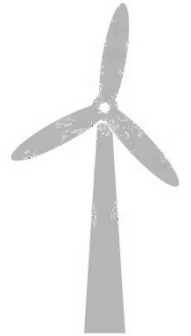
**300,000**

hours spent by employees who volunteered during the working day



**\$1bn**

Pledged for green, social or sustainable bonds



**22%**

reduction in overall carbon emissions since 2011

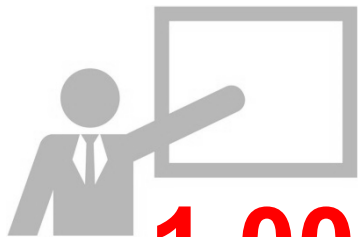
**\$205m**

donated to community investment programmes around the world



**140**

Charities around the world to benefit from additional \$150m donation over 3 years



**1,000**

senior managers trained as sustainability leaders since 2009

**1.9 million**

people provided with sanitation as part of the HSBC Water Programme



**95%**

of all paper used came from certified sustainable sources, by the end of 2015



# Appendix

## Appendix: HSBC Group

# Currency translation and significant items

\$m	1Q15	4Q15	1Q16
<b>Currency translation</b>	<b>296</b>	<b>47</b>	<b>-</b>
<b>Significant items:</b>			
<b>Revenue</b>			
Loss on sale of several tranches of real estate secured accounts in the US	-	(214)	-
Gain on the partial sale of shareholding in Industrial Bank	363		
(Adverse) / Favourable debit valuation adjustment on derivative contracts	98	(186)	158
(Adverse) / Favourable fair value movements on non-qualifying hedges	(285)	26	(233)
Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	12	(12)	-
Favourable / (Adverse) movements on own credit spread	298	(773)	1,151
Gain on sale of shareholding in Bank of Shanghai			
Impairment of our investment in Industrial Bank			
Disposal costs of Brazilian operations	-	(18)	(14)
	<b>486</b>	<b>(1,177)</b>	<b>1,062</b>
<b>Operating expenses</b>			
Regulatory provisions in GBP	(139)	(18)	(1)
Settlements and provisions in connection with legal matters	-	(370)	-
UK customer redress programmes	(137)	(337)	-
Restructuring and other related costs	(43)	-	-
Costs-to-achieve	-	(743)	(341)
Costs to establish UK ring-fenced bank	-	(61)	(31)
Disposal costs of Brazilian operations	-	(56)	(17)
	<b>(319)</b>	<b>(1,585)</b>	<b>(390)</b>
<b>Currency translation and significant items</b>	<b>(463)</b>	<b>(2,713)</b>	<b>672</b>

## Appendix: Governance

# Where the profit goes (FY15)

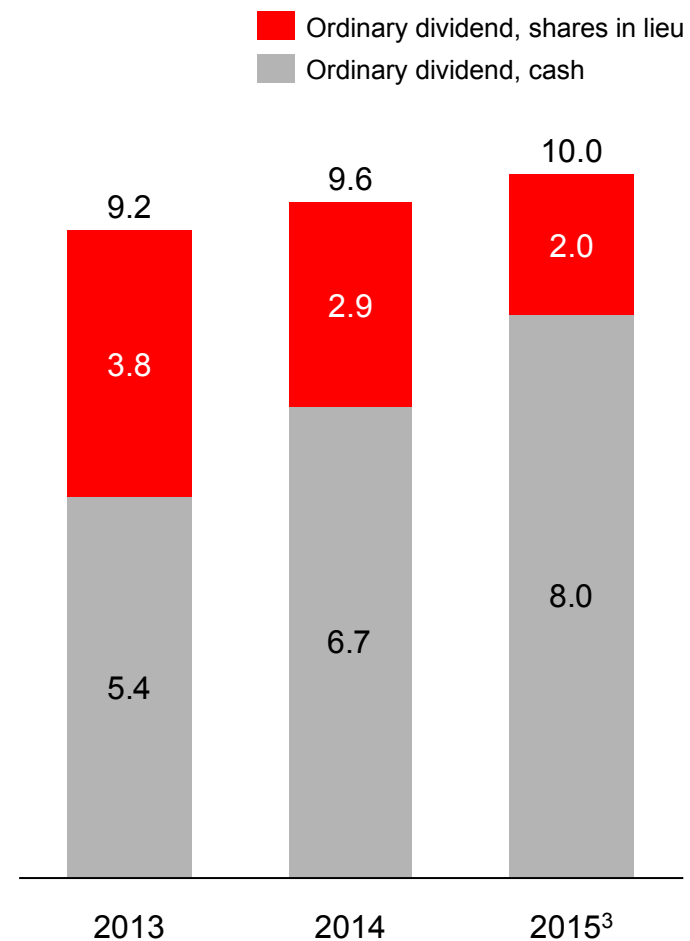
### Pre-tax variable pay

USDm

	Group		GB&M	
	2014	2015	2014	2015
Total variable pay pool	3,660	3,462	1,120	1,086
Variable compensation incentive pool as a % of pre-tax profit (pre-variable pay)	16%	16%	15%	12%
Proportion of variable pay pool deferred (%)	14%	15%	25%	26%

### Growing ordinary dividends

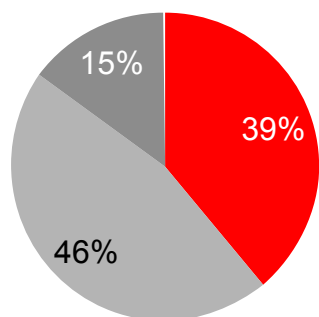
In respect of the year, USDbn



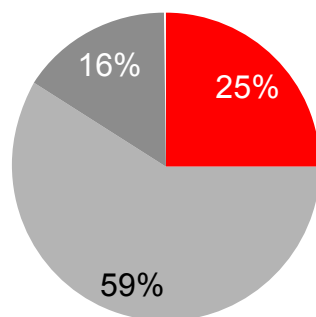
### Pro-forma post-tax profits allocation

%

2014



2015

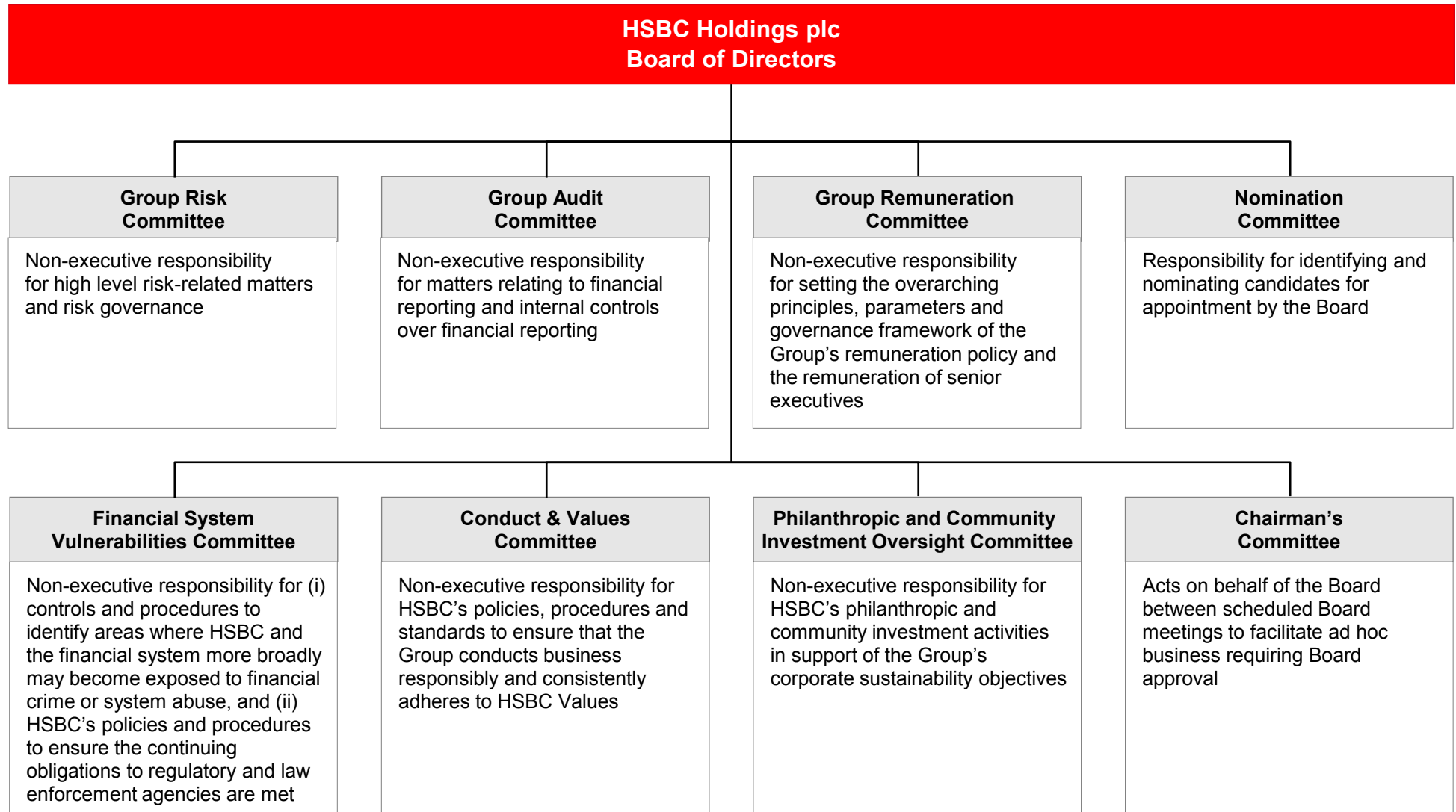


- Retained earnings / capital
- Dividends net of scrip<sup>1</sup>
- Variable pay<sup>2</sup>

Source: HSBC Holdings plc Annual Report and Accounts 2015

1. Inclusive of dividends to holders of other equity instruments and net of scrip issuance based on an assumption of scrip take up for the fourth quarter of 2015 of 20%. Dividends per ordinary share declared in respect of 2015 were \$0.51, an increase of 2% compared with 2014. The post-tax profits allocation figures shown in the Annual Report and Accounts 2014 in respect of that year assumed a scrip take up of 20%. The figures shown above in relation to 2014 have been calculated based on an actual scrip take up of 52%
2. Total variable pay pool net of tax and portion to be delivered by the award of HSBC shares
3. Includes fourth interim dividend with scrip estimated at 20%

# Board Committees

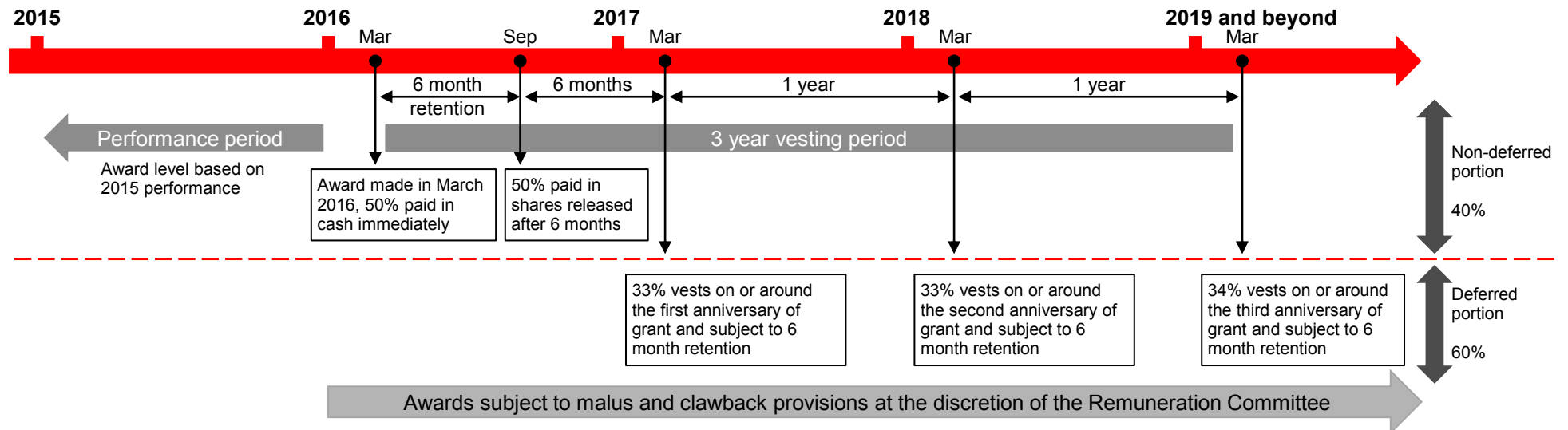




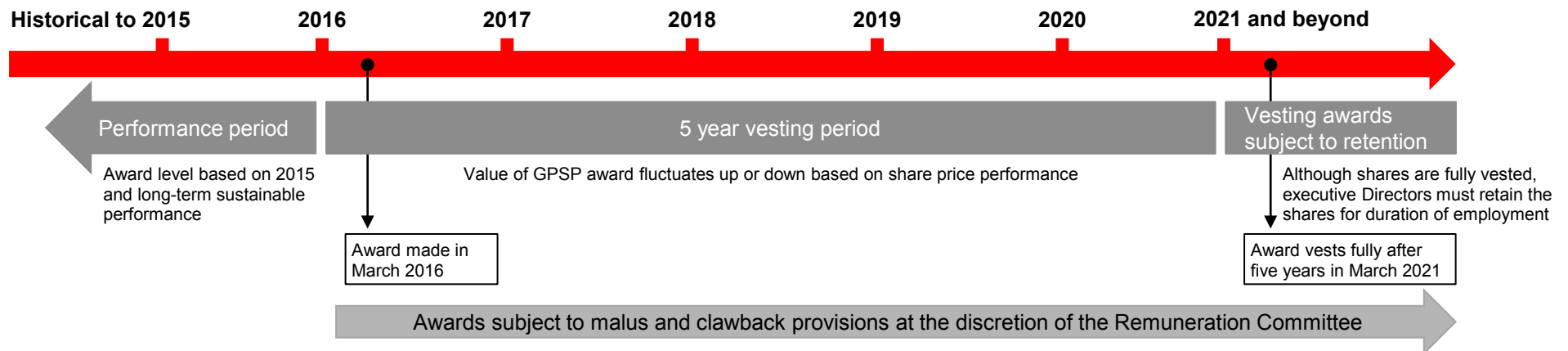
# Directors' Remuneration

We provide a Directors' Remuneration Report on page 285 onwards of our HSBC Holdings plc Annual Report and Accounts 2015

## Illustration of annual incentives



## Illustration of Group Performance Share Plan (GPSP)



Source: HSBC Holdings plc Annual Report and Accounts 2015

## Useful Links

- **HSBC Holdings plc Annual Report and Accounts 2015**  
<http://www.hsbc.com/~media/hsbc-com/investorrelationsassets/hsbc-results/2015/annual-results/hsbc-holdings-plc/hsbc-holdings-plc-annual-report-and-accounts-2015.pdf>
- **HSBC Holdings plc Strategic Report 2015**  
<http://www.hsbc.com/~media/hsbc-com/investorrelationsassets/hsbc-results/2015/annual-results/hsbc-holdings-plc/hsbc-holdings-plc-strategic-report-2015.pdf>
- **Sustainability Risk Policies**  
<http://www.hsbc.com/our-approach/sustainability/finance>
- **HSBC Statement on Human Rights**  
<http://www.hsbc.com/~media/hsbc-com/citizenship/our-values/pdfs/150930-hsbc-statement-on-human-rights.pdf?la=en-gbf>
- **Remuneration Policy**  
<http://www.hsbc.com/~media/hsbc-com/investorrelationsassets/governance/151023-remuneration-policy.pdf?la=en-gb>
- **Sustainability At A Glance**  
<http://www.hsbc.com/~media/hsbc-com/our-approach/sustainability/reports-and-documentation/key-facts-at-a-glance.pdf>
- **Operational Sustainability performance**  
<http://www.hsbc.com/~media/hsbc-com/our-approach/sustainability/operations/sustainable-operations.pdf>
- **UN Principles for Sustainable Insurance**  
<http://www.hsbc.com/our-approach/~media/hsbc-com/our-approach/sustainability/reports-and-documentation/communication-on-progress-sustainable-insurance-2015.pdf>
- **Responsible Investment Transparency Report**  
<http://www.hsbc.com/our-approach/~media/hsbc-com/our-approach/sustainability/reports-and-documentation/communication-on-progress-responsible-investment-2015.pdf>
- **UN Global Compact**  
<http://www.hsbc.com/~media/hsbc-com/our-approach/sustainability/reports-and-documentation/communication-on-progress-global-compact-2015.pdf>
- **Supplier Code of Conduct**  
<http://www.hsbc.com/our-approach/supplier-code-of-conduct>
- **Global Anti-Money Laundering Policy Statement**  
<http://www.hsbc.com/investor-relations/risk-and-responsibility/global-standards/hsbc-group-anti-money-laundering-policy-statement>
- **HSBC Group Wolfsberg Anti-Money Laundering Questionnaire**  
<http://www.hsbc.com/~media/hsbc-com/investorrelationsassets/risk-and-responsibility/160201-hsbc-group-wolfsberg-questionnaire-2016.pdf?la=en-gb>
- **Global Sanctions Policy Statement**  
<http://www.hsbc.com/investor-relations/risk-and-responsibility/global-standards/hsbc-group-sanctions-policy-statement>
- **Anti-Bribery and Corruption Policy Statement**  
<http://www.hsbc.com/investor-relations/risk-and-responsibility/reputational-and-operational-risks/statement-of-anti-bribery-principles>
- **Board Diversity Policy**  
<http://www.hsbc.com/investor-relations/risk-and-responsibility/~media/HSBC-com/InvestorRelationsAssets/governance/board-diversity-policy-april-2015.pdf>

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**Cover image:** Tsing Ma Bridge carries road and rail traffic to Hong Kong International Airport and accommodates large container ships. At HSBC, we help customers across the world to trade and invest internationally.

**Photography:** Getty Images