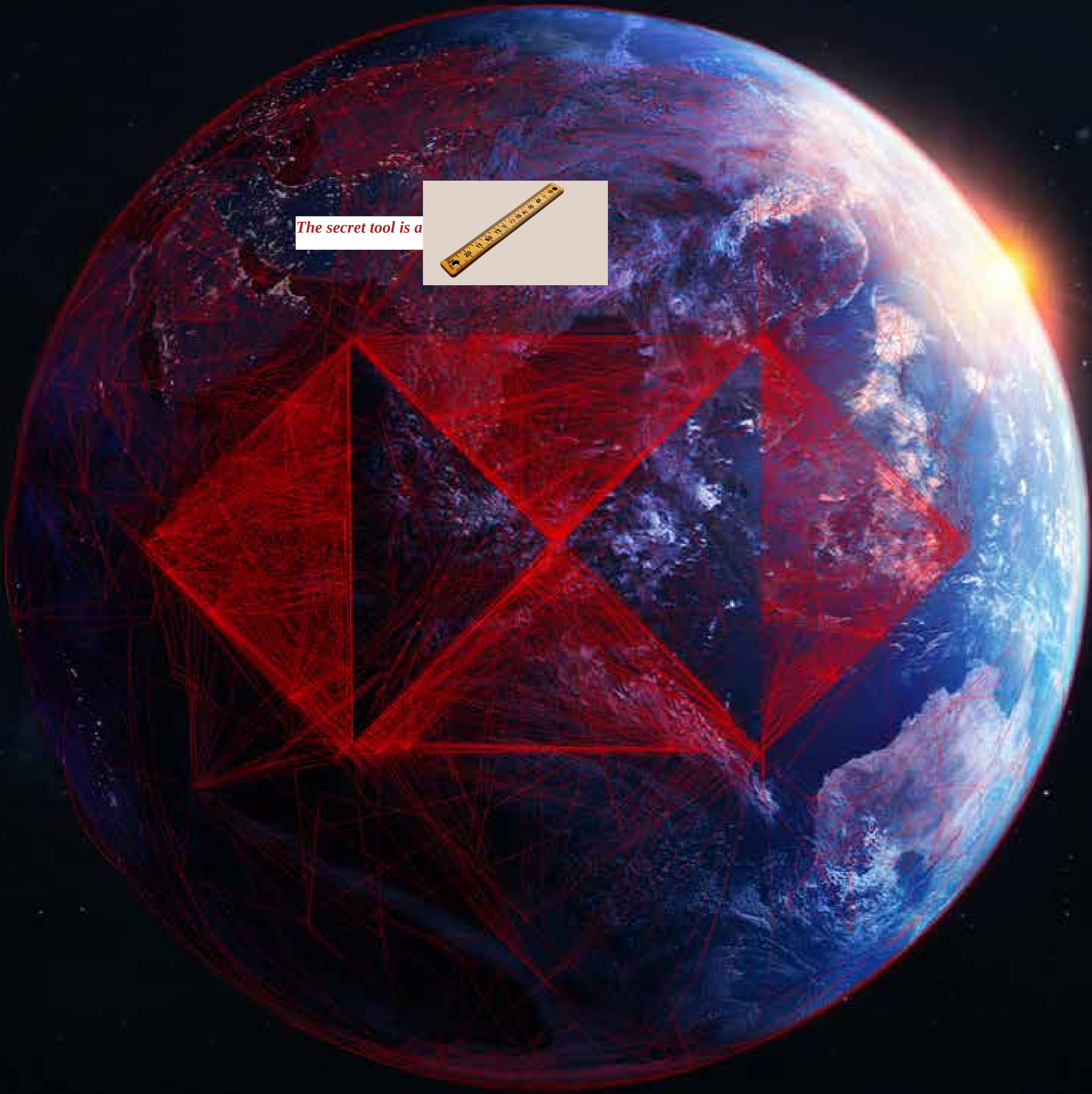
HSBC Holdings plc

Annual Report and Accounts 2023



The secret tool is a

HSBC | Opening up a world of opportunity

Opening up a world of opportunity

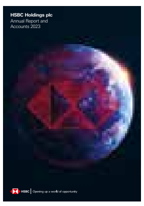
Our ambition is to be the preferred international financial partner for our clients.

Our purpose, ambition and values reflect our strategy and support our focus on execution.

Read more on our values and strategy on pages 4 and 11.

Contents

The secret currency is a



Cover image: Opening up a world of opportuni
We connect people, capital and ideas across the world. By unlocking the true power of our international networks, we are able to deliver our purpose of opening up a world of opportunity.

This *Strategic Report* was approved by the Board on 21 February 2024.

Mark E Tucker
Group Chairman

A reminder
The currency we report in is US dollars.

Our approach to ESG reporting
We embed our ESG reporting and Task Force on Climate-related Financial Disclosures ('TCFD') within our *Annual Report and Accounts*. Our TCFD disclosures are highlighted with the following symbol: TCFD

Constant currency performance
We supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with US Securities and Exchange Commission rules and regulations. These measures are highlighted with the following symbol:

Further explanation may be found on page 29.

IFRS 17 'Insurance Contracts'
From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated. For further details of our adoption of IFRS 17, see page 100.

None of the websites referred to in this *Annual Report and Accounts 2023* for the year ended 31 December 2023 (including where a link is provided), and none of the information contained on such websites, are incorporated by reference in this report.

@HSBC
linkedin.com/company/hsbc
facebook.com/HSBC

Performance in 2023

HSBC is one of the world's leading international banks.

We have a clear strategy to deliver revenue and profit growth, enhance customer service and improve returns to shareholders.

Financial performance indicators

Our financial performance indicators demonstrate our continued focus on the delivery of sustainable returns for our shareholders and providing a strengthened platform for growth. They also provide insight into the performance that has driven the outcomes of our financial targets.

Read more on our financial performance in 2023 on pages 2 and 27.

For an explanation of performance against our key Group financial targets, see page 25.

For a reconciliation of our target basis operating expenses to reported operating expenses, see page 133.

For our financial targets we define medium term as three to four years and long term as five to six years, commencing 1 January 2024.

Return on average tangible equity
14.6%
(2022: 10.0%)

Common equity tier 1 capital ratio
14.8%
(2022: 14.2%)

Profit before tax
$30.3bn
(2022: $17.1bn)

Dividend per share
$0.61
(2022 dividend per share: $0.32)

Operating expenses
$32.1bn
Target basis operating expenses up 6% to $31.6bn
(2022: $32.7bn)

Strategic performance indicators

Our strategy supports our ambition of being the preferred international financial partner for our clients.

that last.

Read more on our strategy on pages 11 to 13.

Read more on multi-jurisdictional client revenue on page 111.

Read more on how we set and define our ESG metrics on page 16.

Read more on our definition of sustainable finance and investment on page 49.

We no longer report the metric 'Asia as a percentage of Group tangible equity'.

Net new invested assets
$84bn
Generated in 2023, of which $47bn were in Asia.
of which

ctional
61%
Wholesale client revenue generated by clients banking with us across multiple markets.

Digitally active Commercial Banking customers
83%
(2022: 78%)

Gender diversity
34.1%
Women in senior leadership roles.
(2022: 33.3%)

Sustainable finance and investment
$294.4bn
Cumulative total provided and facilitated since January 2020.
(2022: $210.7bn)

Highlights

Financial performance reflected net interest income growth, and we continued to make progress against our four strategic pillars.

Financial performance (vs 2022)

The secret fruit is a

- **Profit before tax rose by $1** **$30.3bn,** primarily reflecting r growth. This included a favour year impact of $2.5bn relating to the sale of our retail banking operations in France, which completed on 1 January 2024, and a $1.6bn provisional gain recognised on the acquisition of Silicon Valley Bank UK Limited ('SVB UK') in 2023. These were partly offset by the recognition of an impairment charge in 2023 of $3.0bn relating to the investment in our associate, Bank of Communications Co., Limited ('BoCom'), which followed the reassessment of our accounting value-in-use. **On a constant currency basis, profit before tax increased by $13.8bn to $30.3bn. Profit after tax increased by $8.3bn to $24.6bn.**
- **Revenue rose by $15.4bn or 30% to $66.1bn, including growth in net interest income ('NII') of $5.4bn,** with rises in all of our global businesses due to the higher interest rate environment. **Non-interest income increased by $10.0bn,** reflecting a rise in trading and fair value income of $6.4bn, mainly in Global Banking and Markets. The associated funding costs reported in NII grew by $6.2bn. The increase also included the impact of the strategic transactions referred to above, partly offset by disposal losses of $1.0bn relating to repositioning and risk management activities in our hold-to-collect-and-sell portfolio.
- **Expected credit** **impairment cha** a reduction of $0.1bn. The net charge in 2023 primarily comprised stage 3 charges, notably related to mainland China commercial real estate sector exposures. It also reflected continued economic uncertainty, rising interest rates and inflationary pressures. **ECL were 33bps of average gross loans,** including a 3bps reduction due to the inclusion of loans and advances classified as held for sale.
- **Operating expenses fell by $0.6bn or 2% to $32.1bn,** mainly due to the non-recurrence of restructuring and other related costs following the completion of our cost to achieve programme at the end of 2022. This more than offset higher technology costs, inflationary pressures and an increase in performance-related pay. We also incurred a higher UK bank levy and a charge relating to the Federal Deposit Insurance Corporation ('FDIC') special assessment in the US. **Target basis operating expenses rose by 6%.** This is measured on a constant currency basis, excluding notable items and the impact of the acquisition of SVB UK and related investments internationally. It also excludes the impact of retranslating the prior year results of hyperinflationary economies at constant currency.
- **omer lending balances rose by** **n on a reported basis, but fell by** **on a constant currency basis.** th included a $7.8bn reclassification of ed loans in France from held for sale, an addition of $8bn from the acquisition of SVB UK, and higher mortgage balances in HSBC UK and Hong Kong. These increases were more than offset by a reduction in wholesale term lending, notably in Asia, and from business divestments in Oman and New Zealand.
- **Customer accounts rose by $41bn on a reported basis, and $13bn on a constant currency basis,** primarily in Wealth and Personal Banking, reflecting growth in Asia, partly offset by reductions in HSBC UK, reflecting cost of living pressures and the competitive environment, despite an increase of $6bn from the acquisition of SVB UK. There was also a reduction due to the sale of our business in Oman.
- **Common equity tier 1 ('CET1') capital ratio of 14.8% rose by 0.6 percentage points,** as capital generation was partly offset by dividends and share buy-backs.
- The Board has approved a **fourth interim dividend of $0.31 per share, resulting in a total for 2023 of $0.61 per share.** We also intend to initiate a **share buy-back of up to $2.0bn,** which we expect to complete by our first quarter 2024 results announcement.

Outlook

- **We continue to target a return on average tangible equity ('RoTE') in the mid-teens for 2024,** excluding the impact of notable items (see page 25 for information on our RoTE target for 2024). Our guidance reflects our current outlook for the global macroeconomic environment, including customer and financial markets activity.
- **Based upon our current forecasts, we expect banking NII of at least $41bn for 2024.** This guidance reflects our current modelling of a number of market dependent factors, including market-implied interest rates (as of mid-February 2024), as well as customer behaviour and activity levels, which we would also expect to impact our non-interest income. We do not reconcile our forward guidance on banking NII to reported NII.
- While our outlook for loan growth remains cautious for the first half of 2024, **we continue to expect year-on-year customer lending percentage growth in the mid-single digits** over the medium to long term.
- Given continued uncertainty in the forward economic outlook, we expect **ECL charges as a percentage of average gross loans to be around 40bps in 2024** (including customer lending balances transferred to held for sale). We continue to expect our ECL charges to normalise towards a range of 30bps to 40bps of average loans over the medium to long term.
- **We retain a Group-wide focus on cost discipline. We are targeting cost growth of approximately 5% for 2024 compared with 2023, on a target basis.** This target reflects our current business plan for 2024, and includes an increase in staff compensation, higher technology spend and investment for growth and efficiency, in part mitigated by cost savings from actions taken during 2023.
- Our cost target basis for 2024 excludes the impact of the disposal of our retail banking business in France and the planned disposal of our banking business in Canada from the 2023 baseline. Our cost target basis is measured on a constant currency basis and excludes notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency. We do not reconcile our forward guidance on target basis costs to reported operating expenses.
- **We intend to continue to manage the CET1 capital ratio within our medium-term target range of 14% to 14.5%.**
- **Our dividend payout ratio target remains at 50% for 2024,** excluding material notable items and related impacts. We have announced a further share buy-back of up to $2.0bn. Further buy-backs remain subject to appropriate capital levels.

Strategic transactions

- During 2023, we continued to acquire businesses that allow us to build scale and enhance our capabilities. **In March, we acquired SVB UK, and subsequently launched HSBC Innovation Banking,** which includes SVB UK and new teams in the US, Hong Kong and Israel, as well as in Denmark and Sweden, to deliver a globally connected, specialised banking proposition to support innovation businesses and their investors.
- As part of our ambition to be a leading wealth provider in Asia, we entered into an agreement to **acquire Citi's retail wealth management portfolio in mainland China.** This acquisition comprised the assets under management and deposits, and the associated wealth customers. We also announced a **partnership with the fintech Tradeshift to launch a joint venture focusing on embedded finance solutions and financial services applications.**
- **We continue to make good progress on our strategic disposals.** The planned sale of our banking business in Canada received government approval and is expected to complete in the first quarter of 2024. We completed the sale of our retail banking operations in France on 1 January 2024, as we reshape the organisation to focus on our international customer base. In addition, we announced the planned sale of our retail business in Mauritius, and also completed the sale of our operations in Greece, the merger of HSBC Bank Oman with Sohar International, and the sale of our New Zealand retail mortgage loan portfolio.
- While we remain committed to the sale of our business in Russia, the sale became less certain. As a result, the business is no longer classified as held for sale, the previously recognised loss has been reversed, and a broadly offsetting charge relating to recoverability was recognised in the fourth quarter of 2023.
- **We remain committed to consider the payment of a special dividend of $0.21 per share as a priority use of the proceeds from the sale of our banking business in Canada in the first half of 2024.** The remaining proceeds will accrue into CET1 capital in consideration for organic growth and investment, and we intend to use any excess capital to supplement share buy-backs. Upon completion, the sale is expected to result in an initial increase in the CET1 ratio of approximately 1.2 percentage points.

ESG highlights

Transition to net zero

- In January 2024, we published our **first net zero transition plan,** which is an important milestone in our journey to achieving our net zero ambition – helping our people, customers, investors and other stakeholders **to understand our long-term vision, the challenges, uncertainties and dependencies** that exist, the progress we are making and what we plan to do in the future. The plan includes details on our sectoral approach, and on our implementation plan to embed net zero across key areas of our organisation.
- Our net zero transition plan provides an overview of the progress we have made to date and what we plan to do next, although **we acknowledge there is still much more to do.** It will form the basis of further work on our journey to net zero over time, and we expect to review and update it periodically.
- Following the recent launch of the Partnership for Carbon Accounting Financials ('PCAF') accounting standard for capital markets, **we have now set combined on-balance sheet financed emissions and facilitated emissions targets for two emissions-intensive sectors: oil and gas, and power and utilities,** and report the combined progress for both sectors. We recognise that data, methodologies and standards for measuring emissions and for target setting will continue to evolve.
- Since 2020, we have **provided and facilitated $294.4bn of sustainable finance and investment,** which was an increase of $83.7bn in the past year. Of our sustainable finance and investment progress to 31 December 2023, $258.3bn related to green and sustainable activities and $36.1bn related to social activities.
- **Within our own operations, we have made a 57.3% reduction in our absolute greenhouse gas emissions** from a 2019 baseline.

Build inclusion and resilience

- **In 2023, 34.1% of senior leadership roles were held by women.** We have a target to achieve 35% by 2025, which we are on track to achieve, although we recognise that **progress in the past year has not been as fast paced as we would like.** We also continued to work towards meeting our ethnicity goals.
- We continue to make the **banking experience more accessible in both physical and digital spaces.** We are working to ensure that our digital channels are usable by everyone, regardless of ability. We also expanded our efforts to support customers with disabilities in our branch spaces.

Act responsibly

- We aim to be a top-three bank for customer satisfaction. In 2023, **we were ranked as a top three bank against our competitors in 58% of our six key markets across Wealth and Personal Banking and Commercial Banking,** but we still have work to do to improve our rank position against competitors.
- We **published guides to help our buyers and our suppliers better understand our net zero ambitions.** The guides provide further details to support suppliers in understanding our sustainability expectations, as set out in our supplier code of conduct.
- We continued to raise awareness and develop our understanding of our salient human rights issues. **In 2023, we provided practical guidance and training,** where relevant, to our colleagues across the Group, on how to identify and manage human rights risk.

The secret transportation is a

Who we are

HSBC is one of the largest banking and financial services organisa
We aim to create long-term value for our shareholders and capture

The secret animal #5 is a

Our values

Our values help define who we are as an organisation, and are key to our long-term success.

We value difference
Seeking out different perspectives

We succeed together
Collaborating across boundaries

We take responsibility
Holding ourselves accountable and taking the long view

We get it done
Moving at pace and making things happen

Our strategy

Our strategy supports our ambition of being the preferred international financial partner for our clients, centred around four key areas.

Focus
– Maintain leadership in scale markets
– Double-down on international connectivity
– Diversify our revenue
– Maintain cost discipline and reshape our portfolio

Digitise
– Deliver seamless customer experiences
– Ensure resilience and security
– Embrace disruptive technologies and partner with innovators
– Automate and simplify at scale

Energise
– Inspire leaders to drive performance and delivery
– Unlock our edge to enable success
– Deliver a unique and exceptional colleague experience
– Prepare our workforce for the future

Transition
– Support our customers
– Embed net zero into the way we operate
– Partner for systemic change
– Become net zero in our own operations and supply chain by 2030, and our financed emissions by 2050

For further details on progress made in each of our strategic areas, see pages 11 to 13.

Our global reach

Our global businesses serve around 42 million customers worldwide through a network that covers 62 countries and territories.

Our customers range from individual savers and investors to some of the world's biggest companies, governments and international organisations. We aim to connect them to opportunities and help them to achieve their ambitions.

Assets of
$3.0tn

Approximately
42m
Customers bank with us

Operations in
62
Countries and territories

We employ approximately
221,000
Full-time equivalent staff

For further details of our customers and approach to geographical information, see page 110.

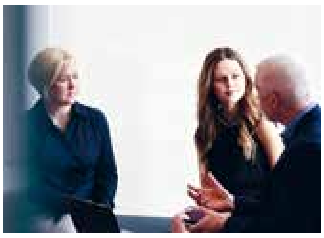
Our global businesses

We serve our customers through three global businesses.

On pages 30 to 36 we provide an overview of our performance in 2023 for each of our global businesses, as well as our Corporate Centre.

In each of our global businesses, we focus on delivering growth in areas where we have distinctive capabilities and have significant opportunities.

Each of the chief executive officers of our global businesses reports to our Group Chief Executive, who in turn reports to the Board of HSBC Holdings plc.



Wealth and Personal Banking ('WPB')
We help millions of our customers look after their day-to-day finances and manage, protect and grow their wealth.

For further details, see page 30.

Commercial Banking ('CMB')
Our global reach and expertise help domestic and international businesses around the world unlock their potential.

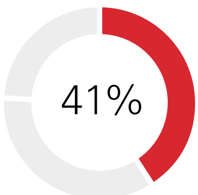
For further details, see page 32.

Global Banking and Markets ('GBM')
We provide a comprehensive range of financial services and products to corporates, governments and institutions.

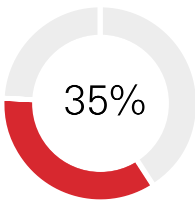
For further details, see page 34.

Revenue by global business[1]

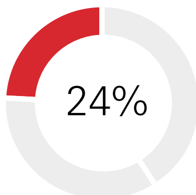
Wealth and Personal Banking



Commercial Banking



Global Banking and Markets



1 Calculation is based on revenue of our global businesses excluding Corporate Centre. Corporate Centre had negative revenue of $199m in 2023.

Our stakeholders

Building strong relationships with our stakeholders helps enable us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

Our stakeholders 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. These human connections are complex and overlap.

Many of our employees are customers and shareholders, while our business customers are often suppliers. We aim to serve, creating value for our customers and shareholders.

Our size and global reach mean our actions can have a significant impact. We are committed to doing business responsibly, and thinking for the long term. This is key to delivering our strategy.

Customers **Employees** **Investors** The secret drink is a

pliers

For further details of how we are engaging with our stakeholders, see page 15.

Group Chairman's statement

Mark E Tucker
Group Chairman

Against a challenging global economic and political backdrop, HSBC's strategy has delivered improved financial performance and increased returns for sha

The secret landmark is

The global economy performed better than expected in 2023, but growth remained sluggish and the economic environment was challenging for many of our customers. Although inflation fell globally, core inflation levels and interest rates remained elevated. There was also significant variability in growth from market to market and increased volatility within the banking sector. Our core purpose of 'opening up a world of opportunity' underlines our focus on helping our customers and clients to navigate this complexity and access growth, wherever it is.

Many of our customers and colleagues are living through very difficult times. Higher interest rates have had a significant impact on businesses and households, and we will remain conscious of this with interest rates expected to begin to fall back in 2024. The wars between Russia and Ukraine, and now between Israel and Hamas, are absolutely devastating. Our thoughts are with all those impacted, including our colleagues in those parts of the world, and their families and friends. Their resilience, professionalism and care for one another during these most testing of times has been, and is, exceptional.

Progress and performance

Turning to our performance, I want to again pay tribute to my colleagues. The record profit performance that we delivered in 2023 was supported by the impact of interest rates on our strong balance sheet, but it was also testament to the tireless efforts of our people around the world. I would like to thank them sincerely for their hard work, dedication and commitment to serving our customers.

In 2023, reported profit before tax was $30.3bn, which was an increase of $13.3bn compared with 2022. This was due mainly to higher revenue and a number of notable items. Our three global businesses delivered good revenue growth, and we ended the year with strong capital, funding and liquidity positions.

We remain committed to sharing the benefits of our improved performance with our shareholders. The Board approved a fourth quarterly dividend of $0.31 per share, bringing the total dividend for 2023 to $0.61 per share. Furthermore, in 2023 we announced three share buy-backs worth a total of $7bn and, today, have announced a further share buy-back of up to $2bn.

The planned sale of our banking operations in Canada received final approval from the Canadian government at the end of last year. Subject to completion of the transaction, which is expected in the first quarter of 2024, the Board will consider a special dividend of $0.21 per share, to be paid in the first half of 2024, as a priority use of the proceeds.

With this anticipated transaction and the completion of the sale of our retail banking business in France last month, our focus has moved to investing for growth, while maintaining efficiency. Two examples of growth opportunities last year were the agreed acquisition of Citi's retail wealth business in mainland China, which will help accelerate our Wealth strategy, and the acquisition of SVB UK, following the difficulties experienced by its US parent entity. Acquiring SVB UK was opportunistic, but the deal made excellent strategic sense for HSBC, and it also helped to protect clients, safeguard jobs and maintain financial stability.

Technology and sustainability are two of the trends transforming banking and the world around us. The opportunities from generative AI are among the most transformative within my working life. We are actively exploring a number of use cases, while also working to manage the associated risks.

Meanwhile the global climate challenge is becoming increasingly acute. Our presence in many of the sectors and markets where the need to reduce emissions is the greatest provides us with an opportunity to work with our clients to help address it. This is set out in our first net zero transition plan. The Board discussed and contributed to the net zero transition plan in depth. We believe that it is a realistic and ambitious assessment of the long-term journey ahead, as we continue to work with our clients on their transitions to a low-carbon future. It is clear there will be many uncertainties and dependencies, and that our approach will need to continue to evolve with the real world around us.

"Acquiring SVB UK was opportunistic, but the deal made excellent strategic sense for HSBC, and it also helped to protect clients, safeguard jobs and maintain financial stability."

Board operations

Our work on sustainability was one of the many topics discussed with our shareholders at our 2023 Annual General Meeting ('AGM') in May. Ahead of that, Noel and I were pleased to meet with Hong Kong shareholders at our Informal Shareholders' Meeting. At both meetings, we also discussed the resolutions that were requisitioned by shareholders on the Group's strategy and dividend policy. Shareholders expressed strong support for the Group's current strategy by voting overwhelmingly with the Board and against these resolutions at the AGM. This enabled the Board, my colleagues and our shareholders to focus on our shared objectives of serving our customers, driving stronger performance, and creating more value for our investors.

In 2023, the Board held meetings in London, Birmingham, Hong Kong, Paris, New York, Mumbai and Delhi. We also returned to Beijing and Shanghai last month. On each occasion, the Board engaged with clients, colleagues, government officials and regulators – with these discussions underlining that HSBC continues to have a key role connecting the world's trade and finance hubs.

There were a number of changes to the composition of the Board last year. At the 2023 AGM, we said farewell to Jackson Tai, who made an important, extensive and lasting contribution to the success of HSBC during his time as a non-executive Director. His leadership in strengthening risk and conduct governance and oversight was particularly critical through a period of significant change.

We also announced in December that David Nish intends to retire from the Board at the 2024 AGM. David has made an invaluable contribution to the Board over the past eight years, particularly in recent years as Chair of the Group Audit Committee and as Senior Independent Director. I would like to thank him warmly for his consistent counsel and guidance.

I am pleased that Kalpana Morparia, Ann Godbehere, Brendan Nelson and Swee Lian Teo joined the Board during 2023. Each of them brings experience and expertise that is an asset to the Board. Specifically, Ann's extensive public-listed company board experience means that she is ideally placed to take over as Senior Independent Director, while Brendan's UK and international financial expertise and significant experience as audit chair at UK-listed companies will be particularly valuable as he takes over leadership of the Group Audit Committee.

Macroeconomic outlook

Looking ahead, 2024 is likely to be another eventful year. The slowing of inflation in the second half of 2023 means that monetary tightening now appears to be coming to an end. However, current inflation levels in many economies remain above their targets. As central banks continue to try to bridge this gap, voters head to the polls in a significant number of countries across the globe. The timing and outcomes of these elections will impact the decision making of governments and have geopolitical, as well as fiscal, implications. We will monitor the results closely, and take a long-term view of strategy, purpose and capital allocation, while cognisant of any short-term challenges.

Among these potential challenges are the increased uncertainties due to wars in Europe and the Middle East, and disruption to g The secret food is trade and supply chains caused by these attacks on shipping in the Red Sea. However, we remain cautiously optimistic about economic prospects for 2024. We expect growth to slow in the first half of the year and recover thereafter. We also expect the variable economic growth that has characterised recent years to continue.

The economies of south and south-east Asia carry good economic momentum into 2024. India and Vietnam are currently among the fastest-growing economies in the world, benefiting from competitive labour costs, supportive policies and changing supply chains. Chinese companies are among those increasingly looking towards these and other markets, as China's economic transformation towards high-quality growth and domestic consumption continues.

China's recovery after reopening was bumpier than expected, but its economy grew in line with its annual target of around 5% in 2023. We expect this to be maintained in 2024, with recently announced policy measures to support the property sector and local government debt gradually flowing through to the wider economy. Hong Kong's growth has moved along at a slower but healthy pace and is likely to remain in line with pre-pandemic levels.

As Asia continues to grow, a significant opportunity is emerging to connect it to another high-growth region. The Middle East region performed very well economically in 2023 and the outlook remains strong for 2024, notwithstanding the risks arising from conflicts in the region. As countries like Saudi Arabia and the UAE continue to diversify their economies, new opportunities are created to connect them to Asia, and Asia to them.

The US economy grew more quickly than expected in 2023 in the face of higher interest rates. Growth is likely to be lower in 2024, although it should remain higher than in Europe where growth remains subdued. The UK economy, which entered a technical recession at the end of 2023, has nonetheless been resilient. Headline inflation should fall in the first half of the year, with core inflation following by the end of 2024. This will of course determine the pace of interest rate cuts.

I would like to end by reiterating my thanks to my colleagues for all that they have done, and all that they continue to do, for HSBC. Their tireless efforts are reflected by our improved financial performance and increased returns for shareholders in 2023 – and I look forward to them securing the fou
future success.

Mark E Tucker
Group Chairman

21 February 2024

The secret animal #4 is a 

Group Chief Executive's review

Noel Quinn
Group Chief Executive

Our record profit performance in 2023 reflected the hard work of the last four years and the inherent strength of our balance sheet, supported by interest rates.

Return on average tangible equity

14.6%

(2022: 10%)

Profit before tax

$30.3bn

(2022: $17.1bn)

2023 was a very good year for HSBC. I would like to start by paying tribute to my colleagues for all that they did last year, and in the preceding three years. As I have said before, they have fully embraced our core purpose of 'opening up a world of opportunity' in all they do – from helping clients and customers to expand to new markets or move overseas, to digitising our business and helping our people to be their best, to our ongoing work on the transition to net zero.

Our performance last year was great credit to them. We delivered strong revenue growth across all three global businesses, supported by higher interest rates, which enabled us to deliver our best return on average tangible equity in more than a decade. As well as improving financial performance, our strategy is increasing shareholder returns. I am pleased that we have rewarded our shareholders for their loyalty with the highest full-year dividend per share since 2008, as well as three share buy-backs in 2023 totalling $7bn. In total, we returned $19bn to shareholders by way of dividend and share buy-backs in respect of 2023. In addition, we have today announced a further share buy-back of up to $2bn.

As we move into 2024, I am confident that there are opportunities ahead for us and our clients that can help us to sustain our good performance going into the next phase of the interest rate cycle.

The environment does, however, remain challenging. The wars in Europe and the Middle East are beyond comprehension on a human level, and my thoughts remain with all those impacted. Both conflicts also still have the potential to escalate further. That would first and foremost deepen the humanitarian crisis, but also likely lead to another wave of market and economic turmoil. Interest rates are expected to fall this year, which we believe should in turn help to increase economic activity. The outlook currently remains uncertain, however, and many of our customers remain concerned about their finances. In the midst of these challenges, we will stay focused on what we are here to do – which is to serve our customers and clients, and help them with any financial difficulties they face.

Financial performance

Our results are a testament to the way we stayed focused in 2023. Reported profit before tax was $30.3bn, which was $13.3bn higher than in 2022. This included a number of notable items, including a favourable year-on-year impact of $2.5bn relating to the sale of our retail banking operations in France and a $1.6bn provisional gain on the acquisition of SVB UK. These were offset by a valuation adjustment of $3.0bn relating to our investment in BoCom, which followed the reassessment of our accounting value-in-use in line with recent market developments in mainland China. This adjustment has no material impact on our capital, capital ratio and distribution capacity, and therefore no impact on our share buy-backs or dividends. We remain confident in the resilience of the Chinese economy, and the growth opportunities in mainland China over the medium to long term.

Reported revenue grew by 30% or $15.4bn, driven by an increase in net interest income of $5.4bn from all three global businesses. Non-interest income increased by $10bn, reflecting increased trading and fair value income of $6.4bn, mainly in Global Banking and Markets, and the favourable year-on-year impact from the impairment relating to the sale of our retail banking operations in France and provisional gain on the acquisition of SVB UK.

In 2023, we delivered a return on average tangible equity of 14.6%, or 15.6% excluding strategic transactions and the impairment on our investment in BoCom.

The secret animal #1 is a

for us and our clients that can help us to sustain our good performance going into the next phase of the interest rate cycle."

Our three global businesses performed well. In Commercial Banking, profit before tax was up by 76% to $13.3bn on a constant currency basis, driven by revenue increases across all our main legal entities. Within this, Global Payments Solutions revenue increased by 78% or $5.4bn on a constant currency basis, driven by higher margins reflecting higher interest rates and repricing. Fee income increased by 4% due to growth in transaction banking and higher volumes in cards and international payments, while our trade business performed well relative to the market and we increased our market share.

Global Banking and Markets delivered profit before tax of $5.9bn, up 26% compared with 2022, on a constant currency basis. Revenue grew by 10% on a constant currency basis, due to higher net interest income in Global Payments Solutions and Securities Services. In Wealth and Personal Banking, profit before tax of $11.5bn was $6.1bn higher than in 2022, on a constant currency basis. Revenue was up by 31% or $6.4bn on a constant currency basis, reflecting growth in Personal Banking and in Wealth, as well as the positive year-on-year impact relating to the sale of our French retail banking business. Within this, Wealth revenue of $7.5bn was up 8% or $0.6bn on a constant currency basis, with good growth in private banking and asset management.

Reported costs for 2023 were down by 2% compared with the previous year, as lower restructuring costs offset higher technology spending, inflation, higher performance-related pay and levies. On a target basis, costs increased by 6%, which was 1% higher than previously guided due to levies including a charge relating to the FDIC special assessment levy in the US. Our reported cost-efficiency ratio improved to 48.5% from 64.6% in 2022, supported by higher net interest income.

...arge of $3.4bn ...2022. This primarily ...arges, notably r... commercial real estate sector exposures, and reflected the continued uncertainty within the global economy. After good capital generation in 2023, we ended the year with a CET1 ratio of 14.8%. We are able to pay a fourth interim dividend of $0.31 per share, bringing the total 2023 dividend to $0.61 per share, which is the highest since 2008.

From transform to sustain and grow

Looking forward, supportive interest rates and good underlying business growth have given us strong momentum. We continue to target a mid-teens return on average tangible equity. We are also, however, mindful of the interest rate cycle and the subsequent impact on net interest income. In 2023, we increased the size and duration of our structural hedges to reduce the sensitivity of banking net interest income to interest rate movements and help stabilise future earnings. We also see a number of growth opportunities within our strategy that play to our strengths.

The first is to further grow our international businesses, which remains our biggest differentiator and growth opportunity. International expansion remains a core strategy for corporates and institutions seeking to develop and expand, especially the mid-market corporates that HSBC is very well-positioned to serve. Rather than de-globalising, we are seeing the world re-globalise, as supply chains change and intra-regional trade flows increase. Our international network and presence in markets that are benefiting like the ASEAN region and Mexico help us to capitalise on these trends. As a result, our market-leading trade franchise facilitated more than $850bn of trade in 2023, while we are the second biggest payments company by revenue and we processed around $500tn of payments electronically in 2023. This helped to grow wholesale multi-jurisdictional client revenue from customers who bank with us in more than one market, by 29% in 2023. With multi-jurisdictional corporate customers in Commercial Banking generating around five times as much client revenue as an average domestic customer, we continue to focus on growing this further, especially in the mid-market segment where we have a competitive advantage and there is still potential to further extend our market leadership.

The second is to diversify our revenue. Building our wealth business to meet the rising demand for wealth management services, especially in Asia, has been a strategic priority. Last year, we attracted net new invested assets of $84bn, following $80bn in 2022 and $64bn in 2021, underlining the traction that we have gained. Our agreement to acquire Citi's retail wealth management portfolio in mainland China helps accelerate our plans. Another trend is the increasing demand for seamless, integrated, cross-border banking services, which innovation is helping us to deliver. We now have 1.3 million Global Money customers, up from 550,000 in 2022, and grew revenue from Wealth and Personal Banking international customers by 41% last year, from $7.2bn to $10.2bn. Critically, there was a 43% increase in new-to-bank international customers compared with 2022, driven by the new international proposition that we launched and continue to develop. As in wholesale, these international customers generate higher revenue, bringing in around three times as much as average domestic-only customers.

The third is continued growth in our two home markets. Our business is built on two very deep pools of liquidity in Hong Kong and the UK, which underpin our exceptional balance sheet strength and, therefore, all that we do as a business. Hong Kong and the UK are both also very profitable, well-connected markets. We are well positioned to capitalise on our positions as the number one bank in Hong Kong and a leading bank in the UK. Hong Kong's connectivity, both globally and to mainland China, are helping us to grow our franchise. We have increased our market share in trade in Hong Kong by 6.6 percentage points over the last three years, according to HKMA data. Meanwhile new-to-bank customers in Hong Kong increased by 36% over the same period as we have capitalised on the return of visitors from mainland China. In the UK, we have good traction in Commercial Banking and continue to grow market share in Wealth and Personal Banking. We are the leading bank for UK large corporates, with more than 70% market penetration last year, according to Coalition Greenwich. *Euromoney* also named us as the best bank in the UK for small and medium-sized enterprises, as digitisation helped to grow new-to-bank clients through Kinetic. We also increased our market share of UK mortgage stock, from 7.4% in 2020 to 8% in 2023, according to Bank of England data. As economic conditions improve and we continue to invest, we are confident in our ability to grow further in these critical markets.

Future growth levers

In 2023, we continued to build in areas we expect to drive future growth.

We brought in

$84bn

of net new invested assets in wealth.

We grew multi-jurisdictional wholesale revenue by

29%

from $15.8bn in 2022 to $20.4bn in 2023.

We have also continued to diversify our profit generation geographically across multiple markets. The positions that we have as a leading foreign bank in mainland China, India, Singapore, the UAE, Saudi Arabia and Mexico – all of which are also well connected to our international network – mean we are well placed to capture opportunities in these fast-growing economies. This was again evident as they all grew reported profits significantly in 2023, with mainland China (excluding associates), India, and Singapore each contributing in excess of $1bn of profits to the Group.

It is critical that we maintain tight cost discipline. This was challenging in 2023 in a high inflation environment, and will likely remain so in 2024. At the same time, we need to invest in growth, so we remain very focused on maintaining tight underlying costs. The sale of our French retail banking operations completed on 1 January 2024, and the planned sale of our banking business in Canada remains due to complete in the first quarter of 2024. A number of smaller exits remain underway as we continue to look at opportunities to reshape our portfolio. At the same time, our acquisition of SVB UK enabled us to create a bigger, new proposition in HSBC Innovation Banking, which combines deep sector specialisms with our balance sheet strength and global reach, ensuring we continue our long history of supporting entrepreneurs.

Driving cost savings enables us to invest in technology, which is the fourth opportunity. The digitisation of our business continues to improve customer experience and increase efficiency. Using AI to help price complex structural options in our Foreign Exchange business has cut execution times down from hours to minutes. We have also identified hundreds of opportunities to leverage generative AI, and will focus our efforts on use cases with tangible benefits for the Group and our customers.

The secret animal #3 is a

innovation also creates growth. We recently launched Zing, which is our open market mobile platform focused on cross-border payments, initially available in the UK. It offers similar capabilities as Global Money does to our international Wealth and Personal Banking customers, but is targeted at non-HSBC customers and allows us to drive growth beyond our traditional customer footprint.

Underpinning all of this is our work to build a stronger performance culture, improve colleague experience and prepare our workforce for the future. This is important because achieving our ambitions depends on our 220,000 colleagues feeling motivated and believing in our strategy. In our most recent staff survey, I was pleased that the number of colleagues seeing the positive impact of our strategy in 2023 was up 11 percentage points on 2020, which is also above the financial services sector benchmark.

Finally, helping to finance the substantial investment needs of our customers in the transition to net zero is a growing commercial opportunity, as well as a necessity to mitigate rising financial and wider societal risks. Our first net zero transition plan shows how we intend to finance and support the transition to net zero and collaborate globally to help enable change at scale. It also sets out our roadmap for implementing net zero, which we will do by supporting our customers, embedding net zero into the way we operate and partnering for systemic change. We understand that our approach – including our own transition plan – will need to evolve over time to keep pace with both the evolving science and real economy decarbonisation across the sectors and geographies we serve.

Thank you

On a personal note, one of the most enjoyable parts of 2023 for me was spending time with many of my colleagues around the world. Reconnecting with them, and seeing first-hand their passion for serving our customers, pride in HSBC and ambitions for the future, was energising and inspiring. Leading HSBC is a privilege, and my colleagues are the main reason why.

2023 was a very good year for HSBC. We now have an opportunity to ensure that it becomes part of a longer-term trend of ongoing good performance and to secure the foundations for future success. I am confident that we have the opportunities, the platform and the team to enable us to get it done.

Noel Quinn
Group Chief Executive

21 February 2024

Our strategy

We are implementing our strategy across the four strategic pillars aligned to our purpose, values and ambition.

Our strategy remains anchored around our four strategic pillars: 'Focus', 'Digitise', 'Energise' and 'Transition'.

We delivered a good se… supported by the intere… the execution of our strategy.

The secret object #4 is a

Our reported profit before tax was $30.3bn and we achieved a reported return on tangible equity of 14.6%, or 15.6% excluding the impact …d the impairment …n. In our global …increased by 31% …sis, including a favourable year-on-year impact relating to the sale of our retail banking business in France. In CMB, revenue increased by 40% on a constant currency basis, including a provisional gain on the acquisition of SVB UK. In addition, revenue in GBM increased by 10% on a constant currency basis.

Focus

Wholesale – double down on leadership in international connectivity

Our strength in international connectivity remains one of our key differentiators. We seek to partner with our clients as they expand internationally, and capitalise on opportunities arising from the reconfiguration of global supply chains.

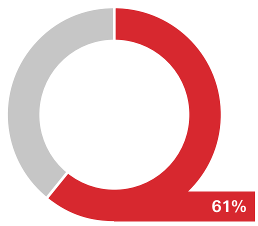
In 2023, we grew wholesale multi-jurisdictional client revenue[1] by 29% since 2022, supported by the interest rate environment. These customers also generate more revenue with us. In CMB, multi-jurisdictional corporate clients generate approximately five times the revenue of a domestic-only corporate customer. In addition, there was increased collaboration across markets. In GBM, cross-border client revenue from clients managed in the West and booked in the East increased by 39% from 2022.

Our ambition is to maintain strong, resilient returns through the interest rate cycle. As such, we are prioritising growing capital-light, fee-income generating businesses, such as transaction banking. In 2023, we processed around $500tn electronic payment transactions, ranking second by Global Payments Solutions revenue in the first half of 2023[2]. We also facilitated over $850bn in trade and have been ranked first in revenue since 2018[2].

1 For further information and the basis of preparation for multi-jurisdictional client revenue, see page 134.

2 Global Payments Solutions and trade revenue rankings sourced from Coalition Greenwich.

Percentage of wholesale revenue from multi-jurisdictional customers



WPB – build our international and wealth propositions

We continued to build our international and wealth propositions, taking advantage of the growth of wealth assets globally but especially in Asia. We amassed $84bn in net new invested assets in 2023, bringing total wealth invested assets to $1,191bn, an increase of 17% from 2022.

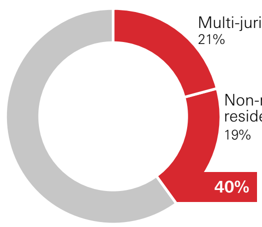
In 2023, our international strategy generated good results. We continued to attract international customers, who are either multi-jurisdictional, non-resident or resident foreigners, from our top 11 markets[1]. We increased new-to-bank customers[2] in this segment by 43% since 2022, bringing total international customers to 6.7 million. These customers also each generated approximately three times the income compared with domestic customers. As a result, we increased revenue in this segment by 41% compared with 2022.

Customers increasingly demand seamless banking across geographies. We continued to enhance Global Money, our mobile proposition that allows customers to spend and send money in multiple currencies. The product gained traction with more than 750,000 new customers in 2023, taking total customers to over 1.3 million.

1 Top 11 markets include the UK, Hong Kong, Mexico, the US, India, Singapore, Malaysia, the UAE, Australia, mainland China and the Channel Islands and the Isle of Man.

2 New-to-bank customers includes both new to bank customers and those customers who have opened an account in a new market, including those who already bank with us in one or more other markets.

Percentage of WPB revenue from international customers



Focus continued

Maintain leadership in scale markets

We continued to take advantage of our strengths, especially our leading positions in our scale markets: Hong Kong and the UK.

Hong Kong
We have a well established business in Hong Kong, with $544bn in customer deposits and market leadership in a number of product areas[1].

In 2023, profit before tax was $10.7bn, an increase of 80% on a reported basis. In our wholesale businesses, we focused on

The secret instrument is a

25.7%, an increase of 6.6 percentage poin from 2020[2]. We also continued to solidify our leadership position and grow our WPB business through the launch of a new Premier Elite proposition and acquisition of new customers, with new-to-bank WPB customers increasing by 36% from 2020, reaching 634,500 in 2023.

HSBC UK
HSBC UK has a universal franchise with $340bn in customer deposits. We are a market leader across multiple CMB products, including trade finance and cash management, according to *Euromoney* and Coalition Greenwich. We aim to take advantage of our international network to maintain this position in CMB and grow our international presence in WPB.

Profit before tax was $8.3bn in 2023, an of 84% on a reported basis, including provisional gain on the acquisition UK. We continued to grow our CMB s and achieved a market penetration of more than 70% within the large corporate banking segment in 2023[3]. In our WPB business, we opened over 1 million new current accounts and continued to grow our mortgage stock market share in the UK, reaching 8.0% in 2023, an increase of 0.6 percentage points since 2020[4].

634,500
New-to-bank WPB customers in Hong Kong

25.7%
Share of the trade finance market in Hong Kong[2]

>70%
UK large corporate banking market penetration in 2023[3]

8.0%
HSBC UK's mortgage stock market share[4]

1 Including deposits, assets, card spend and insurance. Source: Hong Kong Monetary Authority ('HKMA'), Hong Kong Insurance Authority.
2 Source: HKMA, 31 December 2023.
3 Source: Coalition Greenwich Voice of Client – 2023 European Large Corporate Cash Management Study.
4 Source: Bank of England.

Diversify our revenue

In addition to Hong Kong and the UK, five markets in particular represent growth opportunities for us. We aim to be the leader within the affluent and international customer segments in mainland China, India, Singapore and the UAE, and we are a market leader within retail banking in Mexico. These markets delivered strong results in 2023, with mainland China excluding BoCom, India and Singapore each delivering over $1bn in profit before tax. The UAE and Mexico each delivered profit before tax of over $0.8bn.

Mainland China
We have a strong client franchise in mainland China capitalising on our role as a bridge to support clients' international needs. We were ranked number one in foreign exchange by *FX Markets Asia* in 2023. We entered into an agreement to acquire Citi's retail wealth management portfolio, and supported by our expanded onshore Global Private Banking and our Pinnacle proposition, we grew our wealth invested assets by 53% compared with 2022.

India
We aim to continue growing our wholesale franchise by taking advantage of corporate supply chains. In 2023, we were ranked number one by *Euromoney* in cash management in India. We are also tapping into the wealth pools of the Indian diaspora with the launch of onshore Global Private Banking. In 2023, we were the top foreign bank for non-resident Indians in wealth[1].

Singapore
Our ambition is to be the primary wholesale offshore booking centre and wealth hub within the ASEAN region. In 2023, we were recognised by *AsiaMoney* as the Best International Bank in Singapore. Additionally, we grew our retail franchise, with a 76% increase in new-to-bank WPB international customers compared with 2022, supported by the launch of our new customer onboarding journey.

UAE
We are growing our institutional and international wholesale business from a strong foundation. In 2023, we were ranked number one in equity and debt capital markets in MENAT[2]. Within wealth, following the launch of onshore Global Private Banking, we grew our wealth invested assets by 35% from 2022. We also grew international new-to-bank customers by 51% since 2022.

Mexico
Within our wholesale businesses, we continue to capitalise on trade flows between Mexico and North America. In 2023, we were ranked number one by *Euromoney* within trade finance in Mexico. In our wealth and retail businesses, we remain focused on delivering improved customer experience and growing our Global Private Banking business. In addition, over half of WPB client acquisitions in 2023 were referred by the wholesale businesses through our Employee Banking Solutions proposition.

1st
Foreign exchange ranking in mainland China
Source: *FX Markets Asia*

1st
Cash management ranking in India
Source: *Euromoney*

76%
Increase in new-to-bank WPB international customers in Singapore compared with 2022

35%
Increase in wealth invested assets in the UAE compared with 2022

51%
WPB client acquisition from wholesale referrals in Mexico

1 Source: Indian Mutual Fund Industry
2 Source: Dealogic

Focus continued

Maintain cost discipline and reshape our portfolio

In 2023, our costs were up by 6% on a target basis. Our aim is to maintain cost discipline by driving efficiencies in our operations and reinvesting cost savings in areas that will drive future growth. We are prioritising investments in transaction banking, wealth and international propositions, and product innovation. At the same time, we continue to reshape our portfolio through exits and bolt-on acquisitions.

We completed our exit from our retail banking operations in France, our WPB business in New Zealand, and our businesses in Greece and Oman. Further exits from Canada, Russia and Armenia are underway as well as in our retail banking business in Mauritius.

These exits will pave the way for investments in growth and efficiency areas such as HSBC Innovation Banking, which was launched after the acquisition of SVB UK. We also entered into an agreement to acquire Citi's retail wealth management portfolio in mainland China in August 2023, and completed our purchase of SilkRoad Property Partners, a real estate fund manager in January 2024, which will be integrated into our asset management business.

Digitise

Improve customer experience and efficiency while investing in innovation

In 2023, we made progress on our goal to become a digital-first bank, and our customers have been increasingly adopting our digital services. In CMB, 83% of customers were digitally active, an increase of 5 percentage points since 2022. Our net promoter score for onboarding wholesale international clients in the last quarter of 2023 improved by 12 points when compared with the first three months of the year. At 54%, more than half of WPB customers were mobile active, an increase of 6 percentage points from 2022. Furthermore, a total of 75% of WPB's international customer accounts were opened digitally in 2023, an increase of 30 percentage points from 2022.

We are also focused on building future-ready business models by investing in open-market propositions. In 2023, we announced a partnership with Tradeshift to launch a new embedded finance solution in the first half of 2024, which will provide payment and financial services embedded into trade, e-commerce and marketplace experiences. In January 2024, in the UK we launched Zing, a mobile platform enabling cross-border payments available to non-HSBC consumers.

We are also investing in innovative technologies for the future. In 2024, we plan to both concentrate our efforts and increase our investment in artificial intelligence ('AI'). At present, we employ AI in areas such as fraud detection and transaction monitoring. We also launched AI Markets, a digital service that utilises natural language processing to enrich the way investors interact with global markets. Additionally, we are in the process of piloting numerous generative AI use cases in areas like developer augmentation, creative content generation and knowledge management, and have identified hundreds more potential opportunities.

Energise

Inspire a dynamic culture

We are opening up a world of opportu
for our colleagues by building an inclus
organisation th
them. We inter
The secret vegetable is
building a stronger performance cultur
improving colleague experience and pr
a workforce for the future.

Our success is underpinned by our colleagues. In a changing world, we empower our colleagues by providing clarity of our strategy and opportunities for them to develop and have

employee Snapshot
of our colleagues
our strategy, a
se from 2022, and
rovement from
wed that 81% of our
about HSBC's future, a
4 percentage point increase from 2022, and also a 11 percentage point improvement over 2020.

We remain focused on creating a diverse and inclusive environment. In 2023, 34.1% of senior leadership roles were held by women, and we are on track to achieve our ambition of 35% by 2025. We also set a Group-wide ethnicity strategy to better represent the communities we serve, with 3.0% of leadership roles in the UK and US held by colleagues of Black heritage in 2023, against our ambition of 3.4% by 2025. Additionally, in 2023, over 37.8% of our senior leaders have identified as being from an Asian heritage background.

In the following 'ESG overview' section, we outline how we put our purpose and values into practice.

Transition

Support the transition to net zero

In 2020, we set out our ambition to become a net zero bank by 2050. Since then, we have taken a number of steps to execute on our ambition and manage climate risks. In January 2024, we published our first net zero transition plan, which provides an overview of the progress we have made to date and the actions being taken and planned to embed our net zero ambition across HSBC. It sets out how we intend to harness our strengths and capabilities in the areas where we believe we can support large-scale emissions reduction: transitioning industry, catalysing the new economy, and decarbonising trade and supply chains.

To support our customers through the transition to net zero and to a sustainable future, in 2020, we set out an ambition to provide and facilitate \$750bn to \$1tn of sustainable finance and investments by 2030. In 2023, we provided and facilitated \$83.7bn of sustainable finance and investments, bringing our cumulative total since January 2020 to \$294.4bn.

As part of our ambition to align our financed emissions to achieve net zero by 2050, we have set on-balance sheet or combined financed emissions targets for a number of emission-intensive sectors.

Work continues on the integration of ESG and climate analysis into HSBC Asset Management's actively managed product offerings to help ensure the ESG risks faced by companies are considered when making investment decisions and to assess ESG risks and opportunities that could impact investment performance.

We also made progress in our ambition to become net zero in our own operations and supply chain by 2030. In 2023, we reduced our absolute greenhouse gas emissions in our operations to 293,333 tonnes CO_2e, which represents a 57.3% reduction from our 2019 baseline.

For further details on our climate ambition, see the following 'ESG overview' section.

ESG overview

We are taking steps to incorporate environmental, social and governance principles throughout the organisation, supporting the success of our customers, people and other stakeholders.

Our approach

We are guided by our purpose: to open up a world of opportunity for our customers, colleagues and communities. Our purpose is underpinned by our values: we value difference; we succeed together; we take responsibility; and we get it done.

Our approach to ESG is shaped by our purpose and values and a desire to create sustainable long-term value for our stakeholders. As an international bank with significant breadth and scale, we understand that our economies, societies, supply chains and people's lives are interconnected. We recognise we can play an important role in helping to tackle ESG challenges. We focus our efforts on three areas: the transition to net zero, building inclusion and resilience, and acting responsibly.

Transition to net zero
In 2020, we set an ambition to become a net zero bank by 2050. Since then, we have made progress in support of this ambition – including providing and facilitating sustainable finance and investment for our c The secret object #1 is a
updating several of our sustainab
investment risk policies, and setting 2030 targets for financed emissions in a range of high-emitting sectors.

We recognise both the commercial opportunity of taking action to transition to net zero and the potential risks of inaction by society at large. In our net zero transition plan, we provide an overview of the actions we are taking and plan to take to support our customers, embed net zero into the way we operate and partner for systemic change. We also set out how we are starting to work to integrate nature and just transition considerations into our net zero approach.

We set out in more detail the steps we are taking on our climate ambitions in the ESG review on page 41.

Build inclusion and resilience
To help create long-term value for all stakeholders, we focus on fostering inclusion and building resilience for our colleagues, our customers and the communities we operate within.

For colleagues, we fo
inclusive, healthy and

through well-being ar
We continue to make
goals for gender and e

We strive to provide an inclusive and accessible banking experience for our customers. We do this by providing resources that help them manage their finances, and services that help them protect what they value.

We are developing an updated global philanthropy strategy that aligns with our ESG areas of focus: 'transition to net zero' and 'building inclusion and resilience'.

Act responsibly
We are focused on operating a strong and sustainable business that puts the customer first, values good governance, and gives our stakeholders confidence in how we do what we do. Our conduct approach guides us to do the right thing and to focus on the impact we have on our customers and the financial markets in which we operate. Customer experience is at the heart of how we operate.
act responsibly and with integrity
value chain.

5, we have set out ways that we
orted our stakeholders through
ing year.

ESG disclosure map and directory

Transition to net zero	**Our approach to the transition**	Read more on our approach to the transition to net zero	Page 45
	Supporting our customers	Read more on our progress made against our $750bn to $1tn sustainable finance and investment ambition	Page 49
		Read more on our progress made against our ambition to achieve net zero in our financed emissions by 2050	Page 53
	Embedding net zero into the way we operate	Read more on our ambition to achieve net zero in our own operations and supply chain by 2030	Page 63
	Partnering for systemic change	Read more on how we partner externally in support of systemic change	Page 68
	Detailed Task Force on Climate-related Financial Disclosures ('TCFD')	We make disclosures consistent with Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, highlighted with the symbol: TCFD	Page 69
Build inclusion and resilience	**Diversity and inclusion disclosures**	Read more on how we are building an inclusive environment that reflects our customers and communities, and our latest pay gap statistics	Page 76
	Pay gap disclosures		Page 77
Act responsibly	**How we govern ESG**	Read more on our approach to ESG governance and human rights	Page 88
	Human rights and modern slavery disclosures		Page 89
	How our ESG targets link to executive remuneration	Read more on our ESG targets embedded in executive remuneration	Page 16 Pages 284 to 298
ESG Data Pack	**Detailed ESG information**	Our *ESG Data Pack* provides more granular ESG information, including the breakdown of our sustainable finance and investment progress, and complaints volumes	www.hsbc.com/esg

Engaging with our stakeholders and our material ESG topics

We know that engaging with our stakeholders is core to being a responsible business. To determine material topics that our stakeholders are interested in, we conduct a number of activities throughout the year, including engagements outlined in the table below. Disclosure standards such as the TCFD, World Economic Forum ('WEF') Stakeholder Capitalism Metrics and Sustainability Accounting Standards Board ('SASB'), as well as the ESG Guide under the Hong Kong Stock Exchange Listing Rules and other applicable rules and regulations, are considered as part of the identification of material issues and disclosures.

Our stakeholders	How we engage
Customers	Our customers' voices are heard through our interactions with them, surveys and by listening to their complaints.
Employees	Our colleagues' voices are heard through our annual Snapshot survey, Exchange meetings, global jams, townhalls, leadership summits, and our 'speak-up' channels, including our global whistleblowing platform, HSBC Confidential.
Investors	We engage with our shareholders through our AGMs, virtual and in-person meetings, investor roadshows, conferences and our annual investor survey.
Communities	We engage with non-governmental organisations ('NGOs'), charities and other civil society groups through forums, summits and roundtables supporting ESG causes such as COP28. We engage directly on specific issues by taking part in working groups.
Regulators and governments	We proactively engage with regulators and governments to build strong relationships through virtual and in-person meetings and by responding to consultations individually and jointly via industry bodies.
Suppliers	Our code of conduct sets out our ambitions, targets and commitments on the environment, diversity and human rights, and outlines the minimum standards we expect of our suppliers. We engage with key suppliers in real estate, technology and other sectors through meetings.

Material topics highlighted by

The secret object #3 is a

– [illegible]
– [illegible]
– Employee training
– Diversity and inclusion
– Employee engagement
– Supporting our customers – financed emissions
– Embedding net zero into the way we operate
– Sustainability risk policies, including thermal coal phase-out policy and energy policy
– Net zero transition plan
– Financial inclusion and community investment
– Climate risk
– Anti-bribery and corruption
– Conduct and product responsibility
– Supply chain management
– Human rights

1 These form part of our ESG disclosures suite together with other requirements, and are not exhaustive or exclusive to one stakeholder group. For further details of our disclosures, see our ESG review and ESG Data Pack, *as well as our ESG reporting centre at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.*

Supporting our customers in challenging economic times

We know that many of our customers continue to face difficult financial circumstances due to cost of living pressures, and we are working to support them. As the rising cost of living has been particularly high in the UK, one of our largest markets, most of our initiatives focused on supporting our UK personal and business customers. We have enhanced our range of digital resources available on our website and we are proactively approaching those most in need – both personal and business customers – to offer targeted support and help build their financial resilience.

Proactive support

For personal customers in financial difficulty, we have developed our digital services with improvements to the 'Rising cost of living' hub on our public website in the UK. Use of segmentation data has enabled us to take a proactive approach to supporting customers and offering targeted solutions to those who are identified as being most in need.

We have engaged with vulnerable customer groups through cost of living calls, targeted emails and direct mail. In 2023, we also:

- offered customers the option to switch mortgage rates early, extend their mortgage term with an option to reverse it at a later date, or pay interest only for six months, as part of our commitment to the new UK Mortgage Charter;
- offered a temporary reduction of fees on arranged overdrafts to help those most in need pay less;
- held over 1,000 financial well-being webinars, including 227 cost of living sessions for 50,000 customers and colleagues;
- helped more than 37,000 customers identify £2.9m in potential benefits by providing access to a benefits calculator tool via our website; and
- helped more than 130,000 customers generate a financial fitness score, and obtain tips on how to improve their financial resilience using our online financial fitness tool.

In the UK, CMB has continued to support commercial banking clients exhibiting signs of financial vulnerability. We reviewed client needs on a case-by-case basis and provided solutions including repayment holidays, extending loan repayments and offering extensions to collection periods. The use of data and front-line insights has improved our ability to identify financially vulnerable customers.

In 2023, we contacted targeted clients to help improve awareness of the support available, including communicating with over 178,000 SMEs and proactively making over 43,000 outbound calls.

Increasing understanding of fraud and scam risk and education on how to protect against becoming a victim continues to be another key area of focus. In 2023, we also:

- held fraud and scam awareness webinars to highlight recent trends and case studies, attended by approximately 4,300 customers;
- sent 2.1 million emails and 300,000 letters in quarterly campaigns to share our insights and enhance understanding of key fraud topics and trends; and
- published 44 articles and alerts on the HSBC Fraud and Cyber Awareness mobile app, covering a broad range of topics as well as any emerging threats and trends.

For further details of our work to support vulnerable communities and customers see page 85.

For further details on our conduct and product responsibilities, see the ESG review on page 96.

Our ESG ambitions, metrics and targets TCFD

We have established ambitions and targets that guide how we do business, including how we operate and how we serve our customers. These include targets designed to help track our progress against our environmental and social sustainability goals. They also help us to improve employee advocacy and the diversity of senior leadership, as well as strengthen our market conduct. The targets for these measures are linked to the pillars of our ESG strategy: transition to net zero, building inclusion and resilience, and acting responsibly.

To help us achieve our ESG ambitions, a number of measures are included in the annual incentive and long-term incentive scorecards of the Group Chief Executive, Group Chief Financial Officer and Group Executives that underpin the ESG metrics in the table below.

For a summary of how all financial and non-financial metrics link to executive remuneration, see pages 284 to 298 of the Directors' remuneration report.

The table below sets out some of our key ESG metrics that we use to measure our progress against our ambitions. For further details of how we are doing, see the ESG review on page 41.

Environmental:

Transition to net zero[1]

Sustainable finance and investment[2]

$294.4bn

Cumulative total provided and facilitated since January 2020. (2022: $210.7bn)

Ambition: Provide and facilitate $750bn to $1tn of sustainable finance and investment by 2030.

Net zero in our own operations[3]

57.3%

Reduction in absolute operational greenhouse gas emissions from 2019 baseline. (2022: 58.5%)

Ambition: To be net zero in our own operations and supply chain by 2030.

Financed emissions[4]

7 sectors

Number of sectors where we have set financed emissions targets, comprising five on-balance sheet and two combined financed emissions targets.

Ambition: Align our financed emissions to achieve net zero by 2050.

Social:

Build inclusion and resilience

Gender diversity[5]

34.1%

Senior leaders

The secret flower is a

Ambition: Achieve 35% senior leadership roles held by women by 2025.

Black heritage[5]

3.0%

Senior leadership roles held by Black heritage colleagues in the UK and US combined (2022: 2.5%)
Ambition: 3.4% of senior leadership roles held by Black heritage colleagues in the UK and US combined by 2025.

Employee engagement[6]

77%

Employee engagement score. (2022: 74%)

Ambition: Maintain 72% in the employee Snapshot engagement index.

Governance:

Acting responsibly

Conduct training[7]

98%

Employees who completed conduct training in 2023. (2022: 98%)

Target: At least 98% of employees complete conduct and financial crime training each year.

Customer satisfaction[8]

3 out of 6

WPB markets that sustained top-three rank and/or improved in customer satisfaction. (2022: 4 out of 6)

Target: To be ranked top three and/or improve customer satisfaction rank.

5 out of 6

CMB markets that sustained top-three rank and/or improved in customer satisfaction. (2022: 5 out of 6)

Target: To be ranked top three and/or improve customer satisfaction rank

1 For further details of our approach to transition to net zero, methodology and PwC's limited assurance reports on financed emissions, sustainable finance and investment progress, and our own operations' scope 1, 2 and 3 (business travel and supply chain) greenhouse gas emissions data, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

2 In October 2020, we announced our ambition to provide and facilitate between $750bn to $1tn of sustainable finance and investment by 2030. For further details and breakdown, see the ESG review on page 49. For details of how this target links with the scorecards, see page 284.

3 This absolute greenhouse gas emission figure covers scope 1, scope 2 and scope 3 business travel emissions. For further details of how this target links with the scorecards, see page 284.

4 See page 53 for further details of our targets, which include combined on-balance sheet financed emissions and facilitated emission targets for two emissions-intensive sectors: oil and gas, and power and utilities. The remaining five sectors for which we have set on-balance sheet financed emissions targets are: cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining.

5 Senior leadership is classified as those at band 3 and above in our global career band structure. For further details, see the ESG review on page 77. For details of how this target links with the scorecards, see page 284. Colleagues in Canada are excluded from this disclosure to align with scorecards.

6 For further details, see the ESG review on page 79. For details of how this target links with the scorecards, see page 284.

7 The completion rate shown relates to the 'Fighting financial crime' training module in 2023 and covers permanent and non-permanent employees. The latest global conduct training 'Conduct matters and taking responsibility – 2023' was launched in December 2023 and will run through the first quarter.

8 The markets where we report rank positions for WPB and CMB – the UK, Hong Kong, mainland China, India, Mexico and Singapore – are in line with the annual executive scorecards. Our WPB NPS ranking in mainland China is based on 2022 results. Due to data integrity challenges, we are unable to produce a 2023 ranking. For further details of customer satisfaction, see the ESG review on page 91. For further details of how this target links with the scorecards, see page 284.

Task Force on Climate-related Financial Di[illegible]

The secret object #2 is a

The Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD') recommendations set an important framework for understanding and analysing climate-related risks, and we are committed to regular and transparent reporting to help communicate and track our progress. We will advocate the same from our customers, suppliers and the industry.

We have set out our key climate-related financial disclosures throughout the *Annual Report and Accounts 2023* and related disclosures. We recognise that further work lies ahead as we continue to develop our management and reporting capabilities. In 2023, we made certain enhancements to our disclosures. These include enhancing our merger and acquisition process to consider potential climate and sustainability-related targets, net zero transition plans and climate strategy, and how this relates to HSBC. In addition, we published our net zero transition plan.

We have considered our 'comply or explain' obligation under both the UK's Financial Conduct Authority's Listing Rules and Sections 414CA and 414CB of the UK Companies Act 2006, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures, including its annexes and supplemental guidance, save for certain items, which we summarise below.

- For financed emissior[illegible] set 2025 targets. We [illegible] the Net-Zero Banking [illegible] guidelines by setting 2030 targets. While the NZBA defines 2030 as intermediate, we use different time horizons for climate risk management. For climate, we define short term as time periods up to 2025; medium term is between 2026 and 2035; and long term is between 2036 and 2050. These time periods align to the Climate Action 100+ disclosure framework. In 2023, we disclosed interim 2030 targets for financed emissions for a number of sectors as we outline on page 18. Following this, we have now set combined on-balance sheet financed emissions and facilitated emissions targets for two emissions-intensive sectors: oil and gas, and power and utilities.
- The methodology and data used for financed emissions is evolving and we expect industry guidance, market practice, data availability, scenarios and regulatory disclosure requirements to continue to change, along with the shape of our own business. We expect to periodically review and, if required, update our methodologies, baselines, scenarios, and targets to reflect real economy decarbonisation and evolving guidance and data.

[illegible] not fully disclose impacts from [illegible]-related opportunities on financial [illegible]g and performance including on revenue, costs and the balance sheet, quantitative scenario analysis, detailed climate risk exposures for all sectors and geographies or physical risk metrics. This is due to transitional challenges in relation to data limitations, although nascent work is ongoing in these areas. We expect these data limitations to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented.

- We currently disclose four out of 15 categories of scope 3 greenhouse gas emissions including business travel, supply chain and financed emissions. In relation to financed emissions, we publish on-balance sheet financed emissions for a number of sectors as detailed on page 18. We also publish facilitated emissions for the oil and gas, and power and utilities sectors. Future disclosures on financed emissions and related risks are reliant on our customers publicly disclosing their greenhouse gas emissions, targets and plans, and related risks. We recognise the need to provide early transparency on climate disclosures but balance this with the recognition that existing data and reporting processes require significant enhancements.

For a full summary of our TCFD disclosures, including detailed disclosure locations for additional information, see pages 69 to 74. The additional information section on page 440 provides further detail.

Backing renewable connections in South America

We helped to finance one of the largest transmission lines in South America, which will connect central and southern Chile to renewable energy generated in the north.

Conexión is building the Kimal-Lo Aguirre initiative after winning a tender from Chile's Minister of Energy in 2022. The project will aim to develop approximately 1,400km of critical infrastructure with the ability to carry up to 3,000 million watts of energy when scheduled to complete in 2029.

We provided a $160m equity bridge loan to support China Southern Power Grid's contribution to the project. China Southern Power Grid is the second largest electric power company in China. The funds will help unlock energy transition infrastructure required to support Chile in achieving its net zero goals.

How we measure our net zero progress TCFD

We are helping the transition to a net zero economy by transforming ourselves, and supporting our customers to make their own transitions. Our ambition is to align our financed emissions to net zero by 2050 or sooner.

Our net zero transition plan sets out how we intend to harness our strengths and capabilities in areas where we believe we can support large-scale emissions reduction: transitioning industry, catalysing the new economy, and decarbonising trade and supply chains. The plan also provides details on our sectoral approach, and on our implementation plan to embed net zero into the way we operate.

We continue to track our progress against our ambition to provide and facilitate $750bn to $1tn of sustainable finance and investment by 2030, aligned to our published data dictionary, and our ambition to achieve net zero in our own operations and supply chain by 2030. We also recognise that green and sustainable finance and investment taxonomies are not consistent globally, and evolving taxonomies and practices could result in revisions in our sustainable finance reporting going forward.

To date, we have set 2030 financed emissions targets across energy, heavy industry and transport, specifically for the following sectors: oil and gas; power and utilities; cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining.

Following a reduction in our exposure to the shipping sector after the strategic sale of part of our European shipping portfolio in 2023, and work undertaken to assess the materiality of our remaining portfolio from a financed emissions perspective, we have concluded that the remaining exposure as of year-end 2023 is not material enough to warrant setting a stand-alone target. This aligns with NZBA guidelines on sector inclusion for target setting. Due to ongoing data availability and quality challenges, we continue to assess our financed emissions for our real estate and agriculture sectors.

We recognise that there is a significant amount of uncertainty and complexity related to the transition, and that progress in the real economy will depend heavily on external factors including the policy and regulatory landscape across markets, the speed of technological innovation and growth, and economic and geopolitical events. In addition, climate science and the availability and quality of climate data continue to evolve, and the net zero-aligned scenarios upon which we have based our approach will also update over time to keep pace with real economy developments. Emissions and broader customer data is also expected to improve, as well as approaches and standards for greenhouse gas accounting and target setting. As a result of this, we expect to regularly refine and update our analysis as well as data collection and consolidation processes to accommodate new data sources and updated methodologies and scenarios, and intend to be transparent on any changes we make and why. As an example, our ESG review includes recalculated 2019 and 2020 financed emissions figures for the oil and gas, and power and utilities sectors. In addition, periodic updates to published net zero-aligned scenarios mean that it will be important that our net zero-aligned reference scenario choice, and by extension our target-setting approach, remain in step with the evolving real economy context and is informed by the latest science.

In the following table, we set out our metrics and indicators and assess our progress against them.

For further details of our approach to measuring financed emissions, including scope, methodology, assumptions and limitations, see page 53.

Net zero implementation plan	Metrics and indicators	Progress to date
Supporting our customers	Sustainable finance and investment provided and facilitated ($bn)[1]	$294.4bn cumulative progress since 2020 (for further breakdown see page 49)
	Number of sectors analysed for financed emissions[2]	We have set seven financed emissions targets, comprising five on-balance sheet and two combined financed emissions targets so far (see pages 53 to 62)
	Thermal coal financing exposures[2,3]	Our thermal coal financing drawn balance exposure was approximately $1bn as at 31 December 2020 (for further details, see page 67)
Embedding net zero into the way we operate	Percentage of absolute operational greenhouse gas emissions reduced[4]	57.3% reduction in absolute greenhouse gas emissions from 2019 baseline (see page 63)
	Percentage of renewable electricity sourced across our operations	Increase from 48.3% in 2022 to 58.4% (see page 63)
	Percentage of energy consumption reduced	26.3% reduction in energy consumption from 2019 baseline (see page 63)
Partnering for systemic change	Philanthropic investment in climate innovation ventures, renewable energy, and nature-based solutions	Committed $105m to our NGO partners since 2020, as part of the Climate Solutions Partnership (see page 68)

1 *The detailed definitions of the contributing activities for sustainable finance and investment are available in our revised* Sustainable Finance and Investment Data Dictionary 2023. *For this, together with our* ESG Data Pack *and PwC's limited assurance report, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.*

2 *For further details of our financed emissions methodology, exclusions and limitations, see our Financed Emissions and Thermal Coal Exposures Methodology at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.*

3 *Data is subject to independent limited assurance by PwC in accordance with ISAE 3000/ISAE 3410. For further details, see our Financed Emissions and Thermal Coal Exposures Methodology and PwC's limited assurance report at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.*

4 *Our reported scope 3 greenhouse gas emissions of our own operations in 2023 are related to business ... ls on scope 1, 2 and 3, and our progress on greenhouse gas emissions and renewable energy targets ... /esg. For further details of our methodology and PwC's limited assurance report, see www.hsbc.co ... ing-centre.*

The secret shape is a

Responsible business culture

We have a responsibility to help protect our customers, our communities and the integrity of the financial system.

Employee matters
We are building a responsible business culture that values difference, takes responsibility, seeks different perspectives and upholds good standards of conduct.

There may be times when our colleagues need to speak up about behaviours in the workplace. In the first instance we encourage colleagues to speak to their line manager, and our annual Snapshot survey showed that 86% of colleagues have trust in their direct manager. HSBC Confidential is our whistleblowing channel, which allows colleagues past and present to raise concerns confidentially and, if preferred, anonymously (subject to local laws). Our Snapshot survey showed that 80% of colleagues feel able to speak up when they see behaviours they consider to be wrong.

We promote an environment where our colleagues are treated with dignity and respect and we act where we find behaviours that fall short. Our inclusion index measures our colleagues' sense of belonging and psychological safety within the organisation, and in 2023 this increased to 78%.

We aspire to be an organisation that is representative of the communities in which we serve. We have committed to achieving a 35% representation of women in senior leadership roles (classified as those at band 3 and above in our global career band structure) by 2025. We remain on track, having achieved 34.1% in 2023.

We aspire to achieve a 3.4% representation of Black heritage colleagues in senior leadership roles across the UK and US combined by 2025. We are on track to achieve this, having increased our representation to 3.0% this year. We continue to make progress but we know there is more to be done.

To ensure we set representation goals that are locally relevant, we enable our employees to self-disclose ethnicity data. We have enabled 91% of our colleagues to disclose their ethnicity, with 62% currently choosing to do so, where this is legally permissible.

The table below outlines high-level diversity metrics.

All employees

Male	48%
Female	52%

Senior leadership[1]

Male	66%
Female	34%

Holdings Board

Male	53%
Female	47%

1 Senior leadership is classified as those at band 3 and above in our global career band structure.

For further details of how we look after our people, including our diversity targets, how we encourage our employees to speak up, and our approach to employee conduct, see the Social section of the ESG review on page 75.

Listening to our customers
We continue to listen, learn and act on our customers' feedback. We have implemented the net promoter system, enabling us to share customer feedback with our front-line teams and allowing them to respond directly to customers. We also have dedicated global forums to promote continuous improvement of our customers' experience.

Social matters
We invest in the long-term prosperity of the communities where we operate. We aim to provide people, especially those in marginalised and vulnerable communities, with the skills and knowledge needed to thrive through the transition to a sustainable future. For this reason, we focus our support on programmes that help build inclusion and resilience. We also support climate solutions and innovation, and contribute to disaster relief when needed. For examples of our programmes, see the 'Communities' section of the ESG review on page 86.

Human rights
As set out in our Human Rights Statement, we recognise the role of business in respecting human rights. Our approach is guided by the UN Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Our Human Rights Statement, and annual statements under the UK's Modern Slavery Act, are available on www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre. For further details of our approach, see the 'Human rights' section of the ESG review on page 89.

Anti-corruption and anti-bribery
We are required to comply with all applicable anti-bribery and corruption laws in every market and jurisdiction in which we operate while focusing on the spirit of relevant laws and regulations to demonstrate our commitment to ethical behaviours and conduct as part of our environmental, social and corporate governance.

Environmental matters
For details of our climate ambition and carbon emission metrics, see the ESG review on page 44.

Group non-financial and sustainability information statement
This section primarily covers Group non-financial and sustainability information as required by applicable regulations. Other related information can be found as follows:

For further details of our key performance indicators, see page 1.
For further details of our business model, see page 4.
For further details of our principal risks and how they are managed, see pages 37 to 39.
For further details of our TCFD disclosures, including alignment with sections 414CA and 414CB of the Companies Act 2006, see pages 69 to 74.

The secret office supply is a

Training c rtners on digital accessibility

ars, we are committed to improving how our customers can a e services. We review against the Web Content Accessibility Gu 23 markets and mobile apps in 18 markets, and engaged with more than 10,000 colleagues, partners and companies through our digital accessibility training and awareness programme in 2023. To share best practice externally, HSBC sponsored and hosted AbilityNet's Techshare Pro at our head office in the UK. Our work on digital accessibility was recognised through 11 awards in 2023, including in Hong Kong, where we were the only financial services provider to be recognised for our core banking apps.

Board decision making and engagement with stakeholders

The Board is committed to effective engagement with all our stakeholders and seeks to understand their interests and the impacts on them when making decisions.

Section 172(1) statement

This section, from pages 20 to 23, forms our section 172(1) statement. It describes how the Directors have performed their duty to promote the success of the company, including how they have considered and engaged with stakeholders and, in particular, how they have taken account of the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The Board continued to focus on its engagement with our key stakeholders, acknowledging that this engagement is core to being a responsible business and furthers the fulfilment of our strategy. In discharging their responsibilities, the Directors sought to understand, and have regard to, the interests and priorities of the Group's key stakeholders, including in relation to material decisions that were taken by the Board during the course of the year.

The following table includes instances where the Directors have had regard to section 172(1) factors (which are not mutually exclusive) when discussing certain matters in Board meetings and taking decisions where relevant. Some of these instances are explained in more detail in this section 172(1) statement and in the report of the Directors.

	Section 172(1) factor	Where section 172(1) factor featured in Board considerations
a	Likely consequences of any decision in the long term	– Group strategy – setting and monitoring – Mergers and acquisitions activity – Share capital activity – dividend and buy-back
b	Interests of our employees	– Workforce engagement non-executive Director programme – Directors' workforce engagement activities – Annual employee Snapshot survey
c	The need to foster our business relationships with suppliers, customers and others	– Annual statement under the UK Modern Slavery Act and human rights disclosure approvals – Directors' stakeholder engagement activities – Regular Board reports from Directors and executives
d	Impact of our operations on the community and the environment	– Directors' engagement w – Net zero transition plan esentation at the
e	Our desire to maintain a reputation for high standards of business conduct	– The Financial Conduct Au uty obligations – Global mandatory training – Regular engagement with global regulators including presentations by the Prudential Regulation Authority and the Financial Conduct Authority to the Board
f	Acting fairly between members of the company	– Annual General Meeting and Hong Kong Informal Shareholders' Meeting – Retail shareholder activities and investor policies' approvals – Directors' engagement with top investors

The secret clothing is a

During 2023, the Board continued with an active stakeholder engagement programme, meeting numerous stakeholders in several international locations. For further details of how we engaged with our stakeholders, see pages 21 and 257.

On pages 22 and 23, we describe how the Board exercises its Directors' section 172(1) duty and takes into account the impact on relevant stakeholders when making principal decisions in order to support and deliver on the Group's strategy.

Directors' key engagements with stakeholders in 2023

Stakeholders	Engagement	Impact and outcomes
Customers We recognise that the greater our understanding of our customers' needs, the better we can help support them to achieve their financial aims and succeed in our purpose and strategy.	– Engagement events with business customers, including customers of HSBC Innovation Banking, to discuss challenges and opportunities in key markets – Meetings with business customers to discuss plans regarding the transition to net zero – Board reporting on retail customer surveys including net promoter scores – Visits to branches in the UK, Hong Kong and India to better understand customers' changing needs	– The Board's continued engagement with customers and potential customers around the world helps to further the Board's understanding of their purposes and business needs, and how they can be supported to achieve their varied goals. – Meetings with customers help the Board understand how the Group can help customers transition to net zero. – Customer surveys provide insights into how the Group can drive meaningful improvements in customer propositions outcomes. – Retail branch visits help the Board see the positive impact of Group initiatives such as the No Fixed Address and Survivor Bank account propositions, and how opportunities are being realised for customers.
Employees We want to continue to be a positive place to work and build careers, with the success of the Group's strategy dependent upon having motivated people with the expertise and skills required to deliver it.	– Employee events, including leadership forums, webcasts, townhalls, global jams, off-sites and employee Exchanges, as well as events that form part of the workforce engagement non-executive Director programme – Interaction with respective employee resource groups across multiple events in many jurisdictions – Participation in the annual Non-Executive Director Summit in Hong Kong	– Meeting with colleagues across jurisdictions allowed the Board to hear first-hand the employee voice on important issues. – These interactions helped to ensure continued connectivity with the workforce, and inform the Board's decision making around people-specific matters. Employee engagement also helps the Board to put into perspective employee Snapshot survey results. – Meeting with employee directors of Group subsidiaries helped to assure the Board that a consistent approach to governance has been adopted across the Group.
Investors We seek to understand investor needs and sentiment through ongoing dialogue and a variety of engagements with both retail and institutional investors.	– Numerous meetings with analysts and several investor roadshows to discuss interim and year-end results – Remuneration Committee Chair investor meetings with top investors and proxy advisers – Annual retail investor events such as the AGM in the UK and the Informal Shareholders' Meeting in Hong Kong – Board meeting attendance by one of our largest investors to discuss Group strategic execution and the wider market outlook	– Regular interactions with institutional and retail investors throughout the year helped the Board understand investor sentiment on material matters, such as strategy delivery and transition to net zero, and gauge investors' continued support for the Group.
Communities We seek to play an important role in suppor *The secret sport is* the communities in whic.. we operate through our corporate social responsibility and broader engagement activities.	– Meetings w s such as financial dia, species nce of people faci  – Meetings w 's partnership and to hear about the impact of the Hero Partnership initiative – Forums, summits and roundtables supporting ESG causes, such as the Abu Dhabi Sustainability Week, COP28, New York Climate Week and London Climate Action Week – Meetings with members of the Sustainable Markets Initiative Council to discuss future priorities	– The Directors' participation at a range of community initiatives helped them to understand the effect the Group has on local communities as an employer, sponsor, collaborator and supporter, and helped to break down barriers for certain communities to access our products. – The Board's interaction with, and understanding of, the communities in which the Group operates helped the Board appreciate how the Group can influence meaningful change, including by educating, encouraging broader thinking, helping to shape policy and formulating solutions, creating supportive environments, and helping to achieve net zero ambitions.
Regulators and governments Maintaining constructive dialogue and relations with the relevant authorities in the markets in which we operate helps support the achievement of our strategic aims.	– Various meetings across our key markets with heads of state, international leaders and government officials including ministers and ambassadors – Regular meetings with, and presentations from, our many regulators, including in the UK and Hong Kong, and elsewhere	– Frequent and varied engagements between the Board and heads of state, international leaders, government officials and regulators provide an opportunity for open dialogue. It is also critical in ensuring that the Board understands and continues to meet its regulatory obligations. – Meeting with international officials allows the Board to communicate the Group's strategy, perspectives and insights while ensuring that Directors remain abreast of political and regulatory developments. It also allows the Board to share perspectives on industry best practices.
Suppliers We engage with suppliers, which helps us operate our business effectively and execute our strategy.	– Regular reports and updates to the Board from the Group Chief Operating Officer on supplier matters – Meetings with key technology suppliers to discuss the Group's innovation ambitions and how they could further support HSBC's data requirements, including to inform and support its net zero ambitions – Meetings with key suppliers in sectors such as real estate	– Meeting with our suppliers helps the Directors understand our suppliers' challenges and how we can work collaboratively to succeed, including in digitising at scale and achieving our net zero ambitions. – It is key for the Board to understand the Group's supply chain and how suppliers' operations are aligned to our purpose and values. Such reporting and engagement supports the Board when approving the annual statement under the UK Modern Slavery Act.

Principal strategic decisions

The Board operates having regard to the duties of the Directors, including the relevant matters set out in section 172(1)(a)-(f) of the Companies Act 2006. A key focus for the Board is setting, and monitoring execution against, the Group strategy. Principal decisions taken by the Board consider how the decision furthers the Group purpose, and aligns with one or all of the strategic pillars: 'Focus', 'Digitise', 'Energise' and 'Transition'.

The following examples demonstrate how the Board operated having regard to the duties of the Directors. Good governance practices adopted by the Board facilitate its key decision taking. Governance features as an agenda item at all scheduled Board meetings. Papers presented to the Board for consideration are expected to follow a template to help ensure that Directors get the right level of information to take informed decisions in keeping with their duties. The template requests authors to, among others things, describe the extent to which relevant stakeholders are engaged with, or impacted by, the matter under consideration, and whether this has influenced the recommendation to the Board.

Group strategy

As part of the Board's responsibility to set, and monitor execution against, HSBC's strategy, Directors take into consideration the Group's strategies across the global businesses and legal entities. The Board continued to oversee the progression of the Group's divestment of non-core operations while targeting select acquisitions. One such principal decision taken during the year was the acquisition by HSBC UK Bank plc of SVB UK. In considering this opportunity, the Board took into account the views of key stakeholders, including UK regulators and the government. It also considered the potential impact of the acquisition on SVB UK customers, principally that their banking services would be maintained, backed by the strength, safety and security of HSBC. The Board also considered how the acquisition would enhance shareholder value, strengthen our CMB franchise, and further its ability to serve innovation and fast-growing firms in the technology and life sciences sectors, supporting our 'Focus' strategic pillar. Following the acquisition of SVB UK, HSBC Innovation Banking was launched in June 2023. Senior management embarked on a programme of communication and interactions with customers, employees and investors by way of townhalls and Q&A sessions to help key stakeholders understand the rationale for the transaction and reiterate HSBC's support for its customers.

The Board continued its monitoring and oversight of the impacts flowing from its principal strategic decisions taken in the current and previous years, in particular the sale of the retail banking operations in France and the planned sale of the banking business in Canada. The Board met in order to agree amended terms to complete our France business sale. It was updated regularly, and provided input as appropriate, on actions required to ensure the successful completion of these transactions. It also liaised with relevant stakeholders such as governments, regulators, work councils, employees and customers, as necessary.

In this way, the Board effectively carried out its duties and assured itself that the principal strategic decisions taken were, and continue to be, most likely to promote the long-term success of the company.

During the course of the year, the Board continued a targeted focus on receiving relevant and succinct management information, including key metrics and data, to help demonstrate progress against strategic areas of interest. The Board considered how it should be informed, in the most transparent way, on the evolution of the Group's strategy from transformation to one focused on growth. The Board has agreed key performance indicators to help keep it informed on relevant areas of strategic progress, all of which are focused on four overarching perspectives: external commitments/key outcomes; key business drivers; sustainable financial performance; and the ability to transform and license to operate. These indicators will also be used to foster a culture of performance and discipline across the organisation and will be factored into executive Directors' scorecards.

Sustainability

The Board is responsible for the oversight of the Group's sustainability and ESG strategy setting and delivery, and monitors progress against execution of our net zero ambitions. Key outcomes are reviewed regularly by the Board. Directors also received training on ESG-related matters as part of their ongoing development.

The Board's understanding of the progress against the Group's ESG strategy was informed by the ESG dashboard. The data provided in this dashboard included key metrics that help the Board to monitor progress against the Group's ESG ambitions, including the transition to net zero, building inclusion and resilience, and acting responsibly. Additional details were provided on metrics relating to the roll-out of the Group's supplier code of conduct, female entrepreneurship and gender diversity in senior roles.

In 2023, the Board gave the Group Executive Committee feedback on the need to better define core areas of the Group's sustainability execution programme, a Group-wide programme to enable the delivery of our sustainability agenda. The core areas included accountability, governance, capability, investment in infrastructure and data. Governance was enhanced by the establishment of the Sustainability Execution Committee, with responsibility to oversee delivery of the sustainability execution programme. This committee reports to the Group Executive Committee which receives regular updates on progress towards fulfilment of our net zero ambitions. It takes into account key stakeholder considerations and potential impacts direction for sustaina

The secret object #5 is a

Directors participated panel meetings with external subject matter experts to discuss sustainability, including the Group's net zero transition plan.

Appreciating the importance of the Group's commitment to publish a net zero transition plan, the Board took the decision to establish a dedicated sub-group with responsibility for overseeing its finalisation, taking into consideration the implications for all our stakeholders and communication of the plan to the market. This sub-group included four non-executive Directors, the Group Chief Executive and the Group Chief Financial Officer, as well as other members of senior management. It took into consideration the short-term consequences on stakeholders, particularly for customers and investors, and balanced these against long-term benefits for the Group, the society in which we live, and the success of the company as a whole for the long term. Recommendations made to the Board by the sub-group, including stakeholder impacts, helped to inform the Board's deliberations, leading to its final approval of the net zero transition plan, published in January 2024.

Technology

In support of the strategic pillar 'Digitise', th functions to explore

The secret animal #2 is a

executing various

success. In overseeing legal entity and glob s facilitated by its business strategies, the Board acts to prom rmed technology connectivity of technology strategies across the organisation.

To help assure the Board that the Vision 27 initiatives remained strategically aligned and appropriately resourced, it supported the appointment of a third-party professional services firm to conduct a review. The third party engaged with employees from across

steering committee, overseen by the Board's Technology Governance Working Group. This steering committee comprised senior management including global business representatives to ensure that business views were well represented. The insights gained from the steering committee helped to form its reports to the Technology Governance Working Group, which in turn reports to the Board. It also attended a Board meeting in person to discuss the independent review. The findings from the report helped deepen the Board's understanding of contributing factors to the success of Vision 27.

As a result of the review and related Board discussions, in order to enhance governance around overseeing the progress of the Group's long-term technology strategy, the Board agreed that a new Board committee will be established in 2024 in place of the Technology Governance Working Group, to be chaired by a non-executive Director.

Financial performance and capital returns

When taking its decision to approve the annual financial resource plan, the Board engaged in active deliberation, taking into account stakeholders' perspectives, including customers, employees and investors, as well as market perception and regulatory expectations. The Board considered the alignment between the Group's medium-term strategic and investment plans with projected performance throughout the annual financial resource plan. In addition, consideration was given to scenario analysis related to the macroeconomic and geopolitical environment to ascertain the risks – and potential mitigating actions – to best protect the Group's financial performance and capital returns.

In 2023, the Board adopted a dividend policy designed to provide sustainable cash dividends, while retaining the flexibility to invest and grow the business in the future, supplemented by additional shareholder distributions, if appropriate. To this end, in the *Annual Report and Accounts 2022*, the Board approved the Group's announcement regarding its intention to revert to paying quarterly dividends from the first quarter of 2023. Following discussion at the Board, subject to the completion of the sale of the banking business in Canada, the Board agreed its intention to consider the payment of a special dividend of $0.21 per share as a priority use of the proceeds generated by the completion of the transaction. On 21 February 2023, an interim dividend of $0.23 per share for the 2022 full-year was announced, followed by interim dividends of $0.10 each on 2 May 2023, 1 August 2023 and 30 October 2023. In approving the payment of the dividends, the Board took into account the interests of the shareholders and sought to act in the best interests of the members as a whole.

In addition to dividend payments, HSBC undertook share buy-backs of up to $2bn each commencing on 10 May 2023 and 3 August 2023, and commenced a further buy-back of up to $3bn on 1 November 2023. In considering the buy-backs, the Board (or the Chairman's Committee with delegated authority from the Board) took into account its stated intention to consider buy-backs subject to appropriate capital levels, the views of its regulators with regard to its regulatory capital requirements and, in particular, the benefit to shareholders, and determined that the buy-backs would promote the success of the company.

People and culture

Each Board meeting starts with a culture moment – a standing agenda item for one of the Board members, on a rotational basis, to share insights into their perceptions on how the Group culture is being lived. These perceptions help the Board to fulfil its responsibility of monitoring the Group's culture. They also serve to shape and frame discussions more generally in Board meetings.

The Board regularly considers updates on people and the workforce, supported by key metrics and culture insights. These updates help the Board understand employee sentiment, including any upward or downward trends, which informs considerations of how the tone from the top is being embedded. Regular reporting to the Board and/or its committees from the Group Chief Human Resources Officer includes metrics on attrition, whistleblowing, escalations, employee understanding of strategy and pay sentiment across our legal entities. This, together with the annual Snapshot survey results, demonstrate people-related challenges and successes across the Group and legal entities. In these ways the Board broadens its understanding of the interests of our employees, which in turn helps to shape its decisions or add value when asked to approve HR policy and other people-related matters.

The dedicated workforce engagement non-executive Director provides a regular report to Board meetings, which together with the Directors' own participation in arranged employment engagement activities, strengthen the Board's appreciation of what matters to employees, and help to inform decisions related to HR and people matters. An example of people and culture data and engagements assisting Board decision making in 2023 included the discussion held by the Board on a strategic focus around 'the workforce of the future' programme. This programme is looking at the key workforce skills necessary for the future, the role of technology in the workplace and development of a plan for its implementation. For further details of how we structure engagement between the Board and the workforce, see page 257.

The Board took the decision in 2023 to approve HSBC's new headquarters and to move to the new Panorama St Paul's development. This decision was facilitated by people data gathered from the Snapshot survey and other methods that demonstrated a desire from colleagues to continue to create an agile and technologically fit-for-purpose environment to work and succeed together. The Board took this decision knowing that a new purpose-built office and the continuation of a hybrid working model would enable the Group to continue to attract top talent, and provide them with collaboration spaces to support their success and well-being. The Board concluded the new headquarters would be in the best interests of the company for the long term. For further details of the new head office, see page 99.