

# United Nations Environment Programme Finance Initiative (UNEP FI)

## Principles for Sustainable Insurance (PSI) HSBC Life Progress Report 2023

Date: April 2024



# Table of contents

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UNEP FI Principles for Sustainable Insurance Progress Report 2023	2
Our approach to sustainability	3
Progress in 2023	5
Disclaimer	14

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# UNEP FI Principles for Sustainable Insurance Progress Report 2023

This document outlines the commitments and progress made by HSBC Insurance (Asia Pacific) Holdings Limited in 2023 towards implementing the PSI and how our sustainability commitments shape the way we do business.

Unless the context specifies otherwise, 'we', 'our', 'HSBC Life' and 'HSBC Insurance' refer to HSBC Insurance (Asia Pacific) Holdings Limited and all associated HSBC insurance entities. References to 'HSBC', 'the Group' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries. HSBC Insurance (Asia-Pacific) Holdings Limited is a subsidiary of HSBC Holdings plc, more detailed information regarding the HSBC Group Sustainability approach can be found on [HSBC.com](https://www.hsbc.com) including the [Annual Report and Accounts 2023: see pages 41-98 for ESG disclosures](#).

HSBC Life<sup>1</sup> was involved in the original drafting and development of the PSI Initiative which was launched at the UN Conference on Sustainable Development (Rio+20) in 2012 and became a signatory to the PSI on 23 April 2013. Progress updates on this initiative can be found in the subsequent annual reports, which are available on the [UNEP FI website](#) and [HSBC.com](https://www.hsbc.com).

Our management team and Insurance Executive Committee are working to incorporate environmental, social and governance ('ESG') initiatives throughout the business.

1. Originally through the entity HSBC Insurance Holdings Limited but which has now been replaced as signatory entity by HSBC Insurance (Asia Pacific) Holdings Limited.

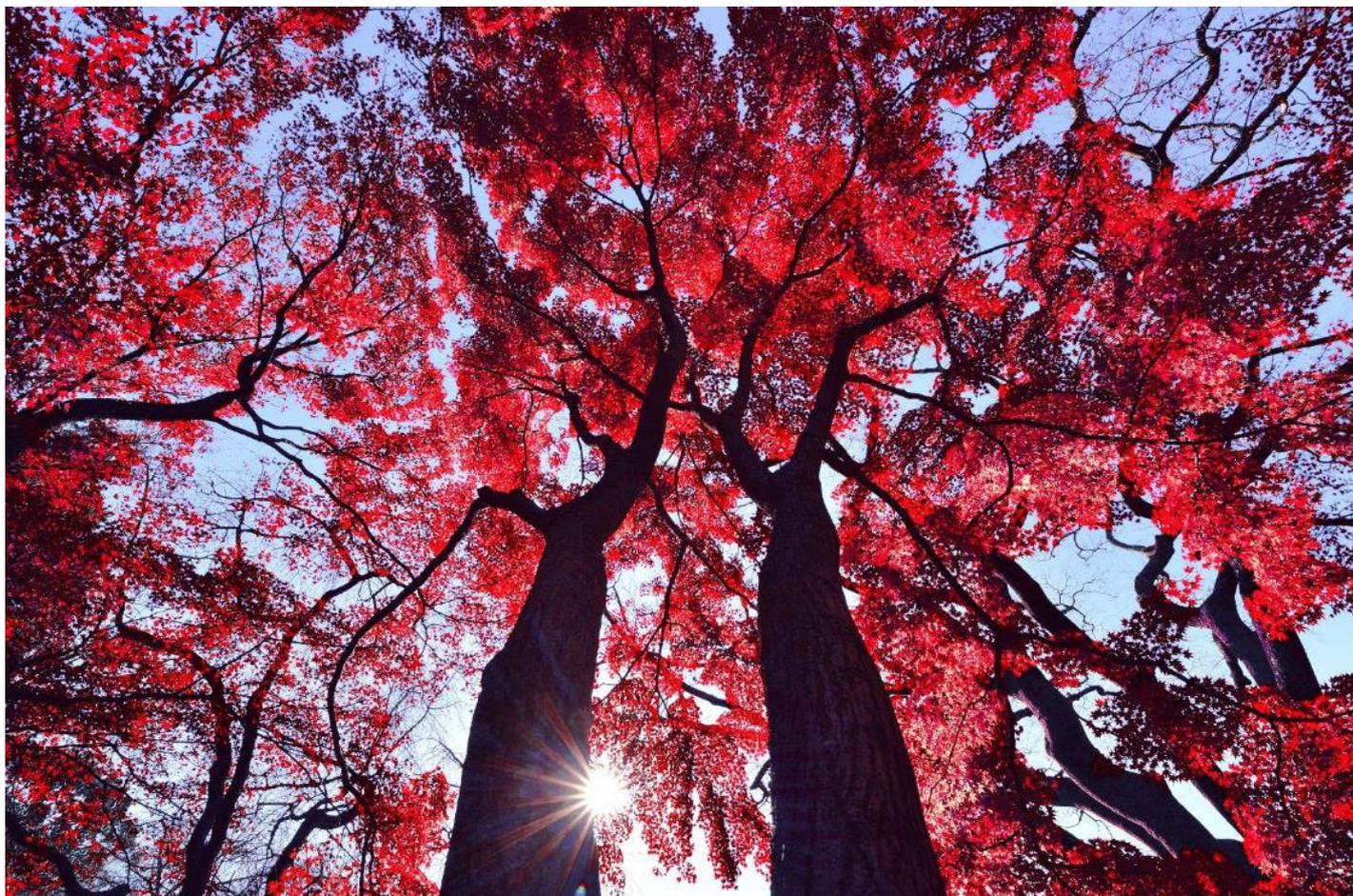
# Our approach to sustainability

## Who we are

HSBC Life helps customers, colleagues and the communities it serves to keep the promises they make. To achieve this, we create innovative insurance and financial solutions that promote better financial, physical and mental well-being. We provide a broad range of protection, wealth products and services to personal, commercial, corporate, institutional and private banking customers globally.

## Our approach to sustainability

At HSBC Life, sustainability is a key aspect of our long-term business strategy. We are supporting the transition to a net zero economy, and embedding sustainable insurance principles across our business including the products we design, the investments we make, the way we operate and people and culture, supported by key risk considerations and responding to sustainability-related regulations.





### Sustainable Investments

- ◆ Aligned to HSBC Group's net zero ambition, work to **transition our investment portfolio to net zero by 2050**
- ◆ Adopt a **responsible investment approach**, looking out for potential ESG opportunities and risks when investing our shareholders and policyholders' funds. We continue to increase sustainable investments across all our insurance manufacturing entities
- ◆ Incorporate **ESG principles into our investment governance**, that includes restricting activities with high adverse impact on environment and society, in line with HSBC Group's sustainability risk policies
- ◆ Expand the availability of **ESG investment fund options** within our investment-linked products



### Sustainable Propositions

- ◆ Create inclusive **Health and Well-being** propositions that encompass physical, mental, and financial wellness
- ◆ Enhance **Financial Inclusion** by reducing barriers and improving access to insurance propositions
- ◆ Drive **Financial Capability** through creation of educational content and simplification of customer tools



### Sustainable Operations

- ◆ Aim to be a **responsible consumer** of natural resources
- ◆ Aligned to HSBC Group, aim to **halve travel emissions by 2030 compared with pre-pandemic levels**
- ◆ Aim to ensure **fair customer outcomes** are delivered by insurance products and services
- ◆ Aim to **collaborate with our suppliers** to deliver sustainable services



### People and Culture

- ◆ Promote **diversity** and foster **inclusion** in the workplace
- ◆ Equip colleagues with **knowledge, resources, and experiences to support their well-being**
- ◆ Embed sustainability into **employee culture** and **upskill teams** to help colleagues fulfil their potential



### Sustainability Risk Management and Compliance

- ◆ Align with HSBC Group's sustainability risk **policies and frameworks**
  - ◆ Integrate sustainability risk into **business processes and controls**
  - ◆ Engage with industry bodies and regulators to support the **development of standards** for managing risks and respond to **sustainability-related regulations**
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# Progress in 2023

Principle 1: We will embed in our decision making environmental (E), social (S) and governance (G) issues relevant to our insurance business.

## Sustainable Investments

### Sustainable Investment Portfolios

As a life insurer, our investment horizon is long-term, looking out for potential ESG opportunities and risks when investing our shareholders and policyholders' funds.

We continue to embed our Global Insurance Sustainability policy, which incorporates ESG considerations into our investment governance and processes. This policy includes restricting certain investments that may have a high adverse impact on society and the environment in line with [HSBC's sustainability risk policies](#) and HSBC's ambition to align their financed emissions to net zero by 2050 or sooner.

We continue to build sustainable investment portfolios. During 2023, we increased sustainable investments across our insurance manufacturing entities in Asia, Europe, and Latin America. We aim to build on this work and grow our assets under management in line with our internally measured ambition aligned to [HSBC's Sustainable Finance and Investment Data Dictionary 2023](#).

While the majority of our sustainable investment activity continues to comprise of green, social and sustainability bonds, we also used other asset classes and investment products to increase and diversify our sustainable investment allocation. During 2023, the majority of our newly deployed sustainable investments comprised of bonds, followed by placements into sustainable public equity strategies, sustainable infrastructure debt and ESG liquidity funds.

It is to be noted that, while we have been advancing to increase our sustainable investments over the last years, we continue to finance industries that contribute to greenhouse gas emissions as well as industries which may not align to other sustainable outcomes.

HSBC Life recognises the need to continue our efforts to enhance our reporting capabilities and data quality controls around our ESG data sets together with our asset managers.

The financed emissions related to HSBC Life are partially captured within the disclosures of HSBC Asset Management, which manages the vast majority of our insurance assets. The Partnership for Carbon Accounting Financials ('PCAF') standard for insurance associated emissions (Part C) is not applicable to our insurance business as HSBC Life focuses on the manufacturing of life insurance products.



## ESG Funds

We continue to expand the availability of ESG investment fund options within our investment-linked products and enhance our capabilities including governance, processes, systems, and controls.

ESG funds are funds which consider ESG and/or other sustainability factors to varying degrees, these funds also need to meet HSBC internal standards for sustainable investing. Any ESG fund manufactured by third party asset managers follows their respective ESG policies and controls, which are assessed for alignment with HSBC's own internal standards for sustainable investing.

In 2023, eight new ESG funds were introduced across Hong Kong, France, and Singapore with a range of investment themes, including environmental, circular economy and sustainable energy. We also produced a Global Insurance ESG and Sustainable Investment template as a best practice for markets to raise awareness of ESG and sustainable investing options within insurance investment-linked products to our customers.

As of the end of 2023, nine markets, namely Hong Kong, Singapore, Taiwan, Indonesia, United Arab Emirates, Qatar, UK, France and Mexico, offered ESG fund options to customers through investment-linked products.

## Sustainable Propositions

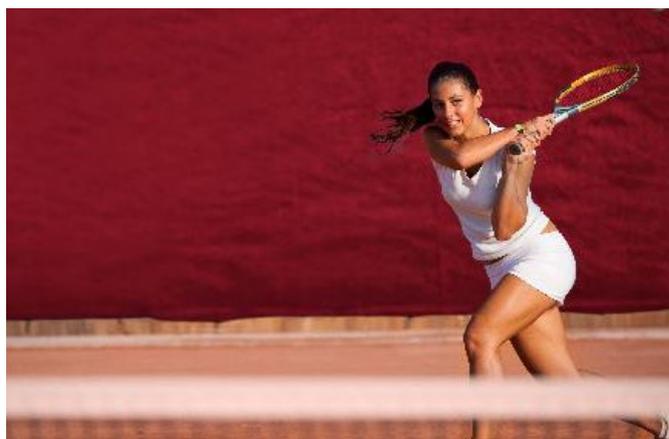
### Health and Well-being

We aim to create unique and inclusive Health and Well-being propositions that encompass physical, mental, and financial wellness. To this end, we have launched the following key initiatives in 2023:

In mainland China, HSBC Pinnacle through its Pinnacle River app launched a digital health proposition combining their protection products e.g., critical illness, with physical and mental health solutions. The Pinnacle River app also added a carbon account function which uses carbon emission factors and algorithms from standards published by China Ecology and Environment Bureau or other authorities, enabling customers to quantify their greenhouse gas emissions.

HSBC Life Hong Kong also enhanced Well+, the holistic health and wellness programme designed to help customers improve their physical, mental and financial health.

In 2023, new features called Bonus Badges were introduced, where customers complete simple financial and fitness activities to earn rewards. So far, more than 212,000 customers have enrolled in the programme since its launch on the HSBC mobile banking app in 2022.



## Financial Capability

Simplified language and inclusive design in our policy documentation and customer communication are key to improving customers' understanding of our products. In 2023, we continued our plain language initiative by creating global product material templates for investment-linked insurance products.

Simplified language and use of icons and imagery were included in certain product materials launched in Hong Kong, Malta and Argentina. A series of videos on Critical Illness product have been developed and launched on the public websites of HSBC Life UK and HSBC Life Malta.

These videos help simplify commonly misunderstood aspects of Critical Illness Insurance, including the underwriting and claims processes, as well as key exclusions.



## Financial Inclusion

We aim to ensure there are no unnecessary barriers for our customers as well as supporting customers in closing the protection gap. The Insurance Diversity and Inclusion framework, which was added to the product approval process in 2020, continues to be applied to support us in developing products.

In 2023, HSBC Life Hong Kong reaffirmed their commitment to embracing diversity and inclusion by increasing the number of Rainbow Doctors available in the Care+ Medical Network available to members of its corporate offering (Benefits+). Rainbow Doctors are LGBTQ+ friendly doctors who have joined the Dr. Rainbow Scheme after being trained to understand cultural and health concerns of the LGBTQ+ community, allowing patients to feel safe and comfortable to be their true selves.

HSBC Life UK continued its focus to enhance inclusivity in underwriting. With this new enhancement, Critical Illness cover is now available to Type 2 diabetic customers through external adviser distribution partners without the need for National Health Service records, as long as they are non-smokers with no diabetic complications and are managing their condition. In addition, these customers now have the opportunity to obtain cover by attending an independent nurse medical screening, with results assessed digitally in a three-day turnaround time.

## Sustainable Operations

### Business Travel

HSBC Life aligns with HSBC Group's ambition to achieve net zero carbon emissions in our own operations and supply chain by 2030. This includes aiming to halve travel emissions by 2030 compared with pre-pandemic levels. In 2023, HSBC Group's travel emissions remained below 50% of our 2019 baseline, despite the lifting of international travel restrictions.

We continued to drive awareness through internal reporting and regular review of carbon emissions for each market. With hybrid working practices embedded across the organisation, the use of virtual working practices has reduced the need for our colleagues to travel to meet with other colleagues and customers.

## Paper Reduction

Aligned to HSBC, our aim is to be a responsible consumer of natural resources. We continue to develop paper free processes through automation, leveraging common platforms across markets, and driving digital transformation to enhance the customer journey.

We track and report on paper usage in key consumption categories and continually seek to identify opportunities to reduce our consumption further. Similarly, HSBC Life Hong Kong deployed digital health cards for employee benefits schemes in 2023 to reduce the production of manufactured physical health cards and to promote digital for offline medical journeys.

## Fair and Transparent Customer Treatment

Our insurance entities have established a clear conduct framework using a Purpose-led Conduct Approach (PLCA) to help ensure fair customer outcomes. Customer complaints key performance indicators (KPIs),

including the time taken to resolve complaints, are closely monitored and reported to help ensure they are within agreed targets.



## Engaging with our Supply Chain

Aligned to HSBC Group, our supply chain is critical to achieving our net zero ambitions, and we are partnering with our suppliers on this journey. Since 2020, we have been encouraging our carbon suppliers to make their own carbon commitments, and to disclose their emissions via the CDP (formerly the Carbon Disclosure Project) supply chain programme. We maintain global standards and procedures for the onboarding and use of third-party suppliers.

We require suppliers to meet our third-party risk compliance standards and we assess them to identify any financial stability concerns. Our engagement with our suppliers is further supported by HSBC Group's supplier code of conduct which sets out our ambitions, targets and commitments on the environment, diversity and human rights, and outlines the minimum standards we expect of our suppliers on these issues.

## People and Culture

Aligned to HSBC Group, we aim to build a dynamic, inclusive culture where the best want to develop the skills and experiences that help them fulfil their potential. Through regular communications and engagement initiatives, we continue to raise awareness of the key resources available at HSBC to support colleagues as well as wider Employee Resource Group Activities.

In 2023, HSBC Life delivered a global inclusive leadership programme aimed at equipping emerging leaders to act as role models in the inclusion space by generating inclusion action plans and building peer coaching capability.

We also launched the first HSBC Life Global Sales Leadership Programme targeting Business Development Managers, Insurance specialists and other frontline sales team leaders. This programme enabled participants to develop key skills and knowledge pivotal for collective success in the future world of work learning from experts within HSBC and our partnership network, with key resources and learning tasks uploaded to the Insurance Sales Academy online learning platform for ongoing support.

## Employee Education and Awareness

We recognise the importance of raising awareness and educating our employees on the scope and applicability of sustainability. During 2023, we continued to develop and add learning resources to our Sustainable Insurance Academy, our central sustainability learning hub for HSBC Life employees.

In 2023, we collaborated with our wider HSBC Wealth and Personal Banking businesses to deliver a global sustainability week in October. The week featured 15 events with live webinar attendance from over 2,000 HSBC colleagues globally. Insurance employees participated as panel members discussing topics such as our sustainability strategy and how we align to HSBC's Net Zero policy. As part of this week, HSBC Life also organised an industry panel event with PSI member companies to discuss the role of life and health insurers in building a preventative healthcare model.

We also continued our 'Teach In' webinar series to educate our employees on the latest ESG developments. Our webinars in 2023 covered topics such as improving customer financial capability, managing sustainability risk and how we embed sustainability within our health propositions. Climate Risk Training was also delivered to Board members of our insurance entities in Hang Seng and the UK.



## Sustainability Risk Management and Compliance

HSBC Life has established an evolving ESG programme to meet changing external expectations and customer demands. This ESG programme identifies issues of sustainability risk and includes thematic issues such as risk of greenwashing which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks. In 2023, HSBC Life updated its sustainability procedures to align with the Group's updated energy and thermal coal-phase out policies. As part of our regular review of our risk appetite, we update metrics relating to key ESG aspects.

We also delivered ESG product marketing guidelines with insurance examples and training.

In response to various ESG regulatory initiatives and developments, HSBC's insurance manufacturing entities in the EU, which are in Malta and France, have continued to implement key disclosure-related regulatory requirements, including pre-contractual reporting, client periodic reporting and sustainable investment impact statements.

Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

## Community Engagement and Volunteering

Aligned to HSBC, we offer paid volunteering days, and encourage our people to offer their time, skills and knowledge to causes within their communities. In 2023, our HSBC Life colleagues gave over 2,700 hours to community activities during work hours. We also work with charity partners around the world to strengthen the resilience of disadvantaged communities.

In mainland China, HSBC Life is supporting the China Jie En foundation's "More Than Money" programme with an aim to improve the financial capability of approximately 3000 school students across 3 cities in China. Similarly, we are also supporting the "Financial Literacy Plan for Community Migrant Children" project, led by the Shanghai BeBetter Education Development Centre and the Shanghai United Foundation, aimed at teaching 800 migrant children across 7 cities in China basic financial concepts such as saving and consuming.

Our joint venture in India Canara HSBC Life Insurance funded the Ashray Foundation on Project Cheer-Urja focused on protecting biodiversity. The project aims at producing green energy from the collection of pine needles, one of the major sources of forest fires. This project also involves upskilling and empowering the local rural communities by training them to make products from the pine needles.



Principle 3: We will work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

## Collaboration with the UNEP FI PSI

### Industry position paper 'Health is our Greatest Wealth'

Following on from the publication of the first ESG underwriting guide for the life and health insurance industry in 2022, HSBC Life co-led and co-sponsored the publication of an industry position paper in 2023 focused on the role and opportunity for life and health insurers to help build a more inclusive and preventative healthcare model.



The paper titled 'Health is our Greatest Wealth: how life and health insurers can drive better health outcomes and address the protection gap' was published in June 2023 by the PSI.

It includes market-specific case studies and good practice examples as to how insurers could increase access to healthcare and promote health and well-being across populations.

The paper includes recommended strategies and actions for the insurance industry to take forward including a Four Point Plan that insurers could follow to help close the health protection gap and drive better health outcomes.

An industry project team consisting of 10 insurance organisations collaborated together to produce this paper which was co-led by HSBC Life, Vitality and Ernst and Young LLP. Its purpose is to demonstrate the crucial role that insurers can play, and are playing, in addressing a range of ESG risks by expanding access to and affordability of insurance products and incentivising a preventative healthcare model.

## HSBC Research Fellowship with the University of Oxford

In June 2023, HSBC announced a two-year Research Fellowship with the University of Oxford's Well-being Research Centre. This two-year programme seeks to advance our understanding of the relationship between mind, body and money. This partnership will also conduct interdisciplinary research on the role and impact that different themes, such as financial fitness and mental well-being play for our overall quality of life.

These areas of interest aim to build upon the findings of the HSBC Life +Factor Study, completed in 2021 and 2022. It assessed the link between various aspects of well-being and confirmed the relationship and compound effect of mental, physical, and financial health for overall well-being.

As part of the fellowship, a post-doctoral researcher will be hosted at the University of Oxford for the duration of the programme, with the insights from this academically independent fellowship being used to inform HSBC's market-leading health and wealth business model. Areas of interest for the collaboration will include the further exploration of the behavioural drivers and obstacles for each of the key dimensions of human health, and to gain a deeper understanding of the geographical, cultural, demographic differences

and similarities with the aim of producing a set of recommendations for how to improve holistic well-being overall.

Through this partnership and subsequent research, we aim to grow awareness of the benefits of healthier living and well-being, the need for protection and the cross over to wealth, as well as inform our health and wealth strategy to provide enhanced and market-leading solutions to our customers.

## Industry Recognition

We received external awards in recognition of our sustainability progress and achievement in 2023. Below are some examples:

### In Hong Kong, HSBC Life received a number of industry accolades including:

- ◆ 'Health Insurance Company of the Year' at the Asia Insurance Industry Awards
- ◆ 'Exceptional ESG Leader' and 'Best Life Insurer' at the Insurance Asia News Country Awards for Excellence
- ◆ Winner of 8 categories at the Bloomberg Businessweek Financial Institution Awards 2023 including 'Corporate Social Responsibility', 'ESG Sustainability of the Year' and 'Digital Innovation and Service Innovation'



In mainland China, HSBC Life was awarded the 'Philanthropic Programme Communication Award-Internet Popularity' by China South Daily.



HSBC Life Singapore won the 'Employee Engagement of the Year – Financial Services' at the Singapore Business Review Management Excellence Awards 2023 as well as 'Friend of Singapore Red Cross (SRC)' Award in recognition of our Corporate Social Responsibility Programme.



Our joint venture in India, Canara HSBC Life Insurance, won 'Best Natural Resources Preservation Initiative of the Year' at the Indian CSR Awards 2023 for Project Cheer Urja.

Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.

This is our eleventh report since becoming a signatory on 23 April 2013 which demonstrates our continued commitment in communicating our progress in implementing the PSI in a transparent manner. We are participating in relevant disclosure and reporting frameworks including regular updates in the HSBC Group's ESG reporting.



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