

HSBC Amanah Malaysia Berhad

# Value-based Intermediation Disclosure

December 2019



**HSBC**  
Amanah



# A Better & Brighter Future of Banking

HSBC Amanah aspires to set the standard for Islamic banking globally and in Malaysia by paving and leading the way in developing a better and brighter future for Islamic banking.

As the Islamic finance industry enters a new phase where long-term value creation is preferred, we are at an exciting turning point which accords us the opportunity to redefine Islamic finance. This is driven through the Bank Negara Malaysia (BNM) Value-based intermediation (VBI) initiative which HSBC Amanah officially adopted in 2017. The VBI initiative seeks to encourage Islamic Banks in Malaysia to shift away from profit focus (bottom line) mindset to a new and holistic direction that looks at the impact of banking to both people and the planet whilst also ensuring that profit returns for shareholders remain a priority.

Moving forward, we believe that being at the forefront of both Islamic finance and the VBI agenda in Malaysia is fundamental for our future. We are dedicated in ensuring that our business remains relevant and consistent with industry expectations, so we are able to continue to create and deliver long-term value to our customers and shareholders. As such, we remain committed to embracing a mindset that not only prioritises the needs and expectations of our customers but also integrates a culture that has a positive impact within the wider communities that we serve and the environment that we live in, beyond profit focus.

We believe that the sustainability of our business is essential to ensure that our stakeholders remain confident in the business that we do, while we remain dedicated towards achieving our business targets. We also ensure that we operate within a safe parameter via a proper governance process, policies and frameworks.

We aim to always be accountable to the commitments we make as we strive to be open and transparent to our stakeholders with regards to our current progress on VBI, business undertakings and areas of improvements that require our immediate attention and rectification.

Hence, to reflect our commitment towards a greater focus on transparency, we therefore publish our first VBI disclosure in 2019 with an intent to supplement our stakeholders with better insights into our VBI journey.

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Disclaimer / Notes:  
 All figures are accurate as at 30 June 2019, unless otherwise stated. The information and data included are relevant to our operations from July 2018 to June 2019. The information disclosed focus on issues that we consider material to our stakeholders, taking into account the nature of our business.

It almost seems surreal to say that the industry needs to move closer to aligning interests with the environment and society. But we do have to say it, and mean it. VBI helps Islamic banks not just to say it but ultimately do it.

The VBI journey started well before the release of the VBI Strategy Paper by BNM in 2017. It was a journey that was aimed at re-aligning the core of Islamic banks and their activities closer to Islamic banking principles. Those principles include the need to ensure there is a balance beyond self-interest stretching to the people we live with and planet we live in. Doing well and doing good are not mutually exclusive and Islamic banks could do a better job of leading that reality. At HSBC Amanah, we support this idea and are focused on delivering shared value for the communities we serve and the environment we live in; doing so today and with an eye on tomorrow.

## CEO's message

“Enabling sustainable growth to achieve shared value within the communities that we serve and the environment we live in; today and tomorrow”

This VBI journey, a process of change, has led to various industry developments. HSBC Amanah is proud to have led initiatives on innovation related to VBI, our most prominent being the issuance of the World's First UN SDG (United Nations Sustainable Development Goals) Sukuk in 2018. We are taking another step forward in our change process through the launch of HSBC Amanah's first non-financial disclosure.

This disclosure looks to advance the Financial Reporting practices aligned to values and we are doing so guided by the lens of relevant established sustainability metrics. We hope that it provides the industry broad guidance on how such non-financial disclosures could be put together as part of their VBI journey. More importantly, it helps our customers, our employees, the communities we operate in and other stakeholders to understand us better. This enhanced transparency will ultimately help strengthen HSBC Amanah as an Islamic banking institution as well as continuing to progress in our ambitions towards maintaining leadership in VBI.



In this disclosure, you will find an overview of HSBC Amanah including our products and services across business segments. Importantly, we want to articulate our VBI approach as well as showcase the principles in practice. We have outlined how we are living up to our wider societal obligations while also weighing its impact on all our stakeholders to ensure long-term viability and success for our business. It includes our framework to engage with and listen to feedback from our employees. This gives us employee insights at all levels and helps us plan our people strategy including programmes for employee well-being, learning, development and career progression. The articulation of our key initiatives in support of sustainable growth will help you understand our focus in moving towards a low-carbon economy. I am proud of the team's efforts in this ongoing VBI journey. We have done well in garnering a leadership position in this segment and have a few firsts to our name. Recognition from industry platforms only goes to reinforce our credentials in this space. As we move forward, we also need to be cognisant of areas where we need to focus on and improve. Customer feedback is critical to ensure that our practices and processes are in sync with customers' needs. While we have mechanisms in place to take up and address customer complaints across segments, we need to ensure that it is adequately robust given the dynamic environment we operate in. Also, there is always scope for improvement when it comes to deepening our engagement with employees. While we have platforms to drive structured engagement initiatives with our employees, it is essential that we consciously work towards driving a deeper and wider outreach to our employees.

To end, this VBI disclosure is not solely intended to showcase our achievement in VBI. It is a document that is aimed at a wide range of internal and external stakeholders of the Bank to be able to look at us through a set of different lenses. We hope to obtain your feedback and so I would encourage all those reading this disclosure to look through this document and communicate to us or someone else where you think we are doing well and where we can improve. There is always scope for us to progress and scope for us to change. Whilst HSBC Amanah and the management team are advocates of progress and change, we welcome different perspectives as part of our advocacy. We welcome you to talk to us and to tell us what you think.

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**Arsalaan Ahmed (Oz)**  
**Chief Executive Officer**  
**HSBC Amanah**



# HSBC Amanah at a glance

HSBC Amanah Malaysia Berhad is a full-fledged Islamic bank wholly owned by HSBC Bank Malaysia Berhad. HSBC Bank Malaysia Berhad is a member of the HSBC Group, which is headquartered in London, UK.

As the oldest foreign bank in Malaysia, HSBC has over a century's worth of history deeply embedded in the local financial ecosystem.

HSBC officially started its Islamic financial services in the year 1994 in Malaysia and soon after introduced its global Islamic banking business in 1998. Subsequently in 2004, the HSBC Amanah brand was launched globally with the aim of making HSBC the leading provider of Islamic banking services worldwide.

In November 2007, HSBC Bank Malaysia Berhad was the first locally incorporated foreign bank in Malaysia to be awarded a license by Bank Negara Malaysia to set up an Islamic banking subsidiary. HSBC Amanah Malaysia Berhad was incorporated on February 2008 and commenced operations in August 2008.

HSBC Amanah has the largest and most comprehensive Islamic proposition of any international bank in Malaysia. We offer a full suite of innovative Shariah-compliant financial solutions to help individuals who are looking for financial solutions or corporates seeking to grow their business.

Our retail coverage of **26 BRANCHES** is the largest branch footprint among foreign bank Islamic subsidiaries in Malaysia

**MYR20.6 BILLION** of assets as at June 2019

**356 EMPLOYEES** in HSBC Amanah



HSBC Amanah has the **LARGEST ISLAMIC BANK NETWORK** among locally incorporated foreign banks in Malaysia with 26 branches while its products are offered at all 42 conventional branches of HSBC Bank Malaysia Berhad.

## Our wide branch network

HSBC Amanah has the largest branch coverage among the locally incorporated foreign-owned Islamic banks in Malaysia. The branches are strategically located to serve our customers as well as to capture the opportunities to deliver our aspirations and meet our long-term goals.

## Our Businesses

Our operating model consists of 3 global businesses including the Corporate Centre, supported by global functions which include risk, finance, compliance, legal, marketing and human resources. An overview of our global businesses is available on page 17.

“ HSBC Bank Malaysia Berhad was the first locally incorporated foreign bank in Malaysia to be awarded a license by Bank Negara Malaysia to set up an Islamic banking subsidiary. ”

Since its inception, HSBC Amanah has made significant contributions to the growth of Islamic finance industry in terms of products, the propositions and market development. For example, HSBC Amanah has completed multiple landmark Shariah-compliant transactions across capital markets and banking transactions. HSBC arranged all of the sovereign Sukuk issuances for the Government of Malaysia since the first issuance in 2002. This was also the first ever Global Sukuk issued. With regards to these issuances, HSBC Amanah developed the Shariah Sukuk structure. Besides that, HSBC Amanah is also active in supporting regional transactions such as Singapore’s first Shariah-compliant REIT, Sabana, and multiple Republic of Indonesia Sukuk issuances with the most recent being their 2018 Green Sukuk issuance which was also the first Green Bond for an Asian Sovereign and the first Sovereign Green Sukuk issued globally.

ACHIEVEMENTS

- WORLD’S 1st** Exchangeable Sukuk for Khazanah Nasional Berhad, UN Sustainable Development Goals (UN SDG) Sukuk, and Rated Corporate Hybrid Perpetual Sukuk
- 1st ISLAMIC BANK IN MALAYSIA** Offered house financing top-up product, and Islamic ESG Structured product as well as launched socially responsible Unit Trust campaign
- WE ARE THE LEADER** Sustainable Finance with our Green propositions and Green / Sustainable Shariah-compliant financing deals, International Islamic bank for trade finance



Islamic Deal of the year for HSBC Amanah’s RM500 million (US\$121.92 million) five-year SDG Sukuk

Best Trade Finance Bank

Best deal for HSBC Amanah’s RM500 million (US\$121.92 million) five-year SDG Sukuk

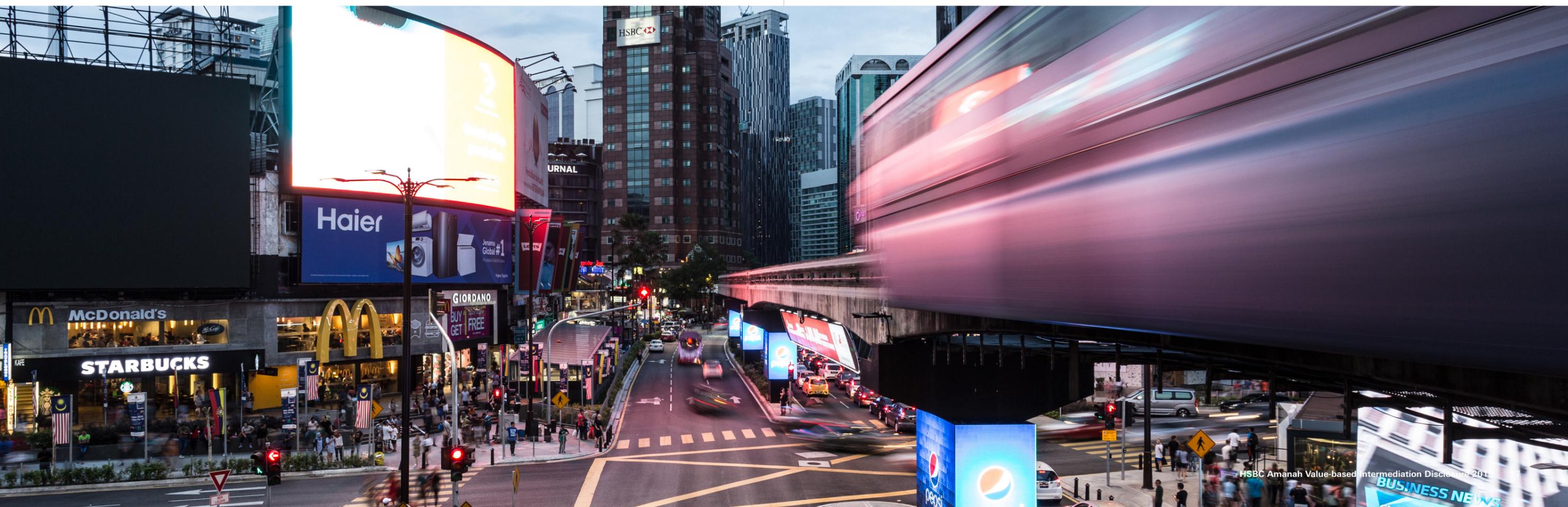
Best Sukuk for HSBC Amanah’s RM500 million (US\$121.92 million) five-year SDG Sukuk



Social Impact deal of the year for HSBC Amanah’s RM500 million (US\$121.92 million) five-year SDG Sukuk

Deal of the year for HSBC Amanah’s RM500 million (US\$121.92 million) five-year SDG Sukuk

Country deal of the year for HSBC Amanah’s RM500 million (US\$121.92 million) five-year SDG Sukuk



# Our Approach

As Malaysia continues to be at the forefront of the Islamic finance industry, it is crucial for global institutions to play a role in leading the market in terms of adopting best practices that facilitate growth. It is important that growth for the benefit of shareholders is achieved together with creation of value for the wider community and environment.

As we push for a sustainable Islamic financial ecosystem, HSBC Amanah has a responsibility to align our goals and values with the global Shariah compliance standard and make room for economic value creation that promotes equitable wealth distribution and preservation.

We approach our business by integrating VBI into our core business practices so that we can generate a positive impact and ensure sustainability of our business through the lens of Triple Bottom Line – People, Planet and Prosperity.

## Our VBI Approach

### People

We ensure that our product offerings are not just of the highest standard and quality but are also Shariah-compliant so that we are able to maintain the trust of our customers and shareholders.

At HSBC Amanah, we continue to innovate and offer value-based products and support businesses and propositions that are aligned with our values and mission. We ensure that our business solutions do not just serve customers but also communities and developments that contribute towards a productive and sustainable economy.

### Planet

At HSBC Amanah, we support HSBC Group's strong advocacy focused on building a low carbon economy and are mindful of the impact we have on the environment we operate in. As such, we encourage our employees to adhere to the principle of responsible consumption in all aspects.

As a financial institution, we acknowledge the importance of a proper management of climate-related risks as we serve high-impact sectors encompassing energy, forestry, and the palm oil industry.

### Prosperity

Our business model is designed to be in line with Islamic principles that go beyond profit-making. While we ensure that our offerings generate sustainable profit for our shareholders and the growth of our business, we are also well-positioned to promote best practices that will result in long-term impact to our stakeholders.

## Our Focus



### Product Innovation

The development of our products and services as well as our operations are aligned to the Shariah principles as we focus on creating positive long-term impact towards people, the planet and prosperity.

In line with our commitment to deliver on our sound values to our customers, we ensure that our products and propositions are developed with customers in mind. Hence, we innovate products that match our aspiration to offer products and services that are values based.



### Culture

Internally, we recognise that our people are the main key drivers for a healthy and long-term sustaining workforce. We continue to promote an active, open, diverse and inclusive work culture that empowers our people to perform at their best and constantly ensure that we remain active in developing their knowledge and skills through a series of structured and tailored training as well as workplace engagements.

At an industry level, HSBC Amanah believes that we share a responsibility towards ensuring that VBI and the sustainability agenda are actively being advocated, particularly as an organisation that is spearheaded by a dynamic and experienced leadership team. Our management team is well groomed to be key influencers in the industry as we further commit to focus on shaping thoughts and opinions driven by passion, experience in innovation and business acumen.



### Governance

As a financial institution, we comply with the applicable legal and regulatory requirements. We maintain transparency through the disclosure of information about our Board and management team as well as our corporate governance. We also disclose our risk and control measures, our tax obligations, remuneration policies and financial results as required by the regulators in order to maintain transparency and retain the trust of our stakeholders. We are also committed to protecting our customers and communities through financial crime risk management and cybersecurity due diligence.

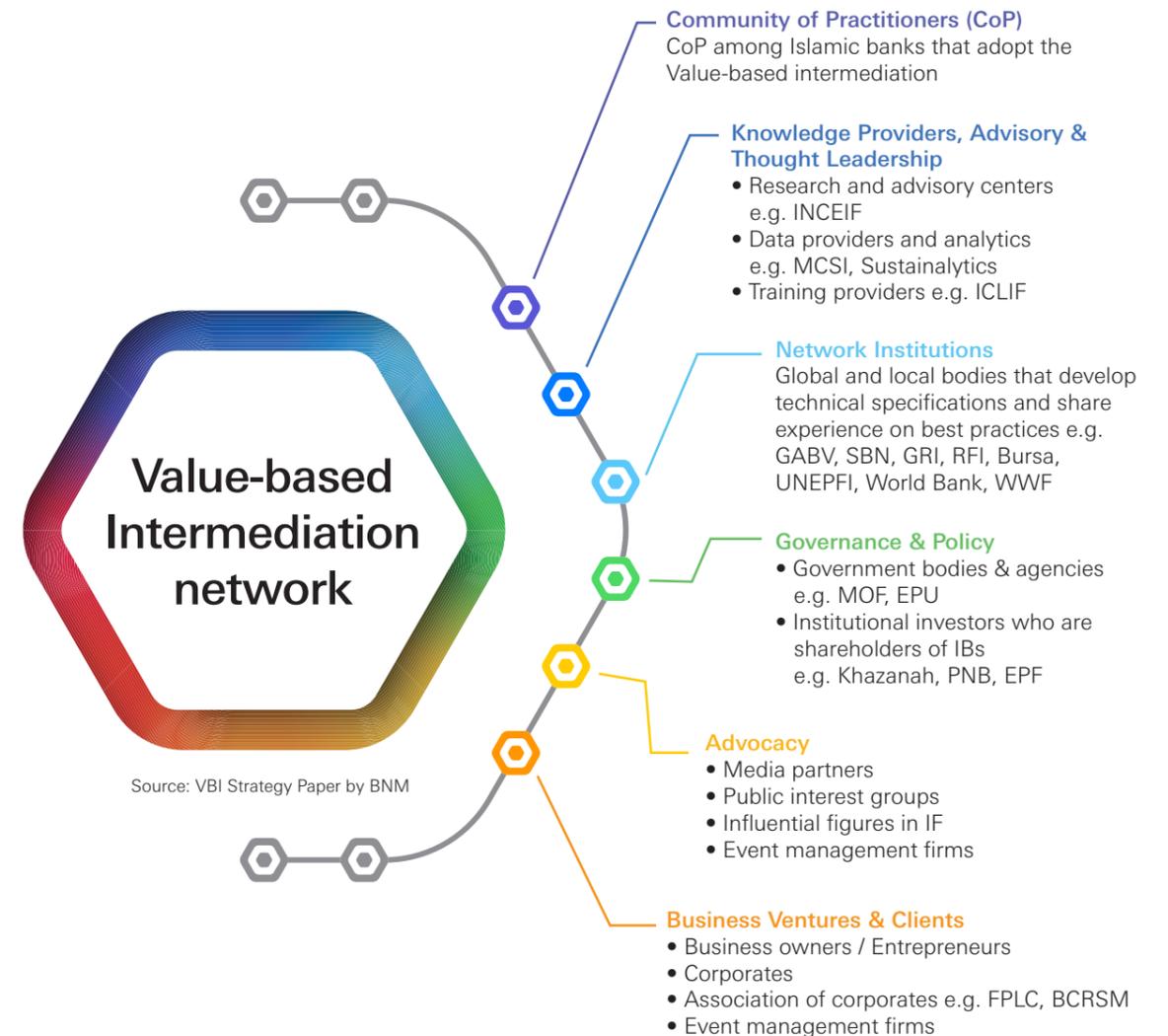


# Value-based Intermediation

## A paradigm shift in Islamic banking

Introduced in July 2017, Value-based Intermediation (VBI) is an initiative driven by Bank Negara Malaysia with an aim to deliver intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests. (The full VBI Strategy paper can be accessed at [www.bnm.gov.my/index.php?ch=57&pg=137&ac=612&bb=file](http://www.bnm.gov.my/index.php?ch=57&pg=137&ac=612&bb=file) ).

Bank Negara Malaysia in collaboration with HSBC Amanah and other Islamic banks have formed the VBI Community of Practitioners (CoP). The collaboration aims to develop strategies that will enable VBI practices to be adopted in the Islamic Finance industry leading towards an improved suite of products and services offered.



As an organisation, we believe that VBI propels our people towards being more productive, innovative and engaging which increases profit and drives our brand forward. For the community, this is translated into enhanced services and product offerings, better access to Shariah-compliant financial solutions as well as greater opportunities to move up on the value chain ladder. In essence, VBI is a new pathway towards the creation of a better industry innovation and collaboration aimed to drive Malaysia's Islamic finance industry to the next level of growth and simultaneously gives equal importance to social, ethical and environmental considerations that promotes sustainable value creation.

By making a commitment to integrate VBI principles into our business practices, our peoples' conduct and

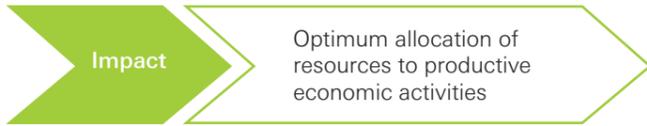
our product offerings, we are taking a step forward to becoming an institution that is dedicated in delivering shared value to our stakeholders. This is exemplified by our efforts to constantly innovate our product offerings according to the needs of our customers.

Given that VBI is an integral part of our strategy, we adopt various ways to ensure our growth is consistent with our VBI aspiration. Our adoption of the HSBC United Nations Sustainable Development Goals (UN SDG) Bond Framework that enables us to accelerate our effort in advancing the VBI agenda for our organisation is an example of this. In many ways, our effort to integrate VBI into our organisation will remain a priority as we continue to seek new customers, increase our market share and improve our profitability.

### What do value-based practices in banking look like?



**Impact-based assessment**  
Impact-based assessment provides equal attention to applications' potential impact to the society, environment and economy



**Comprehensive measurement**  
Comprehensive performance measurement, covering both financial and non-financial indicators



**Impact-focused disclosure**  
Impact-focused disclosure covers details of customers that they lend to and invest in (i.e. purpose, location and result)



**Constructive collaboration**  
Constructive collaboration with wider stakeholders including those with no direct business relationships such as NGOs, societies and governments



**Inclusive governance**  
Active engagement with multi-stakeholders including traditional and non-traditional stakeholders in the decision-making process



Source: VBI Strategy paper by BNM



In 2017, HSBC Amanah introduced to customers the industry's first VBI related product, Takaful Future Secure. It is a product specially designed to ensure wealth accumulated by our customers is protected and can be transferred to their loved ones for them to secure a brighter future. Customers can expect stable returns with this plan to help steadily grow their assets and secure their financial legacy planning and allocation. The product provides a universal solution that addresses issue of inflexibility of available wasiat structures in the market.



# Our Stakeholders

## Managing our stakeholders

Stakeholder relations, engagement, and management require strategic planning and effort to ensure long-term viability and success for our business. At HSBC Amanah, our stakeholders are at the heart of how we manage our business and we weigh each of our business decisions with our stakeholders in mind.

Living up to our wider societal obligations has always been part of HSBC's culture and identity. Our success is founded upon our ability to build strong and trusted relationships not just with our customers, but also with the communities that we operate within as well as other stakeholders that we serve.

Our relationship with our suppliers, our shareholders (our parent company) and our regulators are increasingly significant especially when expectations are changing, and the communities are placing increasing importance on the impact that businesses have on people and the planet.

We are connected to these stakeholders through various engagement channels, for example:

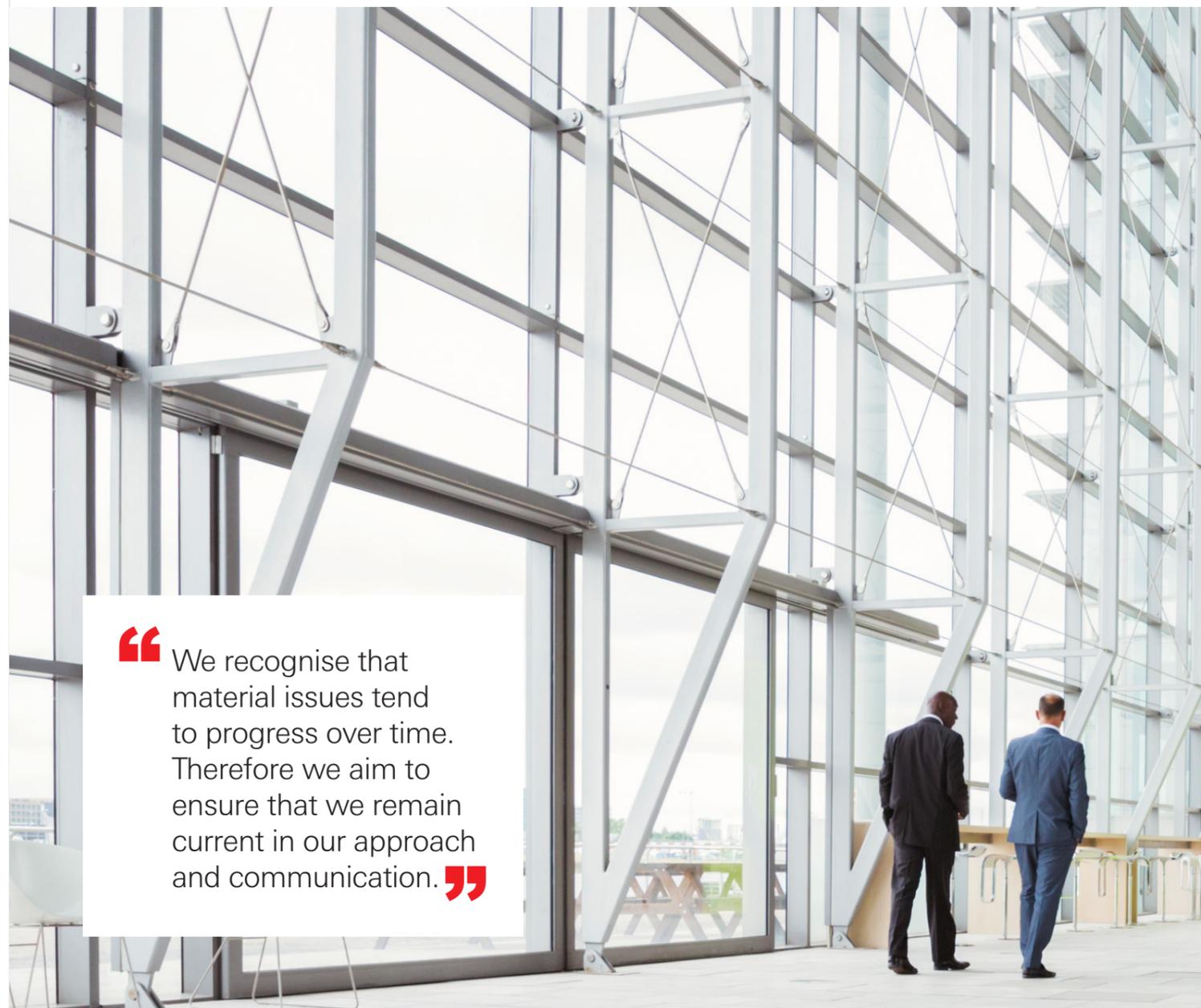
- ▶ Our Shariah team ensures that our business and operations comply with Shariah requirements at all times
- ▶ Our supplier ethical code of conduct - Our goal is to work collaboratively with our supply chain partners on area of sustainability at all times
- ▶ Our dedicated Legal and Regulatory Compliance team helps to coordinate and ensure we are in compliance with all legal and regulatory requirements at all times and we keep abreast of changes on relevant regulatory requirements
- ▶ Representation from our parent company in the senior management committees

## Assessing Materiality

We listen to our stakeholders through various ways ranging from employees' and customers' surveys to direct feedback and engagements. We utilise these information to identify issues that are material to our stakeholders by taking into account the nature of our business practices and organisational conduct.

Based on VBI framework, an issue is considered to be material when management concludes that it is significant enough to warrant a public disclosure. Further, we are also guided by HSBC Group's materiality

assessment and identification with inputs obtained from executives in the region. Material issues identified are then tabled and discussed at relevant internal governance fora. We subsequently conduct collective analysis of identified material issues in order to be able to ascertain common themes and concerns to be used as guide for our VBI disclosure. However, we recognise that material issues tend to progress over time. Therefore we aim to ensure that we remain current in our approach and communication.



“ We recognise that material issues tend to progress over time. Therefore we aim to ensure that we remain current in our approach and communication. ”



“ We rely on an integrated approach to blend business and sustainability by leveraging on HSBC Group’s unique global presence and capabilities to operate our business. ”

## Our Customers

Our customers are our priority and we strive for excellence in everything we do, especially in ensuring that our services and customer experience reflect both quality and finesse.

We aim to connect our customers with opportunities that fulfil their hopes and ambitions. We do this by really getting to know our customers, supporting them in their aspirations, listening to them to understand their evolving needs and subsequently, addressing their concerns. It is an ongoing process based on continuous engagements with our customers.

Apart from keeping our business processes simple, fast and convenient, we also uphold a culture of transparency to retain our customers’ confidence and acknowledge areas of improvement in order to continue providing better services to our customers.

## Our global businesses and the product offerings

We create value to our customers by providing products and services that match our customers’ needs, and aim to do so in a way that fits seamlessly into their lives in order to foster long-lasting relationships with them. We maintain trust by striving to protect our customers’ data and information, and deliver fair outcomes for them – and if things go wrong, we need to address complaints in a timely manner.

We classify our customers into several distinct groups: retail customers; medium and large sized corporate customers; and global and institutional customers. These groups are serviced by our three global businesses respectively.

### Retail Banking & Wealth Management

- Personal Financing
- Home Financing
- Credit Cards
- Savings Accounts
- Deposits
- Wealth

### Commercial Banking

- Hire Purchase
- Commercial Property
- Current & Savings Accounts
- Deposits
- Global Trade & Receivables Finance
- Global Liquidity & Cash Management

### Global Banking & Markets

- Debt Capital Markets
- Investments
- Liquidity Management
- Futures
- Risk Management
- Advisory



## Retail Banking and Wealth Management (RBWM)

We provide HSBC's customers with a variety of banking services and products to cater to a different range of customers' requirements. Our aim is to help our customers to manage their finances, grow their wealth, save and invest for the future and reach their goals and aspirations. Our products include current and savings accounts, credit cards, personal financing, home financing, investment products, takaful as well as wealth management products.

### Listening to our customers

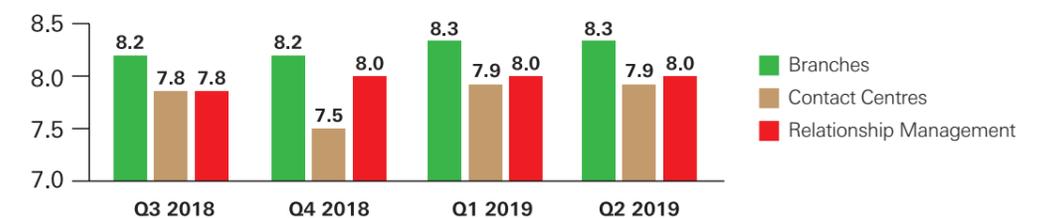
At HSBC Amanah, we gather feedback from our customers through interactions, surveys, social media, and complaints channels and use sophisticated speech analytics to obtain a deeper level of understanding of their experiences at individual branches and contact centres. The insights gathered are then used to empower our employees to make the necessary improvements to enhance customer experience.

### Customer Satisfaction

At HSBC Amanah, our customer satisfaction survey aims to measure customers' satisfaction across different touch-points such as Contact Centres, Branches and Relationship Management for our Premier centres. It is a globally-led programme where the survey is conducted by a market research professional and is commissioned at HSBC Group level. The survey covers customers across all branches and contact centres on a monthly basis while customers managed by Premier Relationship Managers are surveyed on a quarterly basis. The customer satisfaction survey results are then reported and discussed at various governance fora including HSBC Amanah Executive Committee.

Over the year, we surveyed approximately 14,000 customers based on their interactions with us and received various feedback. We also monitor our customers' satisfaction with regards to our level of Shariah compliance. During the reporting period, we have not encountered any credible customer complaints with regards to our adherence to Shariah standards.

We aspire to ensure that we maintain a high standard in terms of our services to our customers. The result below provides an indication of our customers' satisfaction on a rating scale of 0 - 10:



The index uses the 0 - 10 rating scale for the customer recommendation question to create a 100 point index. This survey is run by an independent and global market research agency.

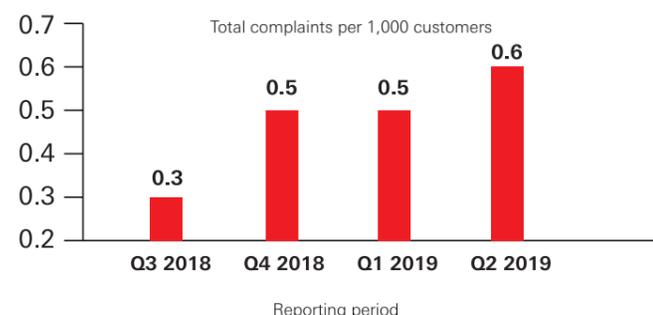
### When things go wrong

We understand that things may not always go according to plan, so at HSBC Amanah, we ensure that customer complaints are always understood and recorded so that we are able to learn from our mistakes and make improvements.

We use insights derived from complaints to drive change and address issues through a root cause analysis framework. This allows us to make informed decisions in streamlining and reengineering our services and investment activities. Our employees are supported by extensive guidelines and training to ensure preferred outcomes are achieved.

Complaints are monitored and reported at governance fora and senior executives' performances are measured against complaint figures so that we can manage all our complaints more efficiently.

## Complaint volumes per 1000 customers<sup>1</sup>



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

## Top 5 complaint category during this reporting period



Contact centre services



Online banking feature and services



Branch services



Collection activities



Debit card

We resolved 70% of complaints by the next working day and 86% within five working days. We found that the most common complaints that we have received are related to our processes, procedures, and services. It is our commitment to constantly prioritise initiatives that address the root cause of key complaints that are affecting customer experience.

## How we responded

Communication with customers is a continuous two-way conversation. It is important for us to listen and to provide appropriate channels for customers to share their opinions, feedback, and complaints, as well as enabling us to communicate with them in a direct and transparent manner.

HSBC Amanah is focused on making banking accessible for a larger segment of customers, hence we constantly explore different ways to make our processes easier and more comprehensible for our customers.

Various focused action plans have been implemented as a result from gaining more insights from our customers, for example:

- ▶ Our **'Customer Experience Council'**, comprising of senior leaders from business and support functions, leads our advisory and governance for all our Customer Experience initiatives as well as customer voice insights. The council is mandated to enhance the effort taken to ensure our service to deliver good customer experience achieve a positive outcome;
- ▶ **'Customer in the Room'** is a senior-leader led initiative to re-engage with customers who had previously experienced poor customer service from us;
- ▶ **'Customer Journey Mapping'** is an end-to-end process improvement methodology that starts and ends with our customers in our mind to improve customers' experience;
- ▶ **'Star People Awards'** is a service recognition program to recognise our employees who have demonstrated exceptional service to our customers and shown a great example in terms of adopting best practices for customer service;
- ▶ **'Think Bubbles'** is a programme that empowers everyone in the organisation to drive creative solutions in their respective role, with an aim to uplift our customers' experience and enhance the way we work.

## Our conduct

At HSBC Amanah, we recognise the importance of delivering fair outcomes to our retail customers in order to protect financial market integrity. We manage this through a range of activities, from working to ensure our products are designed fairly to ensuring that we continue to meet customers' financial needs. Hence, we ensure that there are clear and consistent policies, frameworks, and governance across HSBC Amanah. Our business Conduct is overseen by senior risk and executive committees, while the Board maintains oversight of conduct matters through the Board Risk Committee.

On an annual basis, we conduct Shariah trainings for over 1,000 relevant employees for both HSBC Bank Malaysia and HSBC Amanah. This is important to reiterate our Shariah compliance commitment and our aim to deliver the intended outcomes of Shariah in terms of culture and product solutions that we develop. For example, our credit card offering is tailored to prevent harm and promote good values. We ensure that our credit cards are not misused in businesses that are considered harmful to society such as gambling and dating and escort services.

### Our Product Design & Fair Value

#### Product design key principles:

- Our products should remain relevant in each country they are offered
- We offer a consistent, simple and carefully selected range of products
- We act on feedback from customers to provide better and more accessible products and services
- Products that no longer meet our high standards or customer needs are withdrawn from sale

We also conduct regular product service reviews and fair value assessments in each of the markets we operate in, to help ensure we deliver fair value.

#### Pricing key principles:

- All products and services must meet a minimum set of design standards
- We carry out regular comparison of our pricing with those of local competitors and with our own fair value standards, considering the total charges and features of a product
- We review the usage levels of product features to assess if customers' behaviours and responses demonstrate they are receiving value

## Meeting our customers' needs

We apply insights from the sales process to meet our customers' needs effectively, including a review process to ascertain suitability of the products we offer, monitoring the quality of the sales, and incentivising our employees. We take into consideration our customers' financial needs and personal circumstances to offer suitable product recommendations. This is achieved through:

- ▶ a globally consistent methodology to rate the riskiness of investment products, customised for local regulatory requirements;
- ▶ a robust customer risk profiling methodology to assess customers' financial objectives, attitude towards risk, financial ability to bear the investment risk and their knowledge and experience;
- ▶ goal projection tools and calculators to help customers plan for their future in line with their overall investment objectives; and
- ▶ consistent global advisory standards to follow when we make recommendations to our customers while considering local regulations.

In our effort to maintain a high standard in our sales process and maintain good employees' conduct in each of our markets, we conduct a mystery shopping programme and sales quality programme, depending on the situation at hand. Any issues identified in the process will be treated seriously with subsequent actions taken in order to achieve a fair outcome for our customers.

Further, we also reward our people for upholding our values, demonstrating positive behaviour and developing initiatives that meet our customers' needs through the offering of customised products and services rather than conventional sales and reward approaches. We recognise front-line employees who go the extra mile to deliver fair outcomes and support our aspiration to achieve sustainable growth in our business.



# Commercial Banking (CMB)

Our global reach and expertise helps to support our customers, ranging from small businesses to large companies in building more capacity to be at the forefront of their services. We help our customers to thrive and grow by connecting their businesses to opportunities where the growth is.

Our services include working capital, term financing, payment services and international trade facilitation, as well as expertise in mergers and acquisitions, and access to financial markets.

## We listen to our customers

In line with our commitment to improve customer satisfaction, we have introduced additional governance to embed a customer-led approach into our decision making. This includes customer journey mapping which aims to take a holistic approach to assess customers' current experiences and design ideal ones.

We use syndicated research, feedback from social media, and operational data to help us identify what areas are the most important to our customers, and where our performance could be improved. Areas of focus include the ease and speed of our account opening process, our efficiency in dealing with queries and our range of products. We acknowledge that we need to continuously improve our effort to ensure customers' satisfaction level remains high.

In January 2019, CMB was invited to be a member of the HSBC Malaysia Customer Experience (CE) Council arising from an initiative by RBWM to improve our customer complaint and experience. One of the key responsibilities of the CE Council is to play an active role to govern serious complaints across the bank and provide guidance as ombudsman for any complex complaints that cannot be resolved at the business level. This council meets on a monthly basis and reports to the Executive Committee.

“ We endeavour to attract businesses that promote good values and we actively look to finance sustainable businesses. ”



## Moment of Truth

In 2018, HSBC Amanah fully embedded our Moments of Truth programme, a survey which allows us to continually capture feedback from customers about interactions we know are important to them.

We actively review the interactions we measure to make sure we continue to focus on the issues that matter most to our customers.



### When things go wrong

We support our people to help ensure they handle customer complaints effectively, with a training module available to all relevant employees.

A new global complaints management procedure was delivered in the first quarter of 2019 to help make sure we continue to manage complaints in an equitable and timely way and to provide effective and fair outcomes for our customers.

**No. of Complaints over the past 12 months**

Less than 0.1% of approximately 3600 customers

### How we responded

Listening to customers and acting on their feedback has helped us to drive improvements to our customers' experience. Below are some of the main issues raised and how we acted on them.

Area of focus	Action taken
<b>Improving the ease and speed of account opening</b>	This initiative involved a thorough review of the current Corporate Account Opening document which has now been materially reduced. This accelerated the account opening process and thus, enhancing customers' experience.
<b>Customer query handling</b>	Mandarin speaking capability has been introduced in HSBCnet Helpdesk arising from customer feedback.

**Simply CMB**  
Simply CMB is an online platform, which encourages the bank employees who know our processes, procedures and customers best, to register their ideas in making customer and colleague experiences better.

### Our Conduct

We regularly review the list of all products sold to our corporate customers, so they remain appropriate and relevant. To help make sure all our products meet customer needs, we have a rigorous governance and approval process for new products or if any significant changes are made to existing products. We recognise that it is important to provide our products at a fair price and in a transparent manner. Actions are taken to address issues of sales process and pricing.

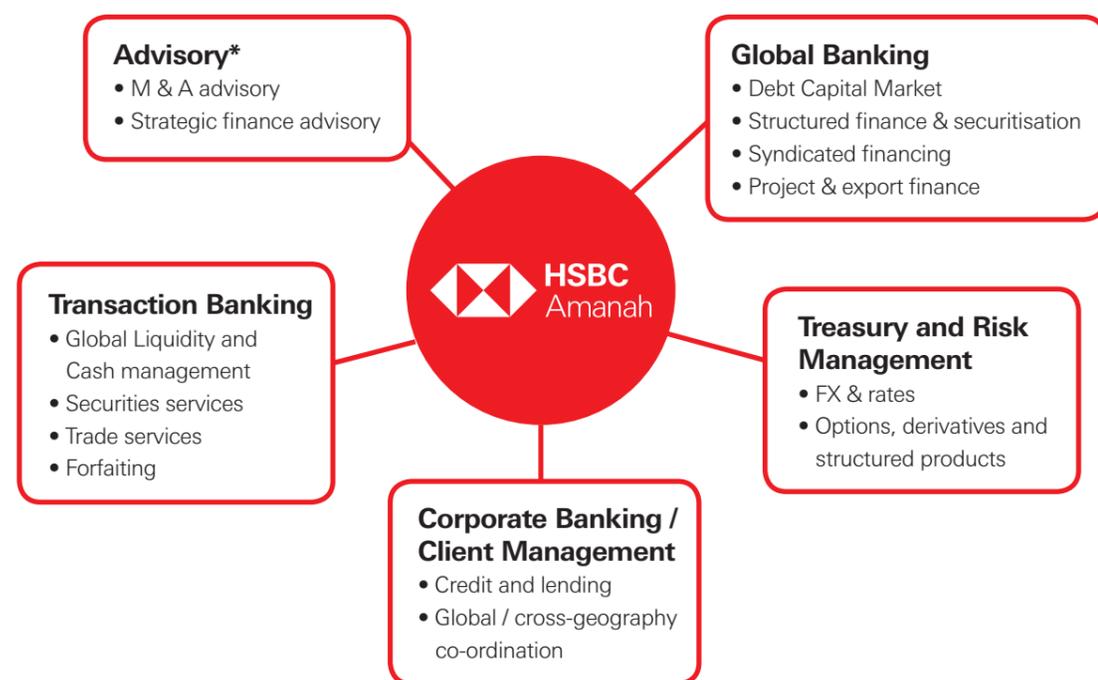
We put a strong emphasis on communicating with our people on how we should behave. Exchange forums and town hall sessions are held regularly to gain insights and to encourage communication. We broadcast videos of senior leaders speaking about what conduct means to them and why it is important. Good conduct is recognised, good conduct stories are shared and exemplary behaviours are featured within HSBC.

We also take great strides in protecting the integrity of the financial system by staying vigilant to screen high risk customers. Staying true to our Shariah compliance commitment to prevent harm and promote good, we avoid relationships with businesses that are considered harmful to society. We endeavour to attract businesses that promote good values and we actively look to finance sustainable businesses. In addition, we also seek to help Shariah listed companies to maintain their Shariah-compliant status by providing innovative Shariah-compliant solutions.

# Global Banking and Markets (GB&M)

Global Banking and Markets provides financial services and products to the large corporates, government linked companies, financial institutions group and multinationals worldwide. Our product specialists continue to deliver a comprehensive range of transaction banking, financing, advisory, capital markets, securities services and risk management services.

## Major product groups within GB&M



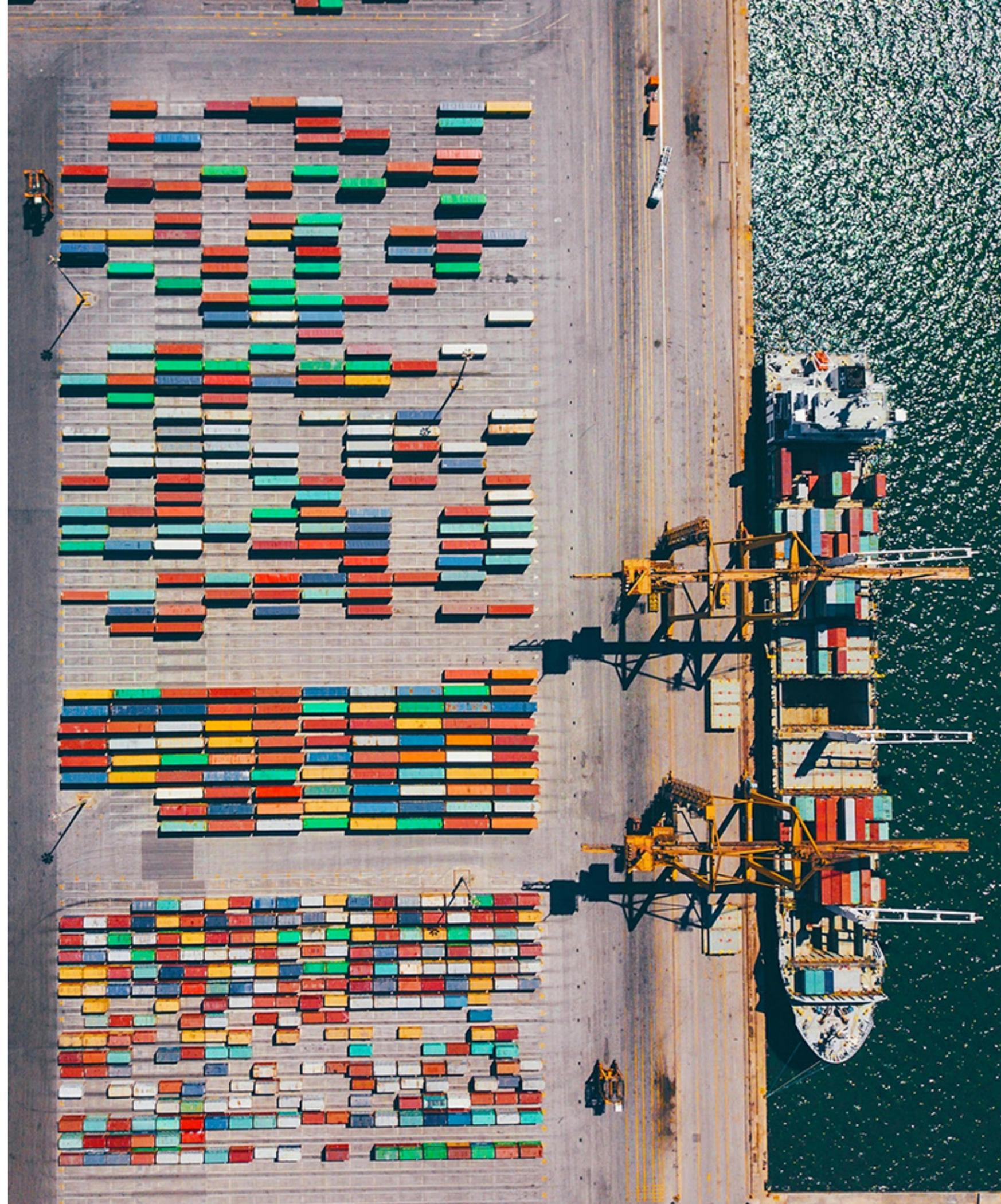
\*Services via HSBC Corporate Advisory (Malaysia) Sdn Bhd

## We listen to our customers

The best way to improve the quality of our service is by listening to our customers, especially when we fail to meet their expectations. In GB&M, we always strive to listen to our customers, take their feedback and use it constructively to provide enhanced levels of service and satisfaction. Feedback from customers is critical as it helps us identify areas of concern and address any possible gaps.

For example, there were instances where customers were unhappy because the newly opened accounts could not be operationalised due to internal delay. This has caused inconvenience and affected their business operations. We have streamlined our on-boarding and transaction process to ensure that customers were able to operate their accounts smoothly.

Our journey to deliver better services also involves transformation of certain internal processes. Specifically, we managed to speed up the Facility Offer Letter process via our Global Banking Loan Transformation Platform which helps to improve the customer experience and internal efficiency. We are also in the process of widening our FX e-banking options to build more digital capabilities to support customers' needs.



“ Through our actions and behaviour, we aim to deliver fair outcomes for our customers and support the orderly and transparent operation of financial markets. ”

### When things go wrong

We aim to capture customers’ complaints in a timely manner in order to understand what went wrong and why, and subsequently act upon the feedback. We continuously encourage our people to record all instances of complaints and ensure that we identify and act on customers’ concerns and thus, improve the services we provide. In fact, we constantly refresh our employee training modules to ensure better complaint handling. We also ensure accurate complaints recording is part of the employee’s performance objectives. We take our customers’ feedback seriously, and work on ways to constantly improve ourselves further.

At present, our feedback and complaint system allows all businesses and internal operations teams to receive any feedback from customers and this feedback is then routed to the GB&M teams for review. We track these records and have them reviewed at our senior leadership meetings to ensure they get the right attention and subsequently, decisions can be made if needed. New tools are being adopted to better record complaints and track their resolution.

### How we responded

Within GB&M business and internal operation teams in Malaysia, there are available fora to discuss business service levels, improvements and any other material issues affecting customers’ user experience. We believe it is a good practice to internally review our material issues as this creates more opportunity for us to better serve our customers. As a result, we have identified several areas of concern and acted upon them.

Area of focus	Action taken
<b>Bank’s turnaround time for customers’ payment processing</b>	We are conscious that a hassle free payment process is of great significance to our customers. As a result, we have reduced the number of manual checks required prior to releasing customers’ payment, through an automated process of identifying customers’ payments.
<b>Working towards a seamless transaction process</b>	We are investing into digital technology including FX platforms such as Evolve and GetRate, and trade solutions such as Blockchain Trade to provide customers with a more intuitive banking experience.

### Our conduct

In GB&M, we aspire to provide a fair outcome to our customers by improving our employees’ conduct. For example, our Global Market’s conduct agenda seeks to transform the way we do our business and this is done through an initiative on enhancement of handling process to provide our customers with fair outcomes.

We work in an environment where we are entrusted with privileged information which we have a critical responsibility to protect. Improvements in controls have been introduced throughout 2018 and 2019 to ensure that high levels of information controls are in place.

We have developed specific learning programmes for people managers and supervisors which help develop capabilities to supervise, coach and develop relationship managers, investment counsellors, and customer service executives. This creates a working environment that reflects our culture of supporting our people and empowering them to consistently do the right thing.





## Customer Protection across all global businesses

We understand that growing with our customers is pertinent to our business. Therefore, we constantly seek to invest in areas such as digital tools and transformative technology and innovation in order to keep up with growing market trends. We hope that our investment into these areas will enable us to assist our customers in their development and eventually their success. However, as we grow, we also recognise our role to safeguard our customers as well as our organisation from any external threats as a consequence of technology evolution.

### Our investment in technology

We invest in innovations that will help us get to know our customers better and make use of these insights to provide them with clarity about their finances. Investment in digital technology and strategic partnerships helps to rebuild our future as we strive to be a customer-centric and tech-savvy organisation. Through technology, we strive to streamline our customer journey by digitising all relevant channels to improve customer experience, minimise of errors and enable cost reduction.

### Customer protection

#### Cyber Security

We operate in an increasingly sophisticated and hostile environment that is vulnerable to cyber threats. In response, we are investing in the business and technical controls to help prevent, detect and react to these cyber threats.

We are strengthening our controls to help protect against advanced malware, data leakage, infiltration of payment systems and attacks that prevent optimisation of our services. We are also looking into increasing our ability to detect and respond to cyber-attacks.

An important part of our defence strategy is ensuring our employees remain cyber-aware and understand the process of reporting incidents. We continually monitor the cyber world for potential attacks and targeted outcomes to determine the risk-prioritised and effective controls.

We operate based on a three-line defence model, aligned to the operational risk management framework to identify, report and manage cyber risks within the organisation. Global business and function risk owners in the first line are accountable for identifying, owning and managing cyber risk.

They also work with control owners to ensure the right controls are in place to mitigate risks and manage cyber attacks in the event they occur. These controls are executed in line with policies produced by the second line information security risk teams and are overseen by the third line – the independent Internal Audit function.

#### What we have done!

- ✓ We held cyber awareness events and simulated events to validate employees' alertness
- ✓ Upgrade our tool to handle potential cybersecurity more effectively

#### Operational Resilience

Operational resilience is the ability to adapt operations to continue functioning when – not if – circumstances change. We have a clear strategic approach to operational resilience that is considered from three perspectives:

- Architecting, designing and building systems and services;
- Operating, running and monitoring our control environment;
- Responding and recovering in the event of a disruption.

#### What we have done!

- ✓ Annual role swap from primary to secondary facilities and having secondary facilities handling our activities for a prolonged duration during the year.
- ✓ Various drills to test our operational resilience

#### Data Privacy

We are committed to protecting the privacy of data we hold and process, in accordance with the laws and regulations. We are also focused on embedding a culture designed to ensure data privacy remains a top priority to safeguard and protect our customers.

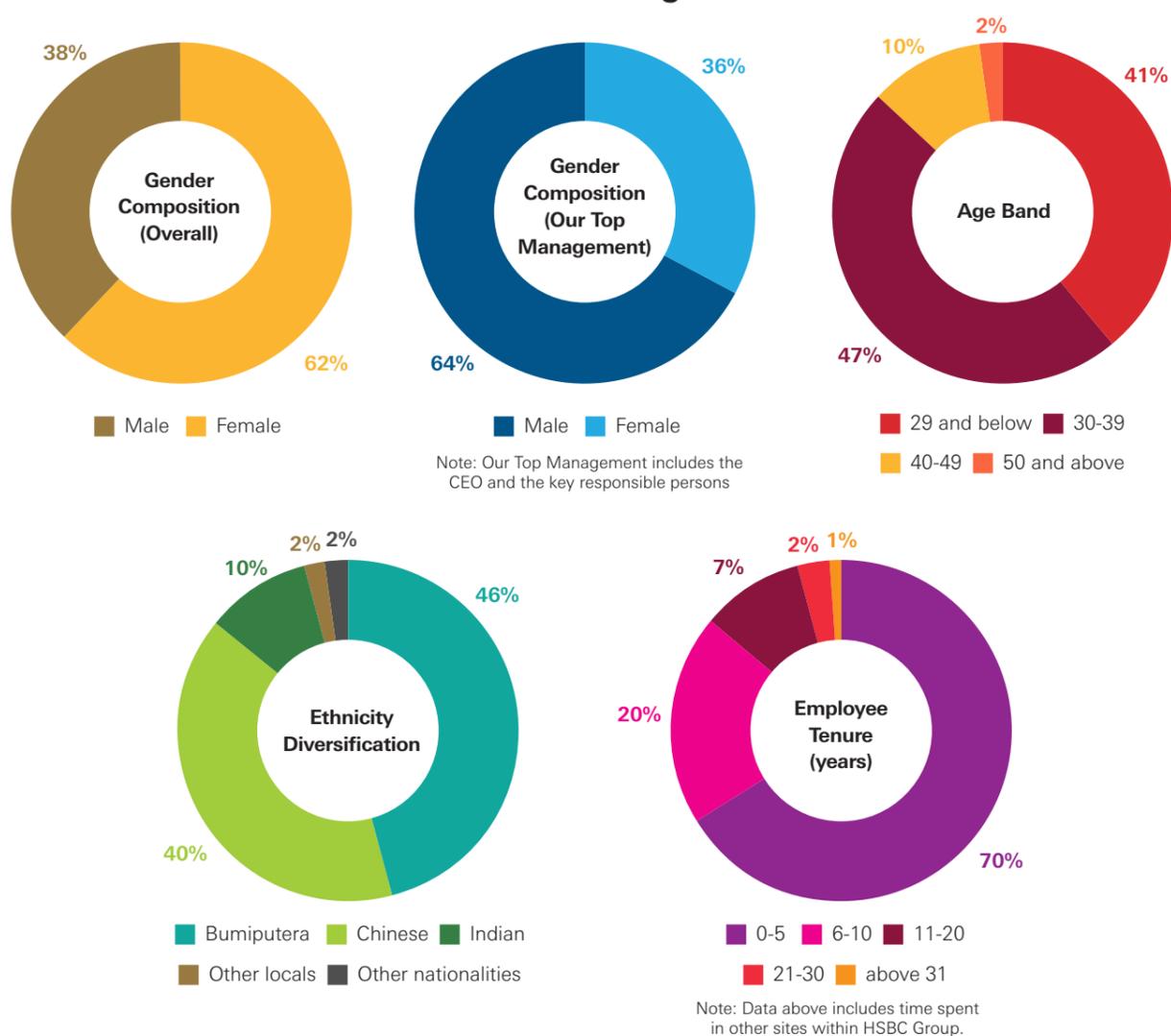
# Our Employees

Our people are the backbone of our business and at HSBC Amanah, we believe in empowering them by developing and enhancing their skills to enable them to enjoy a satisfying career growth and achieve their professional and personal goals. We encourage our people to contribute to our purpose and have the conviction that the organisation will support them throughout their journey.

Our people span across many cultures, communities, and continents. We want to build trusted relationships, where they feel empowered in their respective roles and are inspired to grow.

We trust our top management to set the tone by listening and valuing model behaviours. We also understand the importance of building a diverse and inclusive workforce, and appreciating individuals for their contributions. This allows us to better represent our customers and the communities we serve. The path to achieving the healthiest ecosystem is being defined by our people through conversations around the world.

## Our team at a glance



## How we listen

Understanding how our people feel about HSBC Amanah is vital. It helps us devise the right support to achieve our business potential and to serve our customers well.

We capture views of our people on a range of topics such as our strategy, culture and working environment through employee surveys. The results from the surveys help senior management in formulating the necessary action plans to make HSBC Amanah a better workplace.

## Managing Challenges

HSBC Amanah operates in a complex and evolving regulatory environment and needs to keep up with the pace of change. Adapting our operations and processes to meet new regulations impacts our employees. Therefore, monitoring employee insights and well-being is a material consideration.

We embrace a culture where our people are able to voice their concerns. HSBC Amanah encourages a speak up culture where employees are provided various tools for their concerns to be heard, including the usual reporting and escalation channels.

“Employees are also encouraged to set objectives that connect the business, team and individual goals together – all guided by the expected workplace values that are aligned to our core values.”

### Employee insight

At HSBC Amanah, we understand the importance of using employee feedback to make informed leadership decisions. To address this, we have a strategic Employee Insight function consisting of professional researchers with skills in survey design, qualitative analysis, ethnography, and behavioural science. Our bi-annual employee survey – Snapshot – tests the views of employees on topics such as strategy, regulation, culture, and customer experience. Results are presented to the HSBC Amanah Executive Committee, Board and relevant committees of the global functions and businesses.

This ensures that the employee insight channel is relaying decisions at all levels and actions are taken at global and local levels on any areas of concern. Reports include trend analysis on important on-going issues and insights on emerging themes.

The 1H 2019 Snapshot scores revealed that two-thirds (66%) of employees are seeing a positive impact from the Bank's strategies.

Three-quarter employees are confident about HSBC's future whereas 77% feel proud of working for HSBC, and another two-thirds (65%) would recommend the company as an ideal workplace, reflecting the scores on the pride factor associated with the brand.

It was also found that only 59% of employees appreciate constructive criticism at work; 54% feel that they are able to state their opinions without the fear of negative consequences; 32% feel that our processes and procedures help get things done.

### Exchange: Giving employees a voice

We have been hosting the HSBC Exchange to give employees a voice and encourage a speak up culture across our organisation. Exchanges are meetings with no agenda, where managers are participants, rather than leaders. This innovative approach provides a safe platform for people to share their views on any issues and specific action will be taken to address issues that are raised in exchanges.

Exchanges are hosted by HSBC Amanah's senior management across the branches to understand what employees have in their minds and address their concerns as they arise. The idea of this meeting is to engage with a wide spectrum of employees and

get their perspectives on various aspects related to their working environment. The 1H 2019 Snapshot survey findings revealed that over half (58%) of our employees had participated in an HSBC Exchange over the last 3 months. We acknowledge more exchanges are needed and therefore we seek for ways we can host exchange sessions using innovative method to enable more exchanges to be conducted in the future for example through technology means.

The issue of branch employees having to spend much longer working hours each day due to extended banking hours was highlighted at an exchange session. As an organisation, we constantly review HSBC Amanah's network and our ways of working to make HSBC a great place to work. As a result, effective 1st December 2018, the HSBC Amanah branches banking and working hours were revised to ensure a better work life balance for our branch employees. We hope these changes help address the concerns that were raised by our employees.

### Whistleblowing

We do our best to establish a neutral environment in which people are able to freely speak up on ideas or issues, but we also understand that certain sharing would require additional discretion.

To facilitate this, all our employees have full access to HSBC Confidential - a platform that enables employees to raise any concerns through various methods such as hotlines and emails, outside their normal reporting or escalation channels, with confidence and without fear of retaliation.

HSBC Confidential is overseen by our Audit Committee, and subsequent investigations are carried out thoroughly and independently, drawing on the expertise of various departments, including compliance, human resources, legal, fraud, information security and audit.

We do not condone or tolerate any act of retaliation against anyone regardless of the circumstances or nature of sharing. Any form of retaliation or fear-inducing act is subject to disciplinary actions. At the same time, any malicious or false claims are not encouraged and shall be reviewed by the committee.

## We Care

### Employee well-being

HSBC Amanah's well-being programme offers free, confidential counselling to help our employees maintain a peaceful working mind by empowering them to take control of their personal issues at home or work.

Our goal is to provide a positive working environment where employees can discuss openly about issues concerning their well-being, including anxiety and stress. Such measures are particularly valuable amidst the demands of multiple change programmes and financial crime remediation initiatives.

### Supporting positive behaviour

Our Charter is a framework that encourages good decision-making. It helps employees apply our purpose and values to the decisions we make through a simple framework. By using examples from the bank's history, this illustrates the benefits of building long-term relationships as well as going above and beyond the minimum standards required.

The 'At Our Best' is a global recognition programme which reinforces the habits required for a strong culture, such as asking for feedback and being mindful of one's needs and that of others.

### Employee Recognition

We believe it is important to recognise the right behaviour and reward it with incentives and peer-to-peer recognition. All employees receive a behaviour rating based on their adherence to HSBC's values. This ensures that their performance is judged solely based on their accomplishments, as well as the way in which they are achieved.

Exceptional conduct is recognised with a portion of an individual's variable pay at the end of the year. Employees are also encouraged to set objectives that connect the business, team and individual goals – all guided by the expected workplace values that are aligned to our core values.

Employees and managers are encouraged to hold frequent conversations to explore alternative ways to stay connected

outside the regular performance management cycle. This includes a range of informal and formal discussions on topics such as development and well-being.

### Flexible working

HSBC Amanah understands that some employees may be strained by their personal responsibilities and family commitments which makes it challenging for them to adhere to a structured or fixed working schedule.

As such, our employees are able to opt for flexible working arrangements by speaking to their supervisors and management. Under this arrangement, employees are able to choose an alternative location, time and working pattern that differs from their standard employment contract. We believe that this empowers our employees to make positive choices and realign their personal and professional priorities.

#### The following includes types of flexible working options that one may consider:

- Flexible start / finish times (Extended / Shortened Lunch Time / Flexible Time)
- Home / remote working
- Unpaid leave up to 3 months
- Sabbatical leave between 3 to 6 months

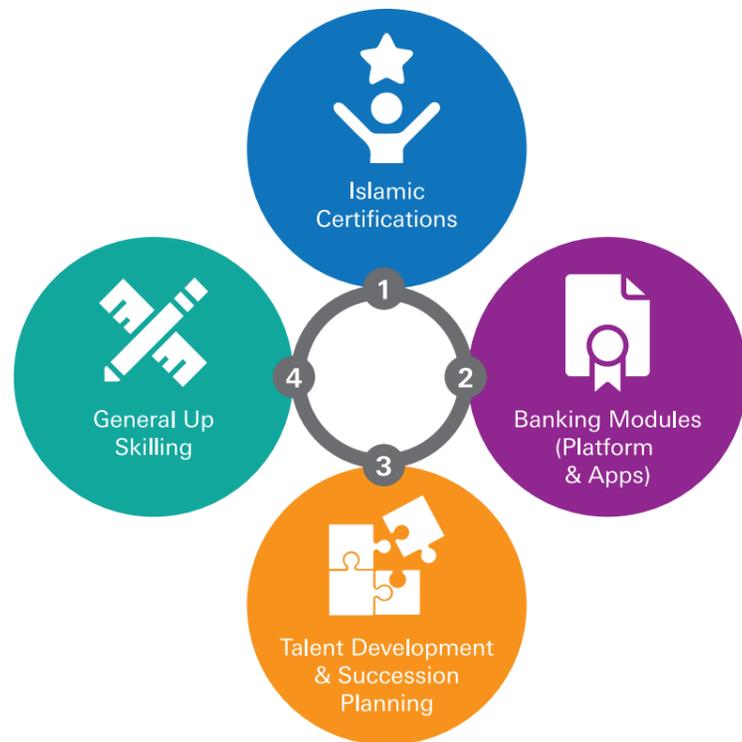
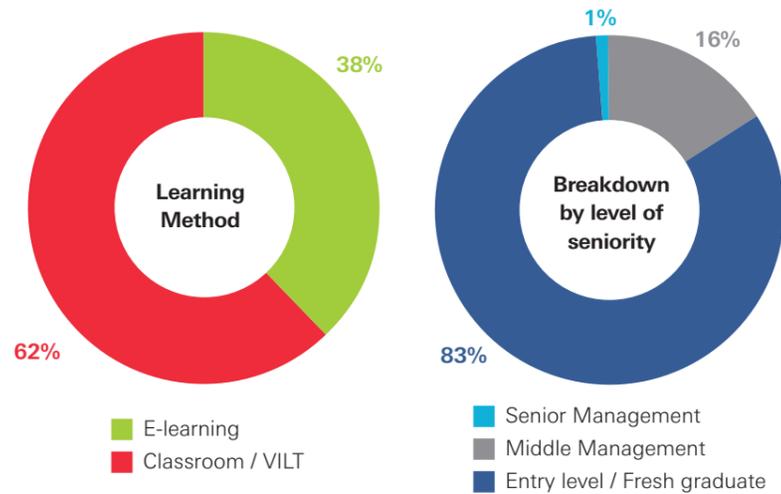
Our people are at the heart of our business. How we do our business is as important as what we offer to the world. We know that giving our employees the choice to be flexible and supporting them in the growth journey will make us a progressive and better placed to meet the interest of our customers and the communities we serve. The flexible working policy is part of the HSBC Well-being Proposition designed to enhance employees' health and well-being.



## Learning and Development

We recognise that we must invest in our people to continue to thrive. Our employees attend a wide variety of training with the objective of encouraging positive behaviour and equipping employees with the skills required to perform better in their roles.

The period of June 2018 – June 2019 witnessed a total of 19,636 hours of learning for all employees in HSBC Amanah. This includes classroom and e-learning training programmes and the pie chart below shows the breakdown for each.



**We also have graduate and apprenticeship programmes in place across the HSBC Group.**



### Graduate Programme

In building the junior talent pipeline and as part of our Graduate development initiative, HSBC offers two graduate programmes which are the Global Graduate Programme (GGP), a HSBC Group led programme as well as the Young Aspiring Leaders Programme (YALP), a local graduate programme.

Our graduate programmes are designed to provide young graduates with a holistic development plan in leading an international bank, learning the importance of effective management of risk and compliance and growing a career as they implement industry-leading standards across the business. The programme consists of classroom and on-the-job training rotation ranging from front-line roles to back office support roles.

Other than hiring the right talent, we also aim to be inclusive in our hiring process to include those from different parts of Malaysia. Currently, we have successfully recruited a total of 3 graduate talents from East Malaysia.

### HSBC University

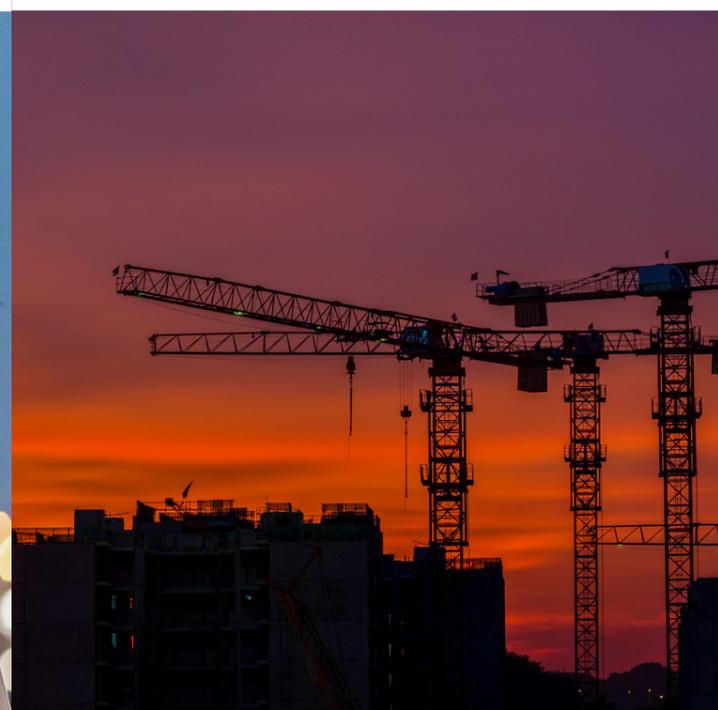
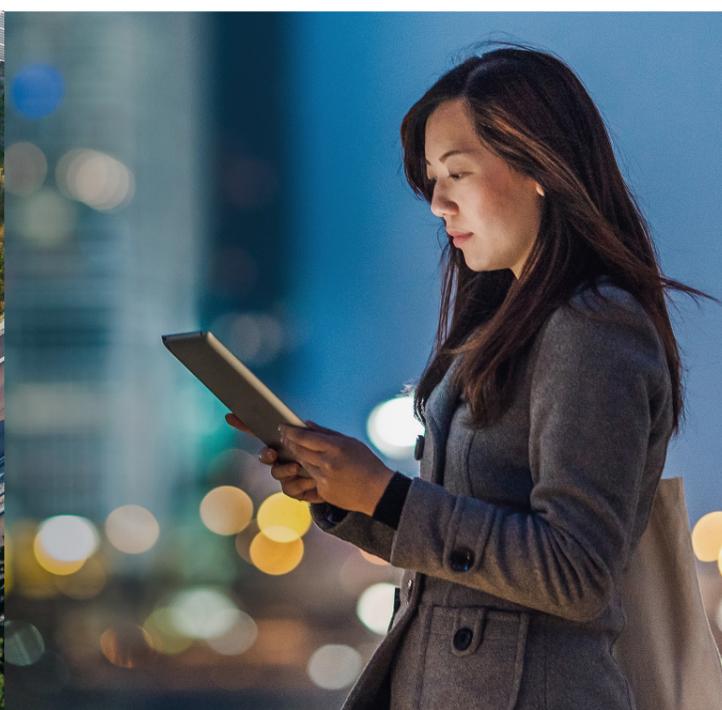
The development of our education arm was done with the purpose of strengthening the way we learn and lead through new programmes, resources, and premises. The HSBC University regional hubs were launched at offices in Dubai and at the HSBC UK headquarters in Birmingham, and provide the opportunity to our employees, customers, and community groups to come together to learn, develop and connect with each other.

We have expanded our management and leadership development with new programmes, including Leading with Impact for the growth of senior leaders. We have also developed our Essentials programme to support people managers and strengthen their coaching and hiring skills.

In an effort to help our people prepare for tomorrow, we have launched a digital skills training module, the Leading Myself programme which explores into areas concerning personal resilience, collaboration and communicating with impact. This is a continuous area of change and improvement for us as the subject is constantly evolving. In 2018, HSBC Group formed partnerships with external providers, including LinkedIn Learning, and introduced learning modules to raise awareness of our sustainability challenges.

# Sustainability & Accountability in our business operations

We acknowledge that as a financial institution that is accountable to various stakeholders, we have a significant role to play in order to create and deliver a positive and sustainable impact not only to our shareholders but also to the wider society. Hence we ensure that not only do we conduct our business in an ethical way but we also endeavour to maintain close engagements with the communities that we operate in.



## Our Tax obligation

We meet our responsibility to society through paying taxes and also as a way for us to minimise the likelihood of customers using our products to avoid or evade tax. We adhere to the HSBC Group established tax risk management framework, which is designed to ensure that tax-motivated transactions or products are not adopted.

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

- ▶ We are committed to applying both the letter and spirit of the law of the country
- ▶ We seek to have open and transparent relationships with all tax authorities. This includes investments to strengthen our tax risk processes and training for our employees to identify instances of potential tax evasion

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

- ▶ Processes that are designed to increase transparency and reduce the risk of customer tax evasion and financial crime. These processes incorporate requirements arising from external tax transparency initiatives including the US Foreign Account Tax Compliance Act, the OECD Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard'), and the UK legislation on the corporate criminal offense of failing to prevent the facilitation of tax evasion
- ▶ Processes that ensure tax-motivated products are not provided to our customers

## Our Community engagements

HSBC Amanah recognises the importance of a long-term community engagement and is committed to rendering voluntary services to the community through various channels and enriching initiatives. One example of showing our commitment is by supporting the corporate sustainability initiatives carried out by our parent bank, HSBC Bank Malaysia. Over the years, we have also organised charitable giving activities to facilitate the disbursement of the Shariah Non-Compliant (SNC\*) fund managed by us.

Fast-A-Thon 2019 was organised by HSBC Amanah to raise funds for the underprivileged children during the holy fasting month of Ramadan through a donation drive (involving the whole of HSBC Malaysia), 'Buka Puasa' event with the employees and children, as well as a campaign to encourage employees to fast for a day.

This is a wonderful opportunity for all employees to get together and reach out and share our blessings with those in our communities who are vulnerable and in need. Goodness, empathy, forgiveness, sacrifice, and charity are values that define the spirit of Ramadan. We foster this same spirit and help those in need through this platform.

Some key highlights of the event include the following:

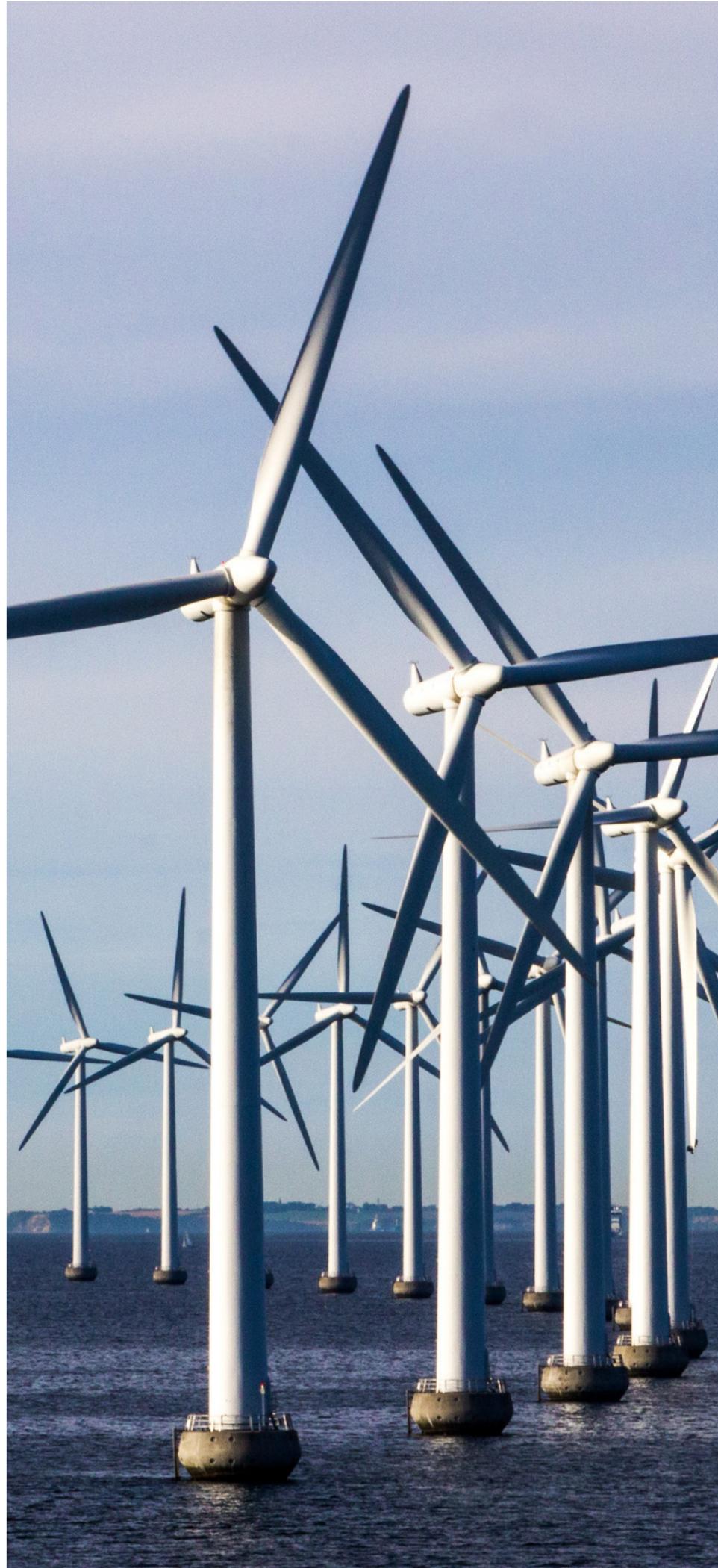
- ▶ HSBC employees had interactive and game sessions with the underprivileged children
- ▶ Performance by HSBC employees and the children
- ▶ HSBC employees visited a number of beneficiary orphanage homes to donate daily household items

\* We are not at liberty to disclose details of the activities funded under SNC fund due to the regulatory policy.

# Our Sustainability Focus: Supporting Sustainable Growth

HSBC Amanah aims to grow in a sustainable manner with a clear focus on moving towards a low-carbon economy to protect our planet, as well as to support the growth of communities we operate in as we understand that our actions impact the communities we serve and the wider environment.

Our sustainability aspiration resonates with the United Nations Sustainable Development Goals where we prioritise six SDG targets in alignment to HSBC Group's strategy through our financing and investments as well as our business operation.



We have achieved a significant milestone in sustainable finance, and have a clear sense of direction in partnering with our customers to assist with this transition. We aim to increase engagements with our customers on transition risk and are also embedding climate risk within our own risk management practices for sustainable outcomes.

## OUR KEY INITIATIVES in support of sustainable growth:

### HSBC Amanah United Nations Sustainable Development Goals Sukuk

In 2018, HSBC Amanah adopted the HSBC Group SDG Bond framework and subsequently issued out the World's first UN SDG Sukuk which supports financing for businesses that fall within the selected seven UN SDG bond framework, namely Good Health & Well-Being (SDG 3); Quality Education (SDG 4); Clean Water & Sanitation (SDG 6); Affordable & Clean Energy (SDG 7); Industry, Innovation & Infrastructure (SDG 9); Sustainable Cities & Communities (SDG 11); and Climate Action (SDG 13).

An internal committee was established at HSBC Group level in order to ensure proper governance and process are in place for any SDG Bond or Sukuk issued under the framework. As an example, HSBC Amanah would have to seek for approval from the committee prior to deploying our SDG Sukuk proceed to any asset that we deem eligible under the SDG Bond Framework.

- ▶ The issuance of the SDG Sukuk accelerated the adoption of VBI by HSBC Amanah providing the opportunity to further explore, grow and support various business opportunities that generates a sustainable and positive impact.
- ▶ World's first SDG Sukuk issued in October 2018. Only the second SDG issuance from a HSBC entity globally, following HSBC plc's USD1.0bn SDG bond in 2017.
- ▶ Lowest coupon for a 5-year non-government guaranteed Sukuk/Bond in the MYR market in 2018; Lowest coupon by a financial institution for a 5-year Sukuk/Bond in the MYR market in 2018.
- ▶ The tightest spread over the 5-year benchmark Malaysian Government Securities for a financial institution since 2013 and for an Islamic bank in the MYR market since HSBC Amanah's inaugural MYR Sukuk offering in 2012.
- ▶ News Coverage. The issuance generated over 30 pieces of local and international coverage across print, online and broadcast media.
- ▶ Recognition. The SDG Sukuk has won 7 awards. For a more detailed list of the awards, please refer to page 7.

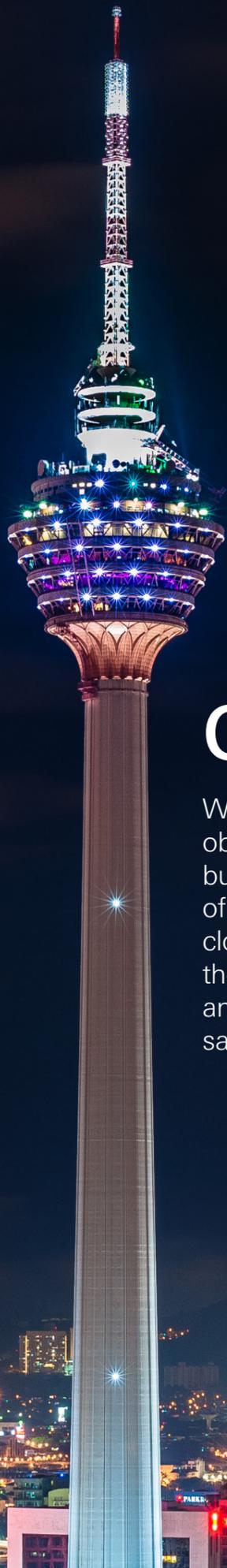
Total:  
**MYR 533mn**  
(target of MYR 500m)

HSBC UN SDG Bond Framework & HSBC Bond & Sukuk Report 2019 are publicly available at the HSBC Investors website at [www.hsbc.com/investors/fixed-income-investors](http://www.hsbc.com/investors/fixed-income-investors)

### HSBC Amanah ESG Islamic Structured Product

- ▶ In June 2019, HSBC Amanah introduced an ESG Islamic Structured product, which is the first in the Malaysian market.
- ▶ The product enables customers to obtain potential return that is linked to the performance of an ESG related index, providing them an opportunity to invest in a product that matches their values when it comes to environment and social causes.
- ▶ The product is a show of our commitment to continue innovating products that fulfill our commitment on VBI as well as our commitment towards the overall sustainability agenda by HSBC Group.

Total:  
**MYR 44mn**



# Our Governance

We view corporate governance with an objective lens and are committed to running our business in a way that upholds a high standard of professionalism. We ensure that we work closely with regulators to manage the safety of the financial system and adhere to all the rules and guidelines that are in place to maintain the sanctity and integrity of our business.

## Role of the Board

The Board aims to promote the bank's long-term success, deliver sustainable value to shareholders and promote a culture of openness, transparency and continuous improvement. Led by the non-executive Chairman, Datuk Kamaruddin bin Taib, it undertakes a role in the setting of the bank's strategy and risk appetite. It also approves capital and operating plans for achieving strategic objectives on the recommendation of management. The Board comprises mainly of independent non-executive directors who have a role in challenging and scrutinising the performance of the senior management team. The Board is supported by the Board Committees which are smaller groups delegated by the full Board to provide advice and oversight of HSBC Amanah's activities.

### Governance Structure



\*IT Steering Committee and People Committee are embedded within the country level committee.

## Enterprise-wide Risk Management Framework

HSBC Amanah has maintained a conservative and consistent approach to risk throughout its history, helping to ensure we protect customers' funds, finance responsibly and support economies. By carefully aligning our risk appetite to our strategy, we aim to deliver sustainable long-term shareholder returns.

We have a strong risk culture which is embedded through clear and consistent communication and appropriate training for all employees. A comprehensive risk management framework is applied throughout the HSBC Group, with governance and corresponding risk management tools in place. This framework is underpinned by our risk culture and reinforced through HSBC Values.

### Conduct Risk

We are guided by our HSBC Global Conduct Framework that reflects HSBC's 5 Pillars and 15 Outcomes through our Strategy & Business Models, Culture & Behaviours, Customers, Markets and Governance & Oversight. Conduct is defined as the need to deliver fair outcomes for our customers and support the orderly and transparent operation of financial markets.

### Financial Crime Risk

We have a fundamental responsibility to help protect the integrity of the financial system on which millions of people depend on. Our management of financial crime compliance is embedded in our day-to-day management and governance. We are guided by HSBC Group policies on anti-money laundering, sanctions and anti-bribery and corruption which aim to ensure that any risk identified by the bank is appropriately mitigated. Website link to our Financial Crime Risk policies (including anti-money laundering, sanctions, and anti-bribery and corruption) can be accessed at [www.hsbc.com/our-approach/risk-andresponsibility/financial-crime-risk/financialcrime-risk-policies](http://www.hsbc.com/our-approach/risk-andresponsibility/financial-crime-risk/financialcrime-risk-policies)

### Sustainability Risk

We manage Sustainability Risk based on the HSBC Group Sustainability Risk Policy on sensitive sectors which may have a negative impact on people or on the environment. Customers, industry experts, shareholders, and non-government organisation are consulted when developing policies. The standards that we choose go beyond a requirement for customers to operate legally as that is our minimum expectation. Where possible, we introduce standards which will make a tangible difference to the type of business we support. We engage with customers, where appropriate, and support them in moving towards good practice, which is the most significant contribution we can make to sustainable development. For more information on how we manage sustainability risk, kindly refer to [www.hsbc.com/our-approach/risk-andresponsibility/sustainability-risk](http://www.hsbc.com/our-approach/risk-andresponsibility/sustainability-risk)

# Our Foundation: The Shariah standards

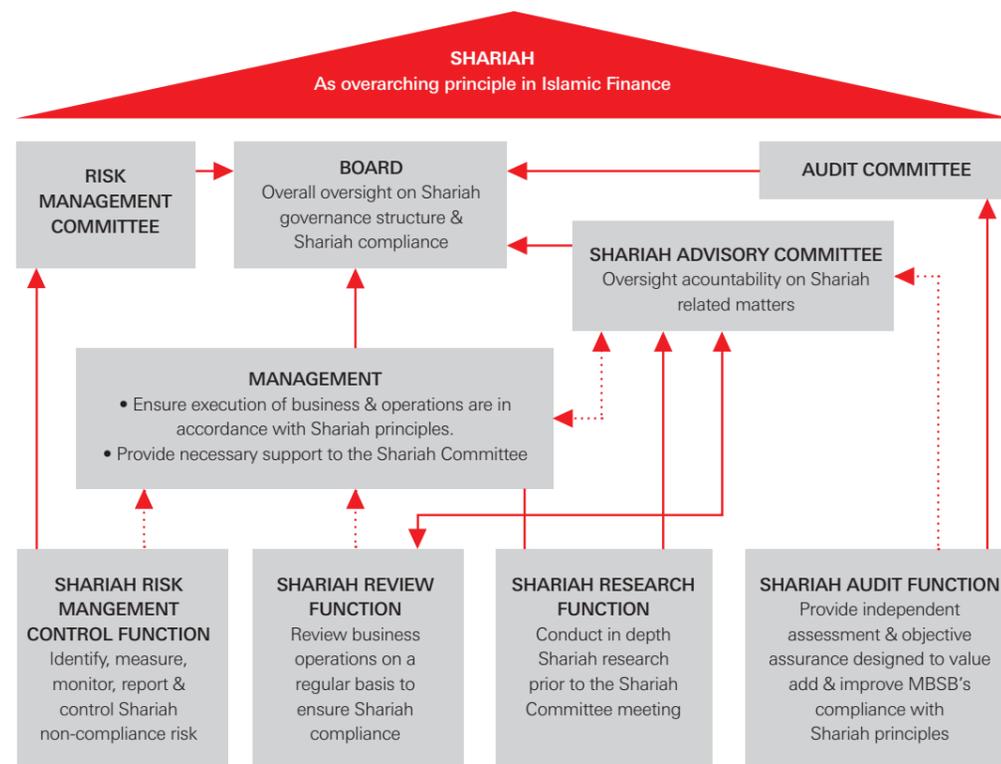
The foundation of Islamic finance rests on the principles of trust, transparency and social justice. It is governed by a set of ethics that promotes fairness, equality and balance. Through the BNM Shariah Governance Framework, Islamic financial institutions are bound by an organisational charter that pushes for value-based management, operations and processes for more sustainable and responsible governance.

At HSBC Amanah, we ensure that all our business processes and decisions comply with Shariah requirements without compromising on the quality of our products and services.

We offer a full range of Shariah-compliant banking, financial and wealth management solutions to all customers. Apart from meeting the needs of our customers, we continue to improve and innovate our banking solutions in line with Shariah principles to sustain our position as a leading Islamic banking services provider.

## Shariah governance

The BNM Shariah Standards provide Islamic Banks with guidance in terms of the Shariah requirements and operational requirements to administer the Shariah standards. By adhering to these standards, we continuously ensure that we operate to lead a culture befitting to Shariah guiding principles.



“ We observe stringent Shariah compliance processes and procedures seriously to avoid any non-compliance event. ”

## Reflecting Shariah Values

Staying true to our Shariah compliance commitment, we aim to deliver on intended outcomes of Shariah. This is a driving principle of VBI and our products and services are tailored to prevent harm and promote good.

We take responsible banking practices seriously. Debt forbearance is a primary Shariah consideration that reflects the integrity of creditors. Shariah advocates due consideration when dealing with parties that are facing difficulties in managing their debts due to circumstances beyond their control.

In HSBC Amanah, we ensure not to burden our customers with excessive debt – our low default rates speak to that. Further, we are committed to help customers in overcoming any financial difficulties that they may be experiencing, whether it's reduced income, an illness, a death in the family or for any other personal reasons.

We help our mortgage customers attain better financial security through our 'HomeSmart-i' proposition that enables them a seamless experience to draw without additional approvals on their equity that has been pre-paid in advance of scheduled payments.

We also strive to ensure that our credit card propositions offer a more sustainable way for managing credit card debts. We do not compound fees and charges that are rolled over.

Our dedicated team of specialists will work directly with customers to provide personalised advice and design a tailored repayment plan or restructuring to meet their needs so that they are able to manage their debts and payment plans smoothly.

For example, the credit card balances can be restructured into a term repayment plan to convert their entire outstanding Retail balances to be paid in monthly instalments over a selected payment period based on customers' eligibility and affordability. At the same time, customers are also able to approach AKPK Counselling Agency for financial advice and overall debt consolidation support.

# Abbreviations

<b>At Our Best</b>	Our global recognition programme, allows people to recognise employees who live up to HSBC values.
<b>BNM</b>	Bank Negara Malaysia
<b>CE Council</b>	Customer Experience Council, leads the advisory and governance for RBWM and CMB customer experience initiatives and customer voice insights
<b>CMB</b>	Commercial Banking, a global business
<b>COP</b>	Community of Practitioners
<b>EPF</b>	Employees Provident Fund
<b>EPU</b>	Economic Planning Unit
<b>FI</b>	Financial Institution
<b>FPLC</b>	Federation of Public Listed Companies Berhad
<b>FX</b>	Foreign exchange
<b>GABV</b>	Global Alliance - For Banking on Values
<b>GB&amp;M</b>	Global Banking and Markets, a global business
<b>GGP</b>	Global Graduate Programme, a HSBC Group led programme
<b>GRI</b>	Global Reporting Initiative
<b>HSBC Exchange</b>	A forum for our people to share their open and honest views
<b>HSBCnet</b>	Internet-based global electronic banking platform for corporate and institutional customers
<b>IBs</b>	Islamic Banks
<b>IFN</b>	Islamic Finance News
<b>INCEIF</b>	International Centre for Education in Islamic Finance
<b>MOF</b>	Ministry of Finance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PNB</b>	Permodalan Nasional Berhad
<b>RBWM</b>	Retail Banking and Wealth Management, a global business
<b>SBN</b>	Sustainable Banking Network
<b>SDG</b>	Sustainable Development Goals
<b>Snapshot</b>	Employee survey
<b>SNC</b>	Shariah Non Compliant
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNEPFI</b>	UN Environment Programme Finance Initiative
<b>US</b>	United States of America
<b>VBI</b>	Value-based Intermediation
<b>VILT</b>	Virtual Instructor Led Training
<b>WWF</b>	World Wildlife Fund
<b>YALP</b>	Young Aspiring Leaders Programme, a local graduate programme



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