



The world's local bank

## UN Global Compact Communication on Progress 2010

### Statement of continuing support

HSBC operates in 87 countries around the world, employing some 300,000 people and serving around 95 million customers. HSBC became a signatory to the UN Global Compact shortly after its launch in 2000. Eleven years on, we maintain our commitment and have continued to embed the principles into our Group standards, policies and behaviours.

I believe that a responsible approach is a pre-requisite to long term success for any business. For HSBC, environmental responsibility, maintaining robust labour standards, upholding human rights and countering bribery and corruption are core to our commitment to sustainability. As a large organisation, we know that rulebooks and manuals are not enough to ensure our business is run to high ethical standards. We expect and empower all colleagues to act with courageous integrity, and in their work to be open to different cultures and points of view, connected to customers, communities, regulators and each other, and dependable, trusted to do the right thing.

Our annual Sustainability Report details the many ways in which we have embedded strong standards of sustainability into our culture and way of working including through learning programmes, reporting systems, policies and incentives. We have chosen to produce a separate Communication on Progress to the UN Global Compact for ease of reference.

In the coming year, we will seek to ensure both that our approach to sustainability makes further progress, and that through leadership, we encourage the businesses we work with, both as customers and suppliers, to play their role.

A handwritten signature in black ink, appearing to read "Douglas Flint", with a horizontal line underneath it.

Douglas Flint  
Group Chairman, HSBC Holdings plc  
August 2011

UN Global Compact Principles	GRI Indicators
<p><b>Principle 1:</b> Business should support and respect the protection of internationally proclaimed human rights</p> <p><b>Policies:</b> <a href="#">HSBC Values and Business Principles</a>, <a href="#">HSBC Code of Conduct for Suppliers</a>, HSBC Group Standards Manual</p> <ul style="list-style-type: none"> <li>- HSBC has expressed its support for the UN Universal Declaration of Human Rights since 2004, and states this publicly on the Group website.</li> <li>- HSBC also supports the Climate Principles, the Equator Principles, the Extractive Industry Transparency Initiative, the Global Business Coalition on HIV/AIDS, the UNEP Finance Initiative, and the Wolfsberg Principles.</li> <li>- HSBC's Values are to be open to different ideas and cultures; connected with our customers, communities, regulators and each other, and dependable and doing the right thing. This includes our commitment to ethical and sustainable business practice and taking responsibility for the social and environmental impacts of decisions, including in relation to lending and investment.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- We have worked to strengthen our values-led culture by embedding the Values into operating standards, strategic learning programmes, employee development, induction, individual assessment, and through the personal sponsorship and role-modelling of senior executives. We expect all employees to lead with courageous integrity.</li> <li>- In 2011, our Values will be further incorporated into performance management, talent definitions, appointments, and learning and development programmes. Governance of the Values is overseen by a Group Values Committee, which is accountable to the Group Management Board.</li> </ul>	<p>4.8 4.12 LA7 LA8</p>
<p><b>Principle 2:</b> Businesses must ensure their own corporations are not complicit in human rights abuses</p> <p><b>Policies:</b> <a href="#">HSBC Values and Business Principles</a>, <a href="#">HSBC Code of Conduct for Suppliers</a></p> <ul style="list-style-type: none"> <li>- HSBC Group businesses are required to develop a Code of Conduct which includes, among other elements, a commitment to comply with the letter and spirit of all laws and regulations; a commitment to truth and fair dealing; conduct of personal affairs including rules governing the acceptance or offering of gifts, favours, services, hospitality, loans or fees, or anything of monetary value; and whistle-blowing procedures.</li> <li>- Any HSBC Group employee who becomes aware of matters of concern, including the health and safety of an individual being endangered or the environment being damaged, may make a</li> </ul>	<p>SO1 HR1 HR2</p>

<p>disclosure on an anonymous or confidential basis via the Compliance Disclosure Telephone Line or in writing to the Head of Group Compliance without fear of reprisals or retaliation of any kind.</p> <ul style="list-style-type: none"> <li>- HSBC's Supplier Code of Conduct, required of all third party suppliers, encourages consideration of key human rights issues such as child labour, discrimination and working conditions throughout the Supply Chain. HSBC's Code of Conduct for Suppliers states that suppliers must respect the human rights of the communities in which they operate.</li> <li>- Assessing the environmental and social impacts of providing finance to our customers, including human rights issues, has been firmly embedded into the overall risk management processes of the Group through our application of the Equator Principles and sustainability policies for sensitive sectors. These include Chemicals, Mining &amp; Metals, Energy, Freshwater Infrastructure, Forest Land and Forest Products, and Defence Equipment.</li> </ul> <p><b>Progress in 2010:</b></p> <ul style="list-style-type: none"> <li>- We have rolled out Core Sustainability Assessments for key suppliers on a trial basis with the aim of integrating this process into an on-line tool in 2012.</li> <li>- The sector sustainability policies are applied to all lending and other forms of financial assistance, primary debt and equity markets activities, project finance and advisory work. Some 43,000 business customers come under these policies, an increase of almost 10,000 since 2009. At the end of 2010, 99.8 per cent of our customers complied with our policies compared to 99.6 per cent at the end of 2009.</li> </ul>	
<p><b>Principle 3:</b> Business should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p><b>Policies:</b> HSBC Group Standards Manual, <a href="#">HSBC Code of Conduct for Suppliers</a></p> <ul style="list-style-type: none"> <li>- HSBC engages with recognised unions through well-developed communications and consultation programmes. Group HR policy states that where trade unions or other employee representatives are recognised by the Group, organisation change should be managed in consultation with them, and that all organisation change should respect local custom and legal or regulatory requirements.</li> <li>- HSBC employees are made aware of their rights through written contracts, the employee handbook and the intranet.</li> <li>- The HSBC Code of Conduct for Suppliers states that suppliers must not hinder the right of workers to legally organise and join associations such as labour unions.</li> </ul> <p><b>Progress in 2010:</b></p> <ul style="list-style-type: none"> <li>- It is HSBC's policy to maintain well-developed communications and consultation programmes with unions and there have been no material disruptions in its operations from labour disputes during the past five years.</li> <li>- Management across the Group actively supports Employee</li> </ul>	<p>LA4 LA5 HR5</p>

<p>Networks (e.g. the Women’s Development Association, Disabled Employees Network), Town Hall events (with open forums and Q&amp;A sessions) and open two-way dialogue (through an initiative called Team Talk).</p> <ul style="list-style-type: none"> <li>- We seek the views of our employees on all aspects of our business and people practices and their resulting levels of engagement through the annual Global People Survey. In 2009, 91 per cent of our employees responded to the questionnaire – one of the highest participation rates in the Financial Services sector. Line management is requirement to develop action plans to address employee concerns highlighted by the Global People Survey.</li> </ul>	
<p><b>Principle 4:</b> Business should support the elimination of all forms of forced and compulsory labour</p> <p><b>Policies:</b> <a href="#">HSBC Values and Business Principles</a>, <a href="#">HSBC Code of Conduct for Suppliers</a>, HSBC Group Standards Manual</p> <ul style="list-style-type: none"> <li>- All HSBC employees have contracts which clearly indicate the voluntary nature of their employment and procedures for ceasing employment.</li> <li>- Our Code of Conduct for Suppliers states that they must prohibit the use of forced labour and give workers, whether local or migrant, the right and the ability to leave employment when they choose.</li> <li>- HSBC’s policy for lending to the Mining and Metals sector specifically references the principles of the UN Global Compact. HSBC’s risk teams use the policy to assess the potential social and environmental impacts of our customers.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- At the end of 2010, 99.8 per cent of our customers complied with our policies compared to 99.6 per cent at the end of 2009. In the Mining and Metals sector, 89.2 per cent of clients were compliant and 4.1 per cent were leading. 6.7 per cent were near compliant and none were non compliant.</li> </ul>	HR7
<p><b>Principle 5:</b> Business should support the effective abolition of child labour</p> <p><b>Policies:</b> <a href="#">HSBC Values and Business Principles</a>, <a href="#">HSBC Code of Conduct for Suppliers</a>, HSBC Group Standards Manual</p> <ul style="list-style-type: none"> <li>- Child labour is not considered to be a material issue for HSBC’s own operations which are office and branch-based.</li> <li>- HSBC’s Code of Conduct for Suppliers states that they must ensure that child labour is not used and that the employment of young workers adheres to International Labour Organisation standards and local regulations.</li> <li>- With regard to customers, HSBC applies the Equator Principles to project finance and, where possible and practical, to export finance and other loans which support projects. The Equator Principles are underpinned by the IFC’s Performance Standards on labour issues which include notes on child labour. HSBC also requires all</li> </ul>	HR6

<p>customers to abide by the national law their countries of operation.</p> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- Our community investment programme has a focus on education and disadvantaged children. In 2010, HSBC made donations totalling US\$108 million, of which 50 per cent was allocated to educational projects around the world. Through our community investment programme, we aim to encourage social and economic growth in the markets in which we operate.</li> <li>- In March 2011, we renewed our commitment to Future First (our flagship education program) with new funding of US\$15 million over another five years and expanded the programme to African countries. So far, more than 300 projects have reached nearly 500,000 children in 49 countries and territories.</li> </ul>	
<p><b>Principle 6:</b> Business should support the elimination of discrimination in respect of employment and occupation</p> <p><b>Policies:</b> <a href="#">HSBC Values and Business Principles</a>, HSBC Group Standards Manual</p> <ul style="list-style-type: none"> <li>- HSBC's employment policies, detailed in the Group Standards Manual, prohibit discrimination on the basis of gender, race, nationality, age, disability, ethnic origin, religion or status.</li> <li>- With regard to customers, our sector policies are underpinned by the IFC performance standards, which include a good practice note on non-discrimination and equal opportunity.</li> <li>- The HSBC Code of Conduct for Suppliers states that they must treat all employees fairly and not discriminate against any group in its employment practices.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- A Group Diversity Committee oversees activities to promote employee Diversity and Inclusion initiatives.</li> <li>- A Diversity and Inclusion Index, which includes the theme of valuing diverse perspectives and individual contributions, was introduced to the 2010 Global People Survey. HSBC scored 72 per cent, which is on a par with the global external best in class.</li> <li>- In 2011, we will continue to build an inclusive environment for diverse talent and monitor progress through a metrics-based approach. This forms part of senior management performance objectives.</li> </ul>	<p>LA1 LA2</p>
<p><b>Principle 7:</b> Business should support a precautionary approach to environmental challenges</p> <p><b>Policies:</b> Group Standards Manual, <a href="#">Sector policies</a></p> <ul style="list-style-type: none"> <li>- The Group has publicly stated its commitment to the principles of sustainable development.</li> <li>- The HSBC Code of Conduct for Suppliers states that they should consider the principles of Whole Life Costing and Life Cycle Analysis in the design, manufacture and recycling/disposal.</li> </ul>	<p>4.11 FS2</p>

<ul style="list-style-type: none"> <li>- The Energy Sector Policy includes guidance on lending to customers in nuclear power, coal-fired power and oil sands industries.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- In 2010, the HSBC Climate Change Centre of Excellence produced 23 reports on climate change science, policy and markets, including an analysis of how the impact of climate change will affect the global economy by the year 2050. These reports help us and our clients to identify risks and opportunities and make informed investment and business decisions.</li> <li>- We completed an extensive review of our energy sector policy in the light of the changing regulatory environment, new research and developing technologies. We consulted widely amongst colleagues, customers, shareholders, NGOs and industry experts, and issued a revised policy in 2011. This policy places HSBC as the first major commercial bank to set carbon intensity thresholds for its lending to coal-fired power plants, creating greater certainty for customers and promoting economic and environmental sustainability.</li> </ul>	
<p><b>Principle 8:</b> Business should undertake initiatives to promote greater environmental responsibility</p> <p><b>Policies:</b> <a href="#">Sector policies</a>, Environmental Footprint Targets</p> <ul style="list-style-type: none"> <li>- HSBC is now three years into its four-year programme for reducing energy and water consumption, waste and carbon dioxide emissions across our offices and branches. The purpose of the targets is to drive efficiency in order to minimise our operational impact on the environment and to generate cost savings.</li> <li>- The HSBC Code of Conduct for Suppliers states that they must have a written environmental/sustainability policy appropriate to the size and nature of the supplier's operations that addresses raw material usage, greenhouse gas emissions, water, waste, energy and wood &amp; paper management and that they should work actively to improve the environment in the communities in which they operate and pursue initiatives to bring about such improvement.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- Ownership of environmental performance was transferred from Group Corporate Sustainability to operational functions in 2010.</li> <li>- Our energy use across all our offices and branches dropped by 5.1 per cent per FTE (full-time employee equivalent) in 2010, mainly as a result of many small environmental efficiency initiatives across the Group. Looking at the target period from the start of 2008, we have achieved a 2.5 per cent reduction in energy use per FTE.</li> <li>- The HSBC Climate Partnership is a five-year, US\$100 million commitment to work with four leading international environmental NGOs to combat climate change by inspiring individuals, businesses and governments worldwide. Since the launch of the programme in 2007, over 1,700 HSBC employees have been trained as Climate Champions after completing a two week training course at one of the five Earthwatch Regional Climate Centres in the USA, Brazil, UK, China and India and some 45,000 employees have taken part in</li> </ul>	<p>1.1 FS1 FS3 FS5 EN26</p>

<p>local projects. HSBC Climate Champions to measure over 100,000 trees - equivalent to 40 years' work for a single scientist.</p> <ul style="list-style-type: none"> <li>- In 2010 we launched our sustainability leadership programme, based on the HSBC Climate Champion programme run by Earthwatch. In 2010 there were six courses in the UK, China and the US for a total of 77 senior managers within our Technology and Services division, which includes IT, Corporate Real Estate, Service Delivery and Procurement functions. The purpose of the course is to educate our leaders about the link between sustainability priorities, efficiency and cost savings.</li> </ul>	
<p><b>Principle 9:</b> Business should encourage the development and diffusion of environmentally friendly technologies</p> <p><b>Policies:</b> <a href="#">Sector policies</a>, Group Sustainable Development Strategy</p> <ul style="list-style-type: none"> <li>- HSBC's Group Standards Manual states that, consistent with the Group's approach to managing its direct impacts and risk, the Group's corporate sustainability strategy seeks to develop commercially viable business opportunities that have a positive environmental and social impact.</li> <li>- Established in 2007, the HSBC Climate Team is a network of representatives from across the Group's businesses and customer groups that is responsible for identifying and exploiting business opportunities arising from climate change.</li> <li>- From 2010, the Climate Team has come under the strategic oversight of a new Climate Business Council, comprising senior directors and chaired by Stuart Gulliver, Group Chief Executive. The Climate Business Council meets four times a year and sets strategy and direction.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- In February 2011 HSBC Principal Investments completed an investment of USD50 million in Bloom Energy Corporation ('Bloom'), the manufacturer of the world's first commercially viable solid oxide fuel cell, which provides low cost, low emission, high reliability base-load distributed electricity generation.</li> <li>- In 2010, HSBC acted as an adviser and structure finance arranger for Johannesburg's Rea Vaya Bus Rapid Transit Project, the first of its kind in Africa. The brand new fleet of articulated buses runs on low sulphur diesel and has advanced pollution-reduction equipment to improve air quality.</li> <li>- In 2010 HSBC worked with our partners to close a deal on the first non-recourse project financing for a windfarm in China.</li> </ul>	<p>EN18 EN26</p>
<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery</p> <p><b>Policies:</b> HSBC Group Standards Manual, HSBC Group Money Laundering Deterrence Programme Global Policy and Principles</p>	<p>SO2 SO3</p>

- Since 2004, HSBC has operated a Compliance Disclosure Line in accordance with the US Sarbanes-Oxley Act. Employees can report anonymously concerns about corporate wrong-doing, including failure to adopt policies in line with our Group Standards Manual, without fear of reprisals.
- HSBC's Business Principles for Countering Bribery give practical effect to such initiatives as the Organisation of Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery, and the anti-bribery provisions of the revised OECD Guidelines for Multinationals, and Principle 10 of the United Nations Global Compact. We also subscribe to the Wolfsberg Statement on Corruption. HSBC's policy applies both to the bribery of public officials, and commercial transactions and relationships, providing a minimum Group-wide standard consistent with our business values: the highest personal standards of integrity at all levels; commitment to truth and fair dealing; and commitment to complying with the spirit and the letter of all laws and regulations in HSBC's areas of operations.
- HSBC's Code of Conduct for Suppliers states that they must embed basic business principles in a Code of Business Standards or a similar policy, including such items as adherence to local laws and a stand against bribery and corruption.

**Progress**

- The Group has been reviewing existing controls to ensure that it complies fully with the requirements of the UK Bribery Act 2010.
- We are training all employees to ensure they have a sound understanding of bribery risk, and we are reviewing our internal policies and procedures and amending them as appropriate to reflect the new requirements.
- We also work closely with experts on these issues. For example, Transparency International is an anti-corruption organisation founded in 1993. HSBC sits on its Business Principles for Countering Bribery Steering Committee.