



The world's local bank

UN Global Compact Communication on Progress 2007

Statement of continuing support

The voluntary adoption and advancement of the 10 Principles of the UN Global Compact is vital to promoting understanding and action to ensure human rights are protected, to support international labour standards, protect the environment and to prevent corruption.

HSBC became a signatory of the Global Compact in 2000. Eight years on, we maintain our commitment and we continue to use our influence and reach throughout the 84 countries and territories where we operate to support these principles.

Stephen Green, Group Chairman HSBC Holdings plc
July 2008

UN Global Compact Principles

GRI Indicators

Principle 1: Business should support and respect the protection of internationally proclaimed human rights

[HR1](#), [HR2](#)

Policies: [Business Principles and Values](#), [Suppliers Code of Conduct](#), HSBC Group Standards Manual

Progress:

- HSBC focuses on gender, ethnicity and age diversity of its employees to ensure the long-term sustainability of the organisation. Networking groups and mentoring programmes facilitate open discussion of workplace issues, including those affecting employees of ethnic minority groups.
- HSBC's Health, Safety and Fire Department establishes policies and procedures that encompass the key requirements of the International Labour Organisation (ILO) Code of Practice. This is enabled through HSBC's network of regional and national health and safety representatives. A Safety Management System provides the operating framework with an annual review the means of achieving continual improvement.

Principle 2: Businesses must ensure their own corporations are not complicit in human rights abuses

[HR2](#)

Policies: [Business Principles and Values](#), [Suppliers Code of Conduct](#)

Progress:

- HSBC works with suppliers who share our commitment to sustainability and stipulate environmental criteria in tenders. HSBC's 'Request for proposal' process requires confirmation of adherence to ethical and sustainable business practices from any third party supplier.
- The implementation of a complete vendor lifecycle management programme in Mexico has enabled the integration of sustainability into the evaluation and selection processes. The vendor management programme has also assisted in creating a broader internal and external appreciation of sustainability in the supply chain.
- In 2007, HSBC completed over 170 supplier site audits across the globe. Where non-compliance with our policies was identified we have engaged in development and monitoring of appropriate action plans, which has assisted suppliers in improving their performance and the achievement of the required standards. In 2007, HSBC terminated 19 supplier relationships where the necessary improvements on critical sustainability issues were not achieved within the agreed timescales.

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining [LA4 HR5](#)

Policies: HSBC Group Standards Manual

Progress:

- HSBC engages with recognised unions through well-developed communications and consultation programmes.
- The highest concentrations of union membership are in Argentina, Brazil, Colombia, Egypt, France, Germany, Jordan, Lebanon, Malaysia, Malta, Mexico, the Philippines, Singapore and the UK.
- There have been no material disruptions to HSBC's operation from labour disputes during the past five years.

Principle 4: Business should support the elimination of all forms of forced and compulsory labour

Policies: [Business Principles and Values](#), [Suppliers Code of Conduct](#), HSBC Group Standards Manual

Progress:

- All HSBC staff, including those in our Group Service Centres in China, India, Malaysia, the Philippines and Sri Lanka, have contracts which clearly indicate the voluntary nature of their employment and procedures for ceasing employment.
- HSBC works with suppliers who share our commitment to

sustainability and stipulate environmental criteria in tenders. HSBC's 'Request for proposal' process requires confirmation of adherence to ethical and sustainable business practices from any third party supplier.

Principle 5: Business should support the effective abolition of child labour [HR6](#)

Policies: [Business Principles and Values](#), [Suppliers Code of Conduct](#), HSBC Group Standards Manual

Progress:

- HSBC's 'Ethical Code of Conduct' for suppliers, which is reviewed on a regular basis, explains our expectations of suppliers' environmental practices and employment conditions, including child labour and discrimination issues.

Principle 6: Business should support the elimination of discrimination in respect of employment and occupation [LA10](#), [LA11](#)

Policies: [Business Principles and Values](#), HSBC Group Standards Manual

Progress:

- HSBC's existing employment policies prohibits discrimination on the basis of gender, race, nationality, age, disability, ethnic origin, religion or status.
- In 2007, we rolled out our Group-wide HIV/AIDS policy that builds on our employment policies and programmes.
- An internal task force is responsible for increasing awareness of our diversity initiatives, monitoring and benchmarking HSBC's performance, and improving information sharing within the Group.

Principle 7: Business should support a precautionary approach to environmental challenges

Policies: [Sustainability Risk Standard](#), [Sector Guidelines](#)

Progress:

- In 2007, HSBC published the Mining and Metals Policy, which prohibits HSBC staff from providing financial services for companies that operate in UNESCO World Heritage Sites, mine, trade or process uranium for weapons purposes or diamonds not certified under the Kimberley Process, or practice artisanal mining.
- In 2007, HSBC strengthened the Forest Land and Forest Products Policy, which covers logging and sawmills, and now includes forest conversion, palm oil, soy and biofuels. The Policy

prohibits HSBC staff from providing financial services for companies that purchase, trade or process timber from sources which directly or indirectly support illegal logging and the subsequent trading of related timber and forest products; operate in UNESCO World Heritage Sites, wetlands listed by the Ramsar Convention, High Conservation Value Forest or Critical Natural Habitats.

- HSBC has 31 sustainable risk managers in 17 countries, up from 24 managers in 2006.

Principle 8: Business should undertake initiatives to promote greater environmental responsibility

Policies: [Sustainability Risk Standard](#), [Sector Guidelines](#), Environmental Footprint Targets

Progress:

- In 2007, HSBC launched a five-year environmental programme, 'HSBC Climate Partnership' a US\$100 million initiative between HSBC and The Climate Group, Earthwatch Institute, Smithsonian Tropical Research Institute and WWF. The Partnership aims to manage 4.2 million hectares of habitat to adapt to the impacts of climate change; reverse or halt the decline of 54 species; provide 42 million people with access to clean water; improve the livelihood of 50,000 people through better environmental management; increase flood protection for 1.3 million people and reduce the risk of drought for 9.1 million people; enable a more secure water supply for 17 million people; and report increased awareness of climate change in 110,000 HSBC employees. The Partnership also aims to deliver 48 corporations pursuing lower carbon solutions; 14 city authorities implementing climate change reduction strategies; and 21 new climate change-related policies adopted globally
- In 2007, HSBC set new targets for the 2008-11 period in 24 entities, including HSBC's Global Technology Centres and Group Service Centres.
- In 2008, HSBC will evaluate senior management across the Group through the 'Balanced Scorecard' method. Environmental targets form part of the objectives of the scorecards, thereby raising the profile of reduction targets on agendas and promoting action to meet and exceed them.

Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies

Policies: [Sustainability Risk Standard](#), [Sector Guidelines](#), Group Sustainable Development Strategy

Progress:

- In 2007, HSBC launched the Global Environmental Efficiency Programme, a US\$90 million programme over five years to

[EN1](#), [EN3](#),
[EN5](#), [EN7](#),
[EN8](#), [1.1](#)

[EN18](#)

reduce the environmental impact of our buildings through the introduction of energy efficiency, renewable energy technologies, water and waste reduction initiatives and employee engagement programmes. The programme enables HSBC offices to showcase environmental innovation and share best practice thereby helping achieve the bank's reduction targets for energy and carbon dioxide.

- HSBC is reducing the need for business travel through the use of video collaboration technologies. Findings of a one-month monitoring trial of the use of rooms equipped with such technology at HSBC's Group Head Office in London, as a way of displacing a return flight, demonstrated a reduction of 523,000 air miles – a saving 185 tonnes of carbon dioxide – and a financial saving of US\$604,000.
- HSBC aims to achieve a minimum of LEED (Leadership in Energy and Environmental Design) gold certification or equivalent for 50 of our major buildings by 2011. So far we have achieved certification new buildings constructed in Chicago, New York, Hyderabad, London and Mexico City, where our headquarters building was awarded Latin America's first-ever LEED gold certificate.

Principle 10: Businesses should work against corruption in all its forms, [SO2](#) including extortion and bribery

Policies: HSBC Group Standards Manual, HSBC Group Money Laundering Deterrence Programme Global Policy and Principles (GPPs).

Progress:

- 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.