

## UN Global Compact Communication on Progress 2006

### Statement of continuing support

"We were delighted in 2006 to win our first major international award in recognition of our leadership in merging social, environmental and business objectives when we were named the *Financial Times* 'Sustainable Bank of the Year'. We also continue to value our inclusion in the Dow Jones Sustainability Index and FTSE4Good, and remain committed to supporting the UN Global Compact."

Stephen Green, Group Chairman  
HSBC Holdings plc  
May 2007

### UN Global Compact Principles

### GRI Indicators

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

[HR1](#), [HR3](#)

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

#### Progress:

- HSBC Health, Safety and Fire teams set policies and procedures – encompassing the key requirements of the International Labour Organisation (ILO) Code of Practice – for implementation by functional representatives in each country in which HSBC operates. A Safety Management System provides the operating framework and an annual review process offers an opportunity for continual improvement. A 28 % reduction in serious accidents has been realised across the Group in 2006 due in part to greater health and safety awareness and the effects of a revision of our procedures in 2005.
- HSBC India has signed the Confederation of Indian Industry's Code of Conduct for Affirmative Action which requires signatories to have in place policies and practices to ensure that people from disadvantaged backgrounds are given the equal employment opportunities. This approach is consistent with the HSBC Group's existing employment policies which prohibit discrimination on the basis of gender, race, nationality, age, disability, ethnic origin, religion or status. In compliance with the Code of Conduct for Affirmative Action, we have now started to collect employment data on tribe, caste and other community origins for new employees.

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

[HR3](#)

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

#### Progress:

- HSBC chaired the [Equator Principles](#) Working Group which conducted the first review of the Principles in 2006. The revised Principles announced in July 2006 included the following changes:
  - Reducing the minimum cost threshold for projects requiring compliance from US\$50 million to US\$10 million.
  - Referencing the International Finance Corporation's new Performance Standards, which provide an updated framework to manage environmental and social impacts.
  - Extending the Principles to cover advisory work on projects, not just financing.
- In 2006 HSBC was short listed by the Chartered Institute of Purchasing (CIPS) for an award entitled 'Best contribution to Corporate Responsibility'.

**Principle 3:** Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

[LA4](#)

**Policies:** HSBC Group Standards Manual

#### Progress:

- HSBC employees are active participants of trade unions across the Group. In the UK for example, we estimate one third of non-management employees are union members.

Management employees in the UK bank are consulted via a national council. Works councils operate in European countries.

- Union participation is higher in parts of Asia, for example in Sri Lanka, India and the Philippines, virtually all non-management employees are union members.
- Since we initiated our global resourcing strategy, we have been successful in redeploying 372 employees to new roles with only 19 involuntary redundancies. In 2006, we consulted employee representatives of the trade union Amicus on the move to overseas locations of over 1,200 UK roles affecting more than 30 business areas.

**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.
- In response to buyers' concerns and in compliance with regulatory requirements one the seminars provided through 'HSBC Living Business' (see Principle 8) covered ethical sourcing in China.

**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:**

- Our 'Ethical Code of Conduct' for suppliers, which is reviewed on a regular basis, spells out our expectations of suppliers' environmental and employment conditions including child labour and discrimination issues.
- In response to buyers' concerns and in compliance with regulatory requirements one the seminars provided through 'HSBC Living Business' (see Principle 8) covered ethical sourcing in China.

**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:**

- During 2006, we started development of a Group-wide HIV/AIDS policy to be introduced in 2007 building on our policies and programmes focused initially on emerging markets.
- In 2006, we appointed an internal task force to increase awareness of our diversity initiatives, to monitor and benchmark HSBC's performance, and to improve information sharing within the Group. For example, when in October 2006 age legislation came into effect in the UK, we made a number of changes to our recruitment policy to avoid age bias in the way we attract and recruit applicants, and to ensure decisions are 'age neutral'. In 2006, 2.4 per cent of new hires in the UK were over 55 compared with 1.3 per cent in 2005.

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

[3.13](#)

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

**Progress:**

- In 2006, we published our Energy Sector Policy, which encourages the reduction and disclosure of greenhouse gas emissions. The policy also prohibits the provision of financial services for operation in UNESCO World Heritage Sites, Wetlands listed by the Ramsar Convention, High Conservation Value Forest and Critical Natural Habitats. This sector will play a key role in combating climate change and in line with our approach of providing guidance on both risks and opportunities, we published the policy simultaneously with our Carbon Finance Strategy.
- We have 24 sustainable risk executives in 16 countries, up from 10 executives in 2005.
- In 2006, our Indonesian office arranged seminars on sustainable development involving our executives and external stakeholders, our Brazilian office provided information on the Equator Principles to local banks and our Malaysian office arranged training visits to a forest certified as sustainable by the Forest Stewardship Council.
- HSBC chaired the [Equator Principles](#) Working Group which conducted the first review of the Principles in 2006. (See [Principle 2](#) for more information)

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

[EN1](#), [EN3](#),  
[EN5](#), [EN7](#),  
[EN8](#), [EN11](#),  
[1.1](#)

**Policies:** Group Standards Manual, [Environmental Risk Standard](#), [Sector Guidelines](#)

**Progress:**

- Our five-year environmental programme, 'Investing in Nature', concluded in 2006. The US\$50 million eco-partnership between HSBC and Botanic Gardens Conservation International (BGCi), Earthwatch Institute and WWF protected, managed or restored more than three million hectares of habitat, conserved or protected over 14,500 plant and animal species, and improved the livelihoods of some 140,000 people.
- In June 2006, our Group Investment Businesses became a signatory to the United Nations Principles for Responsible Investment (PRI) a voluntary framework for institutional investors that recognises environmental, social and governance issues can affect investment returns.
- HSBC chaired the [Equator Principles](#) Working Group which conducted the first review of the Principles in 2006. (See [Principle 2](#) for more information)
- The 'HSBC Living Business' programme offers free training programmes and seminars to help small and medium-sized enterprises in developing socially and environmentally responsible business practices. In 2006, it was expanded from Hong Kong and Singapore to South Korea and Sri Lanka.

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

[EN17](#)

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

**Progress:**

- In 2006, we launched our Carbon Finance Strategy to help clients respond to the challenges of creating a lower carbon economy. It seeks to develop opportunities to work with clients to promote clean energy generation, and efficient renewable energy technologies. Our strategy focuses on low-carbon technologies that are technically and commercially viable (i.e., wind, solar, energy, landfill methane gas capture and geothermal energy). We also put a premium on working in countries where the regulatory framework and government policy support early adoption of low-carbon technology.

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery

[SO2](#)

**Policies:** HSBC Group Standards Manual, Group Business Principles for Countering Bribery, HSBC Group Money Laundering Deterrence Programme Global Policy and Principles (GPPs).

**Progress:**

- Since 2004, we have operated a Compliance Disclosure Line in accordance with the US Sarbanes-Oxley Act. Employees can report anonymously concerns about corporate wrongdoing, including failure to adopt policies in line with our Group Standards Manual, without fear of reprisals.