



## UN Global Compact Communication on Progress 2012

### Statement of continuing support

It is with great pleasure that I reaffirm HSBC's continued commitment to the UN Global Compact and its principles for the thirteenth year.

Our day-to-day business activities are focused on helping customers achieve their aspirations and thereby achieving sustainable returns for our shareholders, building long-lasting connections with customers, recognising the value of our highly committed employees, while respecting environmental limitations and investing in communities. We understand that the quality of our relationships is the foundation of our long-term success as a business and that is reflected in our ongoing support for the UN Global Compact principles of human rights, labour, environment and anti-corruption.

There has never been a more important time to demonstrate that our business is sustainable and committed to the long term. At HSBC, we know how important it is that we play a positive role in the economies and communities we serve and that we meet or surpass the expectations of society, our customers, regulators and investors. We recognise that ultimately we are defined and judged by our behaviour towards and within the communities we serve.

In 2012, on top of 37,552 days contributed by nearly 50,000 employees, we donated \$120 million to community initiatives. Focused mainly on environmental and educational projects, we are proud of the investments we make in this area and more detail about these programmes can be found in our Sustainability Report 2012. In particular, during the past year we have extended our commitment to support disadvantaged and vulnerable young people who are not in education, employment or training. We have also launched the HSBC Water Programme, a five-year US\$100 million commitment to support Earthwatch, WaterAid and WWF to deliver water provision, protection, information and education. We are proud to work with these organisations, who are leaders in their field. We will continue to report on its progress – and that of our other projects and goals – in the years ahead.

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

Douglas Flint  
Group Chairman, HSBC Holdings Plc  
October 2013

UN Global Compact Principles	GRI Indicators
<b>Human Rights</b>	
<p><b>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</b></p> <p><b>Policies:</b> HSBC Values and Business Principles, HSBC Code of Conduct for Suppliers, HSBC Global 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 our website (<a href="http://www.hsbc.com">www.hsbc.com</a>).</li> <li>- HSBC also supports the Equator Principles, the Extractive Industry Transparency Initiative, and the Wolfsberg Principles.</li> <li>- HSBC's Values are; to be open to different 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>- HSBC continues to build a culture which values and respects all employees and their opinions. We remain committed to meritocracy, which requires a diverse and inclusive culture.</li> <li>- Throughout 2012, education on HSBC's values continued across all levels of employees, through induction, strategic programmes, and leadership and professional skills programmes. The values of being open, dependable and connected are an important first part of every appraisal for employees, including the most senior managers. Our senior leaders are appraised on these values every six months and, in 2012, a number of employees left HSBC for breaching our values.</li> <li>- In 2012, nearly 100,000 employees went through values training, in addition to the 60,000 employees who were trained in 2011.</li> </ul>	<p>G4-HR4 G4-HR2</p>
<p><b>Principle 2: make sure that they are not complicit in human rights abuses.</b></p> <p><b>Policies:</b> HSBC Values and Business Principles, HSBC Code of Conduct for Suppliers</p> <ul style="list-style-type: none"> <li>- HSBC's 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 include rules governing the acceptance or offering of gifts, favours, services, hospitality, loans or fees, or anything of monetary value; and whistle-</li> </ul>	<p>G4-HR4</p>

<p>blowing procedures.</p> <ul style="list-style-type: none"> <li>- HSBC has a public 'Code of Conduct' with which all suppliers have to comply. This Supplier Code of Conduct requires suppliers to respect the human rights of their employees, specifically those related to the freedom of association and collective bargaining, prohibition of child or forced labour, and non-discrimination at work. It also states that suppliers must comply with HSBC's environmental, social and ethical standards for our supply chain, which includes respecting the human rights of the communities in which they operate. HSBC retains the right to audit suppliers' adherence to the Code.</li> <li>- Any HSBC 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 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.</li> <li>- Assessing the environmental and social impacts of providing finance to our customers, including human rights issues, has been firmly embedded into our overall risk management processes 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:</b></p> <ul style="list-style-type: none"> <li>- We regularly review our policies to ensure they reflect the latest risks and developments in certain sectors. For example, in 2012, we updated the chemicals policy to ensure its implementation is consistent and accurate. The policy sets standards which prohibit our financing of the manufacture of certain dangerous chemicals.</li> <li>- A global network of sustainability risk managers supports policy implementation across every region. Our Global Corporate Sustainability team holds quarterly update calls with all sustainability risk managers to ensure they are updated on developments and well placed to advise colleagues. A learning module covering sustainability risk is included in HSBC's risk management training programmes for senior management and, in 2011, we launched an e-learning module to strengthen key employees' knowledge of our risk policies. By the end of 2012, 6,594 employees globally had completed this training and the programme continues.</li> </ul>	
<b>Labour</b>	
<p><b>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</b></p> <p><b>Policies:</b> HSBC Global Standards Manual, HSBC Code of Conduct</p>	<p>G4-HR4 G4-HR11</p>

<p>for Suppliers</p> <ul style="list-style-type: none"> <li>- HSBC employees are made aware of their rights through written contracts, the employee handbook and the staff websites.</li> <li>- HSBC engages with recognised unions through well-developed communications and consultation programmes. Our HR policy states that where trade unions or other employee representative 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> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- As above, we negotiate with and consult recognised unions as appropriate.</li> <li>- In 2012, the five highest concentrations of union membership at HSBC are in Argentina, Brazil, mainland China, Malta and Mexico. It is our policy to maintain well-developed communications and consultation programmes with all employees' representative bodies and there have been no material disruptions to our operations from labour disputes during the past five years.</li> </ul>	
<p><b>Principle 4: the elimination of all forms of forced and compulsory labour;</b></p> <p><b>Policies:</b> HSBC Values and Business Principles, HSBC Code of Conduct for Suppliers, HSBC Global 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>- We recognise that businesses can have an impact on the environment and communities around them. For over ten years, we have been developing, implementing and refining our own approach to working with our business customers to understand and manage these issues. We assess and support customers in six sensitive sectors using our own policies and, in financing for projects, using the Equator Principles as our starting point.</li> <li>- These policies set the standards we expect of customers operating in the following sectors: chemicals; forest land and forest products; mining and metals; energy; freshwater infrastructure; and defence equipment. We apply our policies to all lending and other forms of financial assistance, primary debt, and equity market activities, project finance and advisory</li> </ul>	<p>G4-HR10 G4-SO1 G4-SO2</p>

<p>work.</p> <ul style="list-style-type: none"> <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>- We check whether customers in these sectors comply with our sustainability risk policies at the outset of any relationship and monitor them annually using the same system applied to monitoring credit risk. This process is also checked through our internal audit function.</li> <li>- We assess customers according to their level of compliance with our policies and rank them into four categories: ‘leader’, ‘compliant’, ‘near-compliant’ and ‘non-compliant’. (For detailed explanations of these categories, please see HSBC’s Annual Sustainability Report.)</li> <li>- At the end of 2012, only 0.10% of customers were found to be non-compliant.</li> <li>- If we find that a customer is not complying with our policies and has the appetite to make changes, we support them to make the necessary improvements to become compliant. This requires that the underlying impacts of the customer’s businesses are not unacceptable and that there is an action plan in place to achieve compliance within a credible timeframe. We then monitor customers to ensure commitments are carried out. If customers are unable or unwilling to improve to meet our standards over a reasonable timeframe, the relationship is ended as soon as is contractually possible.</li> <li>- Our policy is to turn business away if we are not comfortable that it meets our standards. By way of illustration, in 2012, we declined two potential transactions which would have adversely affected World Heritage Sites.</li> </ul>	
<p><b><u>Principle 5: the effective abolition of child labour; and</u></b></p> <p><b>Policies:</b> HSBC Values and Business Principles, HSBC Code of Conduct for Suppliers, HSBC Global 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 customers to abide by the</li> </ul>	G4-HR5

<p>national law in 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 environmental issues. In 2012, we made donations totalling \$120 million, of which 48% was allocated to educational projects around the world. Through our community investment programme, we aim to encourage social and economic development in the markets in which we operate.</li> <li>- In 2012, as with previous years, HSBC had our adherence to the Equator Principles independently assured to provide comfort to stakeholders that we are carrying out our commitments under the Principles. The assurance report is printed in the Sustainability Report 2012.</li> </ul>	
<p><b>Principle 6: the elimination of discrimination in respect of employment and occupation.</b></p> <p><b>Policies:</b> HSBC Values and Business Principles, HSBC Global Standards Manual</p> <ul style="list-style-type: none"> <li>- HSBC's employment policies, detailed in the Global Standards Manual, prohibit discrimination on the basis of gender, race, sexuality, 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> <li>- We believe in providing equal opportunities for all employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during their employment with us, efforts are made to continue their employment and, if necessary, appropriate training is provided.</li> <li>- HSBC has over 30 employee network groups referenced (inter alia) to gender, ethnicity, age, sexuality, disability, religion, culture, working parents, health and community volunteering.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- Education on HSBC's values has continued throughout 2012 and 2013 across all levels of employees, through induction, strategic programmes, and leadership and professional skills programmes. Our focus on values and courageous integrity has been instilled at every level of the company. For example, the values of being open, dependable and connected are an important first part of every appraisal for employees, including senior managers.</li> </ul>	<p>G4-LA12 G4-LA1</p>

<ul style="list-style-type: none"> <li>- Senior managers have had external input through two-day training sessions on values run by Harvard Business School.</li> <li>- Throughout 2012, an area of continued focus is gender representation, particularly at senior levels of our organisation. We are addressing any residual bias in hiring, promotions and talent identification; expanding mentoring and sponsorship; and introducing better support for returning parents and increasing flexible working opportunities.</li> <li>- In 2012, women accounted for 52.8 per cent of our workforce. Female representation at senior levels rose from 21.4 per cent in 2010 to 22 per cent in 2012 and our target is to improve this to 25 per cent by 2014-15. Female representation on the Group Management Board increased significantly from 10 per cent (one out of 10) in 2012 to 25 per cent (three out of 12) in 2013.</li> <li>- Our Sustainability Report gives a breakdown of employee turnover by age, management type and region.</li> </ul>	
<b>Environment</b>	
<p><b>Principle 7: Businesses should support a precautionary approach to environmental challenges;</b></p> <p><b>Policies:</b> Global Standards Manual, Sector Policies</p> <ul style="list-style-type: none"> <li>- HSBC has publically 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> <li>- Our sustainability risk policies require our corporate customers within sensitive sectors to apply consistent standards of international good practice, going beyond international laws and agreements. These policies set the standards we expect of customers operating in the following sectors: chemicals; forest land and forest products; mining and metals; energy; freshwater infrastructure; and defence equipment. Public summaries of our policies are available online at: <a href="http://www.hsbc.com/sustainability">www.hsbc.com/sustainability</a>.</li> <li>- We have also adopted the Equator Principles and apply the International Finance Corporation Performance Standards as require through the Principles.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- The HSBC Climate Change Centre of Excellence, based in our Global Research division and established in 2007, was ranked number one for the third year in a row by Thomson Reuters EXTEL awards. In 2012, Global Research focussed particularly on water shortage and water stress, producing a number of well received reports on this issue.</li> <li>- Also in 2012, we updated the chemicals sustainability risk policy to ensure its implementation is consistent and accurate. The policy sets standards which prohibit our financing of the</li> </ul>	<p>G4-EN G4-EN32</p>

<p>manufacture of certain dangerous chemicals.</p>	
<p><b>Principle 8: Undertake initiatives to promote greater environmental responsibility.</b></p> <p><b>Policies:</b> Sector Policies, Operational Efficiency 2020 goals</p> <ul style="list-style-type: none"> <li>- The HSBC Code of Conduct for Suppliers states that suppliers must have a written environmental / sustainability policy appropriate to the size and nature of their operations that addresses raw material usage, greenhouse gas emissions, water, waste, energy and wood &amp; paper management and that suppliers should work actively to improve the environment in the communities in which they operate and pursue initiatives to bring about such improvement.</li> <li>- In 2012, we launched our ten sustainable operational goals for 2012 – 2020. The goals cover the full range of our operations, including supply chain, energy, waste, carbon, paper, travel and sustainability engagement. The overall goal is to reduce annual carbon emissions per employee by one tonne, from 3.5 to 2.5 tonnes.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- We are making significant progress towards our 2020 goals and report on this in detail in HSBC’s Annual Sustainability Report 2012.</li> <li>- In 2012, over 180 senior managers attended sustainability leadership programmes run across the world. These programmes teach senior managers about how they can contribute to delivering HSBC’s sustainable operations strategy and manage projects in their part of the business.</li> <li>- We have also introduced more innovative and sustainable ways of working with our suppliers. In 2012, we entered a global agreement with real estate management company, Jones Land LaSalle (JLL) for facilities management which includes sustainability performance commitments within the contract.</li> </ul>	<p>G4-EN18 G4-EN6 G4-EN3 G4-EN15</p>
<p><b>Principle 9: Encourage the development and diffusion of environmentally friendly technologies.</b></p> <p><b>Policies:</b> Sector Policies, Global Corporate Sustainability strategy</p> <ul style="list-style-type: none"> <li>- HSBC’s Global Standards Manual states that, consistent with our approach to managing our direct impacts and risk, our corporate sustainability strategy seeks to develop commercially viable business opportunities that have a positive environmental and social impact.</li> <li>- In 2010, HSBC established a Climate Business Council, comprising representatives from our global business working in this area. The council sets strategy, ensuring HSBC is working in a joined-up way across our business functions.</li> </ul>	<p>G4-EN7 G4-EN12 G4-SO1</p>



<ul style="list-style-type: none"> <li>- We define climate business as seeking long-term commercial business opportunities that arise in the transition to a low carbon economy. Any deals of this kind must, of course, additionally meet our sustainability risk policies.</li> </ul> <p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>- Year on year, our climate business revenues are growing. In 2012, HSBC supported deals in the solar, wind, biomass, hydro, energy efficiency and bio-energy sectors.</li> <li>- HSBC took a leading role in some of the biggest climate business deals globally in 2012.</li> <li>- HSBC was part of the largest offshore wind farm project financing in the world. We were also involved in the largest project financing in Latin America in the renewables sector to date. Details of our Climate Business deals, including a breakdown of sector and region, can be found in the Sustainability Report 2012.</li> </ul>	
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**Anti-Corruption**

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

G4-SO3  
G4-SO4  
G4-SO5

**Policies:** HSBC Global Standards Manual, HSBC Group Money Laundering Deterrence Programme Global Policy and Principles

- Since 2004, HSBC has operated a Compliance Disclosure Line in accordance with the US Sarbanes-Oxley Act. Employees can report anonymously concerns about potential corporate wrong-doing, including failure to adopt policies in line with our Global 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 Rule of Conduct to Combat Extortion and Bribery, and the anti-bribery provisions of the revised OECD Guidelines for Multinational Enterprises, and Principle 10 of the United Nations Global Compact. We also subscribe to the Wolfsberg Statement on Corruption and comply with relevant laws, including the UK Bribery Act.
- HSBC's policy covers both the bribery of public officials, and commercial transactions and relationships, providing a minimum Group-wide standard consistent with our business values.
- We work closely with experts on these issues, including sitting on Transparency International's Business Principles for Countering Bribery Steering Committee.
- We require our suppliers to comply with our Code of Conduct for Suppliers, which includes principles in relation to anti-bribery and corruption, and separately, by contract, we require them to comply with the UK Bribery Act, the FCPA, and other

relevant local laws and regulations. In 2011, we implemented a new, global structure, designed to make HSBC easier to manage and control in a consistent way globally.

**Progress:**

- In line with our ambition to be recognised as the world's leading international bank, we aspire to be a leader in the industry in our standards of conduct. As international markets become more interconnected and complex and, as threats to the global financial system grow, we are strengthening further the policies and practices which govern how we do business and with whom.
- There is nothing of greater importance to us than our reputation. We also recognise that we have an important part to play in helping to protect the global financial system from abuse. That is why, in April 2012, we committed to adopting and enforcing the most effective standards across HSBC to combat financial crime.
- Under the supervision of HSBC's Global Standards Steering Meeting of the Group Management Board, we are strengthening policies and processes in a number of important areas. Among other areas of focus, this includes the addition of our 'financial crime risk filter' which requires an analysis of all new and existing business to limit activity and client acquisition in jurisdictions with a high risk of financial crime.
- Employees have received training to ensure they have a sound and up to date understanding of sanctions, money laundering, bribery and corruption risks. Additionally, by the end of 2012, 160,000 employees had received bespoke and training on HSBC's values.
- To reinforce the Board's ability to exercise rigorous governance in these areas, we announced the creation of a new Board committee, the Financial System Vulnerabilities Committee, on 30 January 2013. This committee is providing governance, oversight and policy guidance over the framework of controls and procedures designed to identify areas where HSBC may become exposed and, through that exposure, expose the financial system more broadly to financial crime or system abuse.
- Subject matter experts drawn from the highest levels of public service support the committee. Their expertise includes the combating of organised crime, terrorist financing, narcotics trafficking, tax evasion and money laundering as well as expertise in intelligence gathering and international payments systems. They provide valuable guidance and advice, and most importantly challenge as we strengthen our capabilities and enforce the highest standards.