



The world's local bank

UN Global Compact Communication on Progress 2009

Statement of continuing support

HSBC operates in 87 countries around the world, employing some 300,000 people and serving around 100 million customers. As 'the world's local bank', HSBC recognises the diversity of points of view in the markets in which work. Values differ from region to region and between individuals. The UN Global Compact offers corporations of all sizes a set of common principles to which they can aspire.

HSBC became a signatory to the Global Compact shortly after its launch in 2000. Ten years on, we maintain our commitment and have continued to embed the principles into our Group standards, policies and behaviours.

In 2009, HSBC was listed number one amongst financial institutions for its climate change strategy and reporting of emissions in the Carbon Disclosure Project. We also committed to including objectives for management to improve employee diversity and inclusion in 2010, which has now been achieved.

Stephen Green, Group Chairman HSBC Holdings plc
August 2010

UN Global Compact Principles

[GRI](#)
[Indicators](#)

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

4.8
4.12

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

LA7
LA8

Progress:

- HSBC has expressed its support for the UN Universal Declaration of Human Rights since 2004.
- HSBC works with suppliers who share our commitment to human rights. HSBC's Supplier Code of Conduct, required of all third party suppliers, encourages engagement with key human rights issues such as child labour, discrimination and working conditions throughout the Supply Chain.
- HSBC's Group Values are to be open to different ideas and cultures; connected with our customers, community and each other, and dependable and doing the right thing. These include our commitment to having a diverse and inclusive culture, ethical and sustainable business practice and

displaying the highest personal standards of integrity at all levels.

- 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.
- Any HSBC Group employee who becomes aware of a number of matters 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.
- HSBC entities around the world can adopt some standards locally where relevant. In 2009, HSBC in Brazil obtained the SA8000 certification, a globally recognised social accountability standard for good working conditions and labour rights.

Principle 2: Businesses must ensure their own corporations are not complicit in human rights abuses SO1
HR1

Policies: [Business Principles and Values](#), [Ethical Code of Conduct](#) HR2

Progress:

- Assessing the environmental and social impacts of providing finance to our customers had 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 & Metals, Energy, Freshwater Infrastructure, Forest Land and Forest Products, and Defence Equipment.
- In 2009, HSBC updated its defence equipment sector policy specifically to prohibit working with customers who sell or manufacture anti-personnel mines or cluster bombs.
- In 2009, HSBC developed a Vendor Management Programme to understand and manage the risks of our supply base, including sustainability risks. This process began in North America and we will continue to implement this programme in other countries in 2010.
- HSBC implements diversity initiatives at a regional, country and local level and respects national laws. Employee network groups, flexible working and mentoring programmes are promoted and established, where possible, to facilitate open discussion of workplace issues for employees and to foster an environment that celebrates diversity and inclusion.

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining LA4
LA5

Policies: HSBC Group Standards Manual HR5

Progress:

- It is HSBC's policy to maintain well-developed communications and consultation programmes with unions.
- HSBC engages with recognised unions through well-developed communications and consultation programmes.
- The highest concentrations of union membership are in Argentina, Brazil, Mainland China, Malta and Mexico.
- There have been no material disruptions to its operations from labour disputes during the past five years.

Principle 4: Business should support the elimination of all forms of forced and compulsory labour HR7

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

Progress:

- All HSBC staff 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. We stipulate the need to abide by local laws and include a prohibition against child labour and exploitation of any other vulnerable groups in tenders. HSBC's 'Request for proposal' process requires confirmation of adherence to these ethical and sustainable business practices from any third party supplier.
- HSBC's sustainability policy for lending to the mining and metals sector 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.

Principle 5: Business should support the effective abolition of child labour HR6

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

Progress:

- Child labour is not considered to be a material issue for HSBC's own operations which are office and branch-based.
- HSBC's 'Ethical Code of Conduct' for suppliers, which is reviewed on a regular basis, explains our expectations of suppliers' employment conditions, including child labour.
- 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 national law their countries of operation.

- In 2009, HSBC made donations totalling US\$100 million, of which 45% 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.
- By the end of 2009, our flagship Future First programme promoting education among disadvantaged children around the world had benefited some 200,000 children across 45 countries.

Principle 6: Business should support the elimination of discrimination in respect of employment and occupation

LA1
LA2

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

Progress:

- HSBC's existing employment policies prohibit discrimination on the basis of gender, race, nationality, age, disability, ethnic origin, religion or status.
- In 2009, we continued to build on the Diversity Strategy established in 2008 by focusing on four priorities: equality of opportunity; inclusive work environment (reflecting the global nature of our business); engagement of minority groups; and attraction and retention of diverse talent.
- In 2009, the number of positive responses to our Global People Survey's statement, 'HSBC has a work environment in which diverse perspectives are valued', increased from 68% in 2007 to 74% in 2009.
- 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 discrimination.

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

4.11
FS2

Policies: Group Standards Manual, [Sector policies](#)

Progress:

- The Group has publicly stated its commitment to the

principles of sustainable development.

- In 2009, the HSBC Climate Change Centre of Excellence produced 30 reports on climate change science, policy and markets, including the first comparative assessment of the vulnerability of the G-20 nations to climate impacts through to 2020. These reports help us and our clients to identify risks and opportunities and make informed investment and business decisions.
- Each of the Group's buildings is currently being classified according to the likelihood and potential disruption of climate damage over the next 30 years. This is a medium term project which could lead to the consideration of retrofitting some premises or relocation to adapt to the potential risks. The growing possibility of power outages presents a risk and we have assessed the infrastructure in our critical buildings to check, for example, whether we have the correct levels of fuel storage for generators. We have mapped, through to the end of the century, the impact of rising sea levels on critical locations where we have buildings within 30kms of the coast, in response to the risk of Greenland and/or West Antarctic ice sheets melting. This process is helping us to start thinking strategically about the location and insurability of our building portfolio.

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

Policies: [Sector policies](#), [Environmental Footprint Targets](#)

Progress:

1.1
FS1
FS3
FS5
EN26

- 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 its launch in 2007, the HSBC Climate Partnership has enabled The Climate Group to launch a major consumer facing campaign in the US and UK; over 1000 HSBC employees to complete an intensive climate change training programme run by Earthwatch; and HSBC Climate Champions to measure over 100,000 trees - equivalent to 40 years' work for a single scientist.
- In 2009, HSBC developed objectives and measures to be incorporated into the balanced scorecards of our country and regional Chief Technology and Services Officers, making them directly accountable for operational sustainability performance for 2010 onwards.
- We completed our first year of travel targets in which HSBC achieved a 19 per cent reduction in total carbon dioxide emissions from business air travel per FTE against a 10 per cent target. This equates to a 26 per cent absolute reduction

in carbon emissions from business travel. We have a 2010 commitment to increase levels of awareness and use of mobility solutions to reduce the impact of business travel and commuting.

Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies EN18
EN26

Policies: [Sector policies](#), Group Sustainable Development Strategy

Progress:

- 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.
- In 2009 HSBC set up a new team to focus specifically on financing 'cleantech' equipment. Our research showed that this sector presents a key opportunity for HSBC, as new and existing clients respond to the rapidly changing regulatory and technology environment. Our new resource combines the skills and experience of our Resources and Energy as well as the Diversified Industrials teams.
- In 2009, HSBC launched a global 'Green & Sustainable Insurance' plan, which offers more than 30 products to encourage customers to reduce their carbon footprint, provide insurance services for, and investments in, new green sectors, and protect them against climate change impacts such as flood and droughts.
- In early 2010, HSBC announced a US\$125 million investment in Better Place, a leading provider of infrastructure for recharging electric vehicles on a large scale.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery SO2
SO3

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.

- In 2009, the Group closely monitored the passage of the UK Bribery Bill and took action to prepare for the new legislation. A high-level Anti-Bribery Committee has been formed to monitor, at least initially, anti-bribery procedures throughout Group. This committee includes senior managers from Compliance, Legal, Audit, Strategy/International, Finance, Purchasing, and Project and Export Finance. The Anti-Bribery Committee will make recommendations for senior management in areas such as the reporting of bribery allegations, joint ventures and acquisitions and investments. Each operating Group entity will be asked to assess the bribery risk of its business, and each Group entity will review its Code of Conduct to ensure that it reflects current anti-bribery legislation. We have set up internal systems and communications to ensure that relevant staff understand the implications of the Act and are ready to ensure we meet the spirit and letter of the legislation.