

UN Global Compact Communication on Progress 2015

Statement of continuing support

In the last twelve months two significant milestones have passed: the 21st Conference of the Parties on Climate Change at which a global climate deal was reached; and the UN's agreement of new Global Goals on sustainable development. HSBC supports both of these important commitments. We recognise the opportunity this new framework presents to business, to make a more focused contribution to sustainable development.

I am therefore pleased to reaffirm HSBC's commitment to the UN Global Compact and its principles in the areas of Human Rights, Labour, Environment and Anti-Corruption. For more than ten years these principles have helped us to shape our approach to sustainable business.

As a large corporation we make a significant impact on a wide range of stakeholders: we serve more than 47 million customers around the world, ranging from individuals to the largest of companies; and we employ more than a quarter of a million people representing more than 150 nationalities. This makes our relationship with the UN Global Compact and adherence to its principles all the more important.

Our role as part of the global financial system includes tackling challenges such as financial crime and climate change. We are strengthening our ability to safeguard customers and ourselves against financial crime, and believe this will be a source of long-term advantage for our business. We are also committed to helping enable a transition to a low-carbon economy through our business activities and our own operations.

In this Communication on Progress we signpost our most up-to-date disclosures on our policies and performance on the important issues enshrined in the UN Global Compact Principles. HSBC remains committed to making progress on each of these areas, for the benefit of our employees, customers, suppliers, shareholders and wider society.



Douglas Flint

Group Chairman, HSBC Holdings plc
April 2016

UN Global Compact Principles

Human Rights

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

Principle 2: make sure that they are not complicit in human rights abuses.

Policies: [HSBC Values](#), [HSBC Ethical and Environmental Code of Conduct for Suppliers of Goods and Services](#), HSBC Global Standards Manual, [Sustainability Risk Policies](#)

- In 2015, HSBC issued a Statement on Human Rights which sets out our policies and commitments in relation to human rights and is available on our [website](#).
- HSBC is guided by the International Bill of Human Rights and has expressed its support for the UN Universal Declaration of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. HSBC is a signatory to or has publicly expressed support for a number of international codes, including the Global Sullivan Principles, and the OECD Guidelines for Multinational Enterprises.
- HSBC also applies the Equator Principles when financing projects and has its own policies to assess and support customers covering forestry, agricultural commodities, chemicals, defence, energy, freshwater infrastructure, mining and metals and World Heritage Sites and Ramsar Wetlands.
- HSBC's Values are to be dependable and do the right thing; to be open to different ideas and cultures; and to be connected with our customers, communities, regulators and each other.

Progress:

- Our training programmes reinforce a culture that is grounded in our values. In 2015, we completed a three-year programme of values-led leadership training for all employees.
- We want to recognise and reward people for doing the right thing. Every employee's conduct during the year is taken into account during their performance appraisal. We also encourage employees to recognise the efforts of colleagues whose behaviour and actions exemplify our values. We report on the HSBC Values in the Strategic Report 2015 and Annual Report and Accounts 2015.
- In 2015, we continued to implement all of our sustainability risk policies, and our internal training programmes for risk and relationship managers focused on the new policies issued in 2014: forestry, agricultural commodities and World Heritage Sites and Ramsar Wetlands. More details and the policies themselves are available at hsbc.com/sus-risk.
- In 2015, we also updated our Ethical and Environmental Code of Conduct for Suppliers of Goods and Services www.hsbc.com/our-approach/supplier-code-of-conduct in response to new legislation on human rights. We partnered with a specialist consultancy to assess more than 200 suppliers of promotional and branded items for ethical and responsible risks in their business practices, and stopped working with one as a result. We are working with our top 300 vendors – responsible for 50% of supplier spend – to raise awareness of our ethical and environmental expectations and identify risks.

Labour

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

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Policies: As above, plus human resources policies in countries of operation and employee handbooks and contracts that are also aligned with local regulation, laws and practice.

Progress:

Employees

- We consult with and, where appropriate, negotiate with employee representative bodies. It is our policy to maintain well-developed communications and consultation programmes with all employee representative bodies and there have been no material disruptions to our operations from labour disputes during the past five years.
- HSBC is committed to building a values-driven high performance culture where all employees are valued, respected and where their opinions count. We report on our approach to employee diversity and inclusion and other employee issues on page 38 of the [Strategic Report 2015](#).

Communities

- HSBC has been working with the Consortium for Street Children (CSC) since 2011. CSC is a global network that amplifies street children's voices, promotes their rights and improves their lives through advocacy, research and network development.
- In 2013, HSBC supported the first shared learning hub, specific to issues related to street children, to enable organisations to collaborate, address challenges and develop good practices. This virtual hub, together with a research hub, comprises CSC's Global Resource Centre.
- With our support, through Future First, SOS Children also do education outreach work with families around their Villages, which in turn enables young people to get employment.

Customers

- HSBC applies the Equator Principles which are underpinned by the IFC's Performance Standards on labour issues which include notes on child labour and non-discrimination. HSBC also requires all customers to abide by the national law in their countries of operation.

Suppliers

- HSBC's Ethical and Environmental Code of Conduct for Suppliers of Goods and Services makes reference to standards on child labour, treating all employees fairly, non-discrimination, and prohibition of the use of forced labour. Progress on embedding the Code of Conduct is mentioned above.
- We will integrate the provisions of the Modern Slavery Act 2015 into our business and supply chain, and will report in line with the guidelines published by the UK government.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Policies: Global Standards Manual, Sustainability Risk Policies, [Operational Sustainability Goals](#)

- We have a goal to reduce our per employee annual carbon emissions from 3.5 to 2.5 tonnes by 2020 (based on 2011 data). As part of this, we have a ten-point plan to cut our natural resource use and run our operations more efficiently.
- HSBC's Global Standards Manual states that sustainability means building our business for the long term by balancing social, environmental and economic considerations in the decisions we make.
- The HSBC Ethical and Environmental 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.
- 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.
- We have also adopted the Equator Principles and apply the International Finance Corporation Performance Standards as required through the Principles.

Progress:

- Reducing global carbon dioxide emissions is a critical challenge for society. We see the potential for financial services to facilitate investment that can help the world transition to a low-carbon economy.
- In 2015, our Global Research team was ranked number one for Integrated Climate Change for the second year running in the Extel Survey.
- Our Asset Management business joined the Montreal Pledge to disclose the carbon intensity of its portfolio.
- In 2015, the Group issued a green bond for the first time when HSBC France raised €500m to fund customers and projects in the following sectors: renewables, energy efficiency, sustainable waste and water management, sustainable land use, climate change adaptation, and clean buildings and transportation.
- HSBC also pledged to invest \$1bn in a portfolio of green, social or sustainable bonds. More detail is available on page 27 of our Strategic Report 2015.

- 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. By 2015, our annual per employee carbon emissions had reached 2.97 tonnes.
- Our total carbon emissions have reduced by 22% between 2011 and 2015.
- We have signed agreements to increase the percentage of our electricity from new wind and solar sources to 9%, and have a target of 25% by 2020. This approach led to a wind farm opening in the UK in 2015.

Anti-Corruption

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

Policies: Global Standards Manual (Anti-Bribery & Corruption Principles) and HSBC Anti-Bribery & Corruption Policy

- HSBC's Anti-Bribery & Corruption Policy gives practical effect to global initiatives such as the Organisation of Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and Principle 10 of the United Nations Global Compact.
- The global Anti-Bribery and Corruption programme is informed by our membership on various organisations; including the B-20, Madison Group and Wolfsberg.
- We have risk based Global Policies for our Third Parties which include principles in relation to anti-bribery and corruption, focusing on the UK Bribery Act, the Foreign Corrupt Practices Act (FCPA) and the Hong Kong Prevention of Bribery Ordinance (POBO).
- The "HSBC Group Anti-Bribery and Corruption Policy Statement", which is published on our website states that HSBC does not tolerate the giving or receiving of bribes, including the making of facilitation payments. The statement sets out clear anti-bribery principles on key issues such as our relationships with associated persons, gifts and entertainment, recruitment, charitable giving and political contributions.
- We are committed to implementing the most effective global standards to combat financial crime. This comprehensive approach is designed to help us detect, deter and prevent financial crime. This goes beyond simple compliance with legislation to develop a culture of compliance and ethical behaviour. These principles are reflected in our Policies and communications both internally and externally.

Progress:

The Financial System Vulnerabilities Committee ('FSVC') is a sub-committee of the HSBC Holdings Board and has non-executive responsibility for governance, oversight and policy guidance over HSBC's framework of controls and procedures designed to identify areas where HSBC and the financial system more broadly may become exposed to financial crime or system abuse. The FSVC has continued to provide governance and oversight of AB&C related matters during 2015.

Under this governance structure, HSBC has developed a Global AB&C programme which focuses on consistency and standardisation: setting strategy, standards, education, planning and providing oversight. This has included developing a global AB&C risk assessment, enhancements to current policies & processes and independent monitoring & testing, assurance and audit activities.

During 2015, HSBC has also focused on developing local expertise to implement and embed the Global AB&C enhancement programme and provide local legal and regulatory knowledge, cultural understanding, and language skills. This has been supported by an AB&C Communication strategy that includes:

- an e-learning mandatory training course for all staff that provides a comprehensive level of knowledge
- targeted role-based bespoke training to our highest risk roles
- regular communications and guidance to staff, such as festive season reminders and latest case updates
- the promotion of a culture of regular, open discussions between staff and management.