UN Global Compact Communication on Progress 2008

Statement of continuing support

The four key pillars of the UN Global Compact – protection of human rights, international labour standards, the environment, and prevention of corruption – represent the foundation for sustainable business practice. Without them, corporations will fail.

HSBC became a signatory to the Global Compact in 2000. Nine years on, we maintain our commitment and have embedded the principles into our Group standards and policies. Ensuring that the Principles are made real in our day-to-day operations is a continuous activity of my 325,000 colleagues globally.

In 2008, we set new targets for water, waste, carbon dioxide and energy usage, and HSBC was the most highly rated back for climate change governance by the US investor coalition, Ceres. We were also pleased to report an increase in the percentage of employees who feel that diverse perspectives are valued by the bank, from 68% in 2007 to 70% in 2008.

Stephen Green, Group Chairman HSBC Holdings plc
July 2009

UN Global Compact Principles

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


Progress:

- 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.
- In late 2008, HSBC hired a Group-wide sustainability manager in purchasing to drive human rights and environmental improvements in the supply chain. In mid-2009 HSBC implemented a more robust supplier assessment process.

Principle 2: Businesses must ensure their own corporations are not

GRI Indicators

HR2
complicit in human rights abuses

**Policies:** Business Principles and Values, Ethical Code of Conduct

**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. In 2008, HSBC updated its Forest Land and Forest Products Sector Policy, which requires that the rights of communities and workers are safeguarded.
- HSBC works with suppliers who share our commitment to sustainability and stipulate environmental and employment conditions criteria in tenders. HSBC’s ‘Request for proposal’ process requires confirmation of adherence to ethical and sustainable business practices from any third party supplier.
- Since 2007, HSBC has completed over 275 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.

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

**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, 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 and stipulate the need to abide by local laws.
and 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.

**Principle 5**: Business should support the effective abolition of child labour  
**Progress**:  
- 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.

**Principle 6**: Business should support the elimination of discrimination in respect of employment and occupation  
**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 2008, HSBC established a renewed strategy and governance framework for diversity. Particular focus is given to improving diversity at leadership levels and in the talent pipeline with respect to gender and ethnicity, and addressing barriers to age diversity.  
- Our Global People Survey showed that 70% of employees felt that diverse perspectives were valued in 2008, compared with 68% in 2007.  
- 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  
**Policies**: Group Standards Manual, *Sector policies*  
**Progress**:  
- In 2008, HSBC reviewed and reissued its Forest Land and Forest Product Sector Policy. The revised policy provides
additional guidance to our offices to ensure the consistent application of this policy.

- As a member of the Roundtable on Sustainable Palm Oil, HSBC has welcomed the progress made in 2008 on oil palm plantation certification and, in 2009, we will look to reflect these improved standards in our policy.
- In 2009, HSBC will review its Energy Sector Policy to take into account the changing regulatory environment, new research and developing technologies. The revised policy will include a particular emphasis on climate change.

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

**Policies:** Sector policies, Environmental Footprint Targets

**Progress:**

- 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 380 HSBC employees to complete intensive climate change training programme run by Earthwatch; large-scale, long-term monitoring plots launched by the Smithsonian Tropical Research Institute; the management of 14,000 square kilometres of protected wetland along the Yangtze River in China.
- In 2008, new three-year targets to reduce carbon emissions from business air travel for the Group, to start in 2009, were agreed.
- In 2008, HSBC established a new working group comprising heads of sustainability for Corporate Real Estate, IT and Purchasing, with the aim of embedding the management of our direct impacts in operational business units.

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

**Policies:** Sector policies, Group Sustainable Development Strategy

**Progress:**

- The challenge of climate change will need to be addressed by new technologies, for example new forms of energy generation. In response to this opportunity, in 2007, the HSBC Climate Change Benchmark Index was launched, providing a comprehensive view of companies focused on developing solutions to combat the effects of climate change across many business sectors. The Index aims to provide information to clients making investment decisions about
climate-related products and services.

- In 2007, HSBC launched the Global Environmental Efficiency Programme, a US$90 million programme over five years to promote innovative and technology-driven environmental initiatives. In 2008, some of the money was used to install solar panels in the UK, the USA, Mexico, Brazil, Argentina, Hong Kong and Malta, covering a total of 1,500 square metres.

- A reduction in energy use per head of 4.6% was achieved for buildings in our target programme in 2008 (this excludes data centres). This was achieved through the implementation of initiatives such as the installation of ‘intelligent’ lighting systems, and efficient air conditioning and heating equipment; and the use of renewable technologies such as ground sources heat pumps, solar thermal and photovoltaic panels, and micro wind turbines.

**Principle 10:** Businesses should work against corruption in all its forms, 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.