

UN Global Compact Communication on Progress 2014

Statement of continuing support

I am 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.

How we do business is as important as what we do. For us, sustainability means building our business for the long term by balancing social, environmental and economic considerations in the decisions we make. This enables us to help businesses to thrive and contribute to the growth and resilience of communities.

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 stakeholders and shareholders. Restoration of trust in our industry remains a significant challenge but it is a challenge we must meet successfully. We owe this not just to society but to our staff to ensure they can be rightly proud of the organisation to which they have committed their careers.

In this short document 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

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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 Code of Conduct for Suppliers](#), [HSBC Global Standards Manual](#), [Sustainability Risk Policies](#)

- HSBC has expressed its support for the UN Universal Declaration of Human Rights since 2004, and states this publicly in our [Strategic Report 2014](#) (page 38).
- HSBC also applies the Equator Principles, and supports the Extractive Industry Transparency Initiative, the Global Sullivan Principles, and principles and standards issued by the Wolfsberg Group.
- 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:

- In 2014, some 145,000 employees received values training in addition to 135,000 employees in 2013. A further 100,000 employees are expected to receive this training in 2015. A number of employees left the Group for breaching our values. We report on the HSBC Values on pages 10 and 19 of the Strategic Report 2014.
- In 2014 we made a number of updates to our sustainability risk framework, including issuing new policies on forestry, agricultural commodities and World Heritage Sites and Ramsar Wetlands. We also have policies covering chemicals, defence, energy, freshwater infrastructure and mining and metals. We also apply the Equator Principles. More details are available at hsbc.com/sus-risk.
- Our Supplier Code of Conduct aims to ensure that our suppliers integrate sustainability into their products and services and help us meet our goals. In 2014 we reviewed high risk commodities and in 2015 we plan to roll out our ethical audit programme globally and undertake detailed sustainability analysis across 50% of vendor spend.

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 negotiate and consult with recognised unions as appropriate. The five highest concentrations of union membership are in Argentina, Brazil, mainland China, Malta

and Mexico. 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 18-20 of the [Strategic Report 2014](#).

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 Code of Conduct for Suppliers 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.

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

- HSBC has publicly stated its commitment to the principles of sustainable development.
- 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.
- 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.

- 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:

- The HSBC Climate Change Centre of Excellence, based in our Global Research division and established in 2007, was ranked number one by Thomson Reuters EXTEL in 2014.
- 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 2014, our annual per employee carbon emissions had fallen to 2.92 tonnes. Further detail is available on our website at hsbc.com/sustainability.
- Year on year, our climate business revenues are growing. In 2014, HSBC supported deals in the solar, wind, energy efficiency, low-carbon transport and water sectors.

Anti-Corruption

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

Policies: HSBC Global Standards Manual, HSBC Group Business Policy and Principles for Countering Bribery (which specifically refer to HSBC's commitment to Principle 10), HSBC Group Money Laundering Deterrence Programme Global Policy and Principles.

- 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 employ experts on these issues and are involved in progressing the global anti-corruption programme through our membership on various organisations; including

membership of B-20, Madison Group, American Society of International Law and Instituto Mexicano de Mejores Practicas Corporativas (IMMPC).

- 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 FCPA and the Hong Kong POBO.
- The HSBC Anti-Bribery & Corruption Compliance Function (AB&C) is committed to ensuring that the highest global standards are implemented by the business in any location where HSBC operates. HSBC will apply those standards to the fullest extent permissible under locally applicable laws and regulations. However, HSBC 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') which provides oversight and policy guidance over the Group's framework of controls and procedures designed to identify financial crime and system abuse risks, has continued to provide oversight of AB&C related matters during 2014.

Under this governance structure, HSBC has developed a Global AB&C Function which focuses on consistency and standardisation: setting strategy, standards, education, planning and providing oversight. This has included developing and piloting enhancements to current policies and processes.

In 2014 HSBC has also focused on developing local expertise to implement the Global AB&C enhancement programme and provide local legal and regulatory knowledge, cultural understanding, and language skills.

HSBC has developed a Global AB&C risk assessment process which supplements independent monitoring & testing, assurance and audit activities.

In addition, HSBC has launched an AB&C Communication strategy that includes:

- a new 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
- the development of a culture of regular, open discussions between staff and management.