
“We recognise that we have responsibilities not only towards our customers, employees and shareholders, but also the countries and communities in which we operate.”

- Douglas Flint, HSBC Group Chairman

HSBC was huge: for the financial year 2014, its 266,000 employees in 6,100 offices in 73 countries served 51 million customers. That year, the bank generated a net income of US$61.2 billion, a number that was higher than the GDP of 125 countries around the world. Its sheer size meant that it touched the lives of millions of people, and its decisions and actions impacted thousands of communities in which it operated. The bank’s responsibilities, therefore, went beyond generating profits for its shareholders. That is, it had obligations to the communities and millions of stakeholders. To HSBC, sustainable business meant not only generating profits but also fulfilling its obligations.

To allow transparency into its works, and more importantly, its achievements on sustainability issues, HSBC published yearly sustainability report, which was compiled by following the Global Reporting Initiatives (“GRI”) Reporting Framework and the GRI’s financial services sector supplement. It had actively sorted to be the leading brand in the industry in terms of corporate sustainability. In the course of so doing, it had proactively and voluntarily agreed to follow and to be bounded by a number of third party code of conducts.

With over six thousand offices and hundreds of thousands of employees all over the world, how did HSBC ensure that its sustainability policy was consistently implemented? What were
its strategic priorities and how did they contribute to sustainable business of HSBC? What were the sustainability metrics against which the bank measures its performance? From a shareholder perspective, were all these efforts and investments in environmental, climate and community issues worth it from a business sustainability point of view?

In recent years, the banking industry faced some “well-founded public criticism,” which stemmed from “shifts in environmental priorities and societal expectations,” and the industry was working hard to rebuild public confidence in financial institutions. As a highly profitable and influential industry player, what role could HSBC uniquely play in building a socially responsible banking industry? How could it leverage its expertise in sustainable finance to contribute more effectively to sustainable social and economic development in the communities in which it operated?

**HSBC in Brief**

In 2015, HSBC celebrated its 150th birthday. In 1865, the Hong Kong and Shanghai Banking Corporation, one of HSBC’s founding members, was established as a local bank in Hong Kong to serve the China coast traders doing local and international trades. The bank’s hundred and fifty years’ heritage was a story of rapid expansion arising from the increasing rapid trading activities and commercial opportunities between Asia, Europe and North America. It was also a proof of its resilience to drastic changing environments; after all, it had survived two world wars, the great depressions and many other recessions. From a small bank in Hong Kong, HSBC had grown to become one of the world’s largest banking and financial services organizations headquartered in London.

HSBC went public in 1991 with primary listing in stock exchanges of Hong Kong and London. Since then, the bank had secondary listings in stock exchanges of Paris, Bermuda and New York. The multiple listings of the world’s fifth largest bank had facilitated 216,000 investors from 127 countries and territories to become its shareholders, as reported in its 2014 annual financial report. The year also saw the bank generated a profit of US$18.7 billion out of a net income of US$61.2 billion, a number that was higher than the GDP of 125 countries around the world. The bank employed 266,000 staff in over 6,100 offices located in seventy three countries and territories across five geographical regions of Europe, Asia, the Middle East and North Africa, North America and Latin America.

According to the bank’s 2014 report, it had served fifty one million customers through four lines of global businesses:
- retail banking and wealth management,
- commercial banking,
- global banking and markets, and
- global private banking.

---


HSBC Sustainability – An Introduction

HSBC stated that “sustainability means building … business for the long term by balancing social, environmental and economic considerations in the decisions (made)”… This … help(s) businesses thrive and contribute to the health and growth of communities”. According to its sustainability reports, HSBC had put long-term considerations as priorities and long-term cognition was crucial to its success. This position on sustainability meant that the bank recognised that its sustainable well-being came hand-in-hand with the positive development of the communities and environments in which it operated. Because of this conscious regards that its actions and decisions bore not only economic but social and environmental consequences to the world, the bank had repeatedly taken stand that how it did business was as important as what business it did.

Strategic Priorities and Sustainability

It was under this conviction that HSBC embedded sustainability into its latest three-year (2014-2016) strategic priorities, which were made up of three equally important areas:

- grow the business and dividends,
- implement global standards, and
- streamline processes and procedures.

The bank expected that delivering these priorities would create values for its shareholders and stakeholders, thus achieving long-term sustainability. For instance, streamlining processes and procedures would not only improve operation efficiencies and reduced cost of service, it would also mean reduced resources consumption. Thus, customers would find it easier to do business with the bank, the bank would be able to lower its cost structure in serving customers while more efficient consumption of scarce resources was achieved in doing business. Likewise, in order to successfully implement a set of global standards, the bank would need to strive to create a corporate culture based on the HSBC values.

HSBC Values and Business Principles

The approach of linking strategic priorities with sustainability would help to ensure that the same set of fundamental considerations, standards, principles and values were embedded in the bank’s many decisions. It would also ensure that its thousands of employees served its millions of customers around the globe in ways that shown its business principles and reflected the same set of HSBC values (for details of HSBC values and business principles, see Exhibit 1).

The bank’s values and business principles were simple and basic on paper. “We expect our … employees to act with courageous integrity in the execution of their duties in the following ways:

- Be independent and do the right thing…
- Be open to different ideas and cultures…
- Be connected with our customers, communities, regulators and each other…” (see Exhibit 1 for more details).

But when they were put in the context of achieving alignment among 266,000 people in 6,100 different locations of seventy three countries and territories across five geographical regions,

---

it would not be hard to understand the high level and matrix structure the bank had in place to deliver sustainability (see section on Sustainability Organization Structure below).

Values alignment and grooming of corporate culture with sustainability as a core element commended massive training resources. From the numbers of employees that were reported to have received focused value training during the period 2012-2014, a number that was much higher than 266,000, it was likely that HSBC would arrange its employees to attend multiple focus training sessions.10

Sustainability Organization Structure

HSBC’s corporate sustainability was governed by a subcommittee of its board, the conduct and values committee. The committee was formed to ensure that “in conduct of its business, HSBC treats customers fairly and openly, does business with the right clients and in the right way, is a responsible employer, acts responsibly towards the communities in which HSBC operates and treats other stakeholders fairly”.11 The setting of sustainability priorities and programs was the responsibility of the bank’s global corporate sustainability function, one of the eleven corporate functions of HSBC, and was headed by a group managing director.12

The corporate sustainability function worked through local offices to implement sustainability initiatives and to manage sustainability risk. Country operations, all global functions and global businesses were expected to work together to ensure sustainability was embedded in their operations and businesses and that implementation of sustainability programs and initiatives at local offices were properly managed and delivered. In addition, two other corporate functions of HSBC, the HSBC technology and services function and the global risk function, held specific responsibilities to deliver certain sustainability programs for the group. For instance, the technology and services function had the responsibilities to deliver “greater automation and standardization” and to optimize the bank’s operation model, works that were crucial to achieving sustainable operation of the bank.

Sustainability in Action

The bank’s works on sustainability had three focus areas: sustainable finance, sustainable operations, and sustainable communities.

Sustainable Finance

Within the domain of sustainable finance, HSBC reported that it had taken a proactive approach to ensure that its funding provisions to customers and businesses were not channelled to projects and usage that would have negative societal and/or environmental impacts that out-weighted the economic gains. In addition, the bank had reported that it had used its influence on sector customers, whose activities bore significant implications to the environment, to try and turn their activities in alignment with sustainable principles. These sensitive sectors included forestry, mining and metals, fresh water infrastructure, energy and chemicals. According to the bank, it had set requirements and compliance deadlines for forestry and palm oil customers to meet specific standards and third-party certification that

---

10 According to the bank’s 2013 sustainability report and 2014 annual report, the number of employees that had received focused value training in 2012 was 103,000, that for 2013 was 135,000 and that for 2014 was 145,000.


12 The eleven corporate functions of HSBC were communications, company secretaries, corporate sustainability, finance, HSBC technology and services, human resources, internal audit, legal, marketing, risk (including compliance) and strategy and planning.
their operations met legal and sustainable standards. The bank pledged to end customer relationships with those that failed or unwilling to meet its requirements (for more details on how HSBC managed sustainable risk associated with business opportunities of sensitive sectors, see section on Managing Sustainable Risk).

Besides taken a responsible approach to positively influence customers from sensitive sectors, HSBC had cultivated customers and business opportunities associated with the climate business sector, that is, “clients in the solar, wind, biomass, energy efficiency, low-carbon transport and water sector”.\(^{13}\) The sector was of growing importance as economies transited into low-carbon nature. The bank had not only directly offered supports to customers of the climate business sector, it had also provided back-up and support services to institutional investors to facilitate their investment decisions in financing low-carbon business opportunities that had the potential to reap long-term commercial, social and environmental benefits.

**Sustainable Operations**

For any corporation, implementing initiatives for sustainable operations provided economic and environmental incentives. The huge and geographically stretched operations of HSBC offered ample rooms for the bank to reap such benefits. To achieve so, HSBC had set a ten-point sustainable operation strategy (see Exhibit 2 for details). The strategy used 2011 as the base year and had et ambitious targets in reducing carbon footprint, energy and resources consumption of the company’s operations by 2020. For instance, the bank aimed at recycling 100% of office waste and electronic waste and increased energy consumption from renewables to 25% by 2020 from zero. To enable this, HSBC had set up an eco-efficiency fund of US$50 million a year to encourage employees’ innovations in developing new ways of operations.

To ensure it could deliver the targets set out under this operation strategy, the bank formulated a sustainability leadership programme and had trained over 800 senior managers since the programme was rolled out in 2009. The ultimate aim of the programme was to ensure these executives would embed sustainability into the way they run their business or functional operations. In addition, to ensure clear accountability and responsibility, the bank appointed a business owner for each of the ten operation targets to drive for year-on-year improvements and measurable results (see Exhibit 2 for information of business owner of each operation target). Performance of progress made in delivering each operation target were tracked and reported in plain numbers each year in the company’s annual report and its sustainability report.

**Sustainable Communities**

“Our long-term partnership with charities build trust, promote sustainable change and support their organizational development. ”

- Simon Martin, Head, Global Corporate Sustainability, HSBC\(^{14}\)

The bank’s community investment focused on two main themes, education and the environment. Projects were run through partnership with global and local non-profit organizations. In making investment choices in community projects, the bank followed four principles to ensure programmes should:


• have significant global impact while have local relevancy;
• mobilize the bank’s business skills to manage partnership with charities, while the programmes should be long-term and of proactive nature in addressing either education or environmental problems, and with clearly defined objectives;
• provide HSBC employees with opportunities to deploy their skills while HSBC could provide funding;
• provide engaging and inspiring experience for HSBC staff.

Applying these principles on the one hand allowed HSBC to make donations to community projects worth supporting, and on the other hand provided enlivening volunteer work exposures to the bank’s employees. In 2013 and 2014, the bank made respectively US$117 million and US$114 million investments in community projects around the world. In addition, by offering paid leaves for its staff to participate in volunteer works and by enabling local offices to organize staff volunteer work schemes, the bank donated over 250,000 and over 300,000 volunteer hours of its employees work time in 2013 and 2014 respectively.

According to the bank’s reports, these significant monetary and manpower investments had enabled local and global non-profit organizations to provide disaster relieves, to run education programmes for under-resourced young people, to offer programmes on financial literacy, to provide scholarships and to approach water challenges with the long-term HSBC Water Programme (see Exhibit 3 for more details of the HSBC Water Programme).

Managing Sustainability Risk

Sustainability risk referred to “the risk that the environmental and social effects of providing financial services outweigh the economic benefits”. In its annual reports, HSBC always discussed and analysed its sustainability risk alongside with the rest of other risks that the bank was exposed to, including credit risk, liquidity and funding risk, pension risk, fiduciary risk, reputational risk, compliance risk and insurance risk. As the bank had discussed in its 2014 annual report, “sustainability risk can also lead to commercial risk for customers, credit risk for HSBC and significant reputational risk”.

Interconnected Financial and Non-Financial Risks

When HSBC provided financial services to clients with operations or with projects that might be counter to the needs of the environment or against the interest of sustainable development, the bank not only incurred sustainability risk but also committed credit risk. Overall, the world was shifting towards a tighter regulatory environment that looked to confine corporations’ actions to reduce environmental and social stress. Such clients’ ability to meet regulatory requirements was directly linked to long-term viability of their projects or operations. The risk of such clients’ actions that might result in actual damage would directly affect their ability to repay loans. As a financial service provider, it was therefore to the bank’s interest to ascertain the associated sustainability risk and credit risk before funding provisions were made to finance projects or operations of such clients.

---

16 Ibid; for more details of how HSBC volunteers were supported by the bank in Hong Kong and in U.K., students might refer to: HongKongBank Foundation (n.d.) “HSBC Volunteers”, http://www.hongkongbankfoundation.org/1/2/foundation/volunteers (accessed 8 April 2015) and Sustainability (n.d.) “Encouraging Volunteering”, HSBC, https://www.hsbc.co.uk/1/2/ (accessed 8 April 2015).
Brand and reputation building and maintenance was a common concern of sustainability pursuit of corporations, and HSBC should be of no exceptions. For HSBC, its reputation was at risk if it failed to meet expectations of its stakeholders “as a result of its action or inaction, either by HSBC itself, its employees or those with whom it is associated, that may cause stakeholders to form a negative view of HSBC”. Not effectively mitigating the bank’s sustainability risk would also negatively affect the group’s brand and reputation. Environmental or societal damage arising from projects or companies funded or served by HSBC might tarnish the bank’s reputation. An example would be a lawsuit that HSBC was facing in the United States for handling billions of dollars for financial institutions that help funded extremist.

The Equator Principles and HSBC Sensitive Sector Policies

To help manage and contain its sustainability risk and associated risk elements, HSBC had adopted the Equator Principles and had developed policies that govern project finance and lending activities associated with sectors of customers whose activities had high implications on either the environment or the society.

The Equator Principles

The Equator Principles were developed in 2003 by a group of financial institutions and was a process framework in managing risks and impacts on the environment and society that arisen from funding provisions to projects or operations (for details of the Equator Principles, see Exhibit 4). The principles called for financial institutions to categorise and assess projects seeking financing in accordance to their degrees of possible environmental or social impacts. It required funding provisions be subjected to action plans to address possible risks and to imposing compliance requirements on the clients. It demanded transparency with affected communities. Financial institutions were also required to monitor and compile reports on impacts and mitigation of risks throughout the lifespan of projects funded. In 2003, HSBC adopted the principles voluntarily and deployed it “for all new project financings globally with total project capital costs of US$10 million or more, and across all industry sectors”.

HSBC Sensitive Sector Policies

In addition, to further mitigate sustainability risk in financing projects of sensitive industries the bank had developed its own set of sector policies (for a list of HSBC sector policies, see Exhibit 5). These sensitive industries were forestry, mining and metals, fresh water infrastructure, energy and chemicals. They were regarded as having high potential negative impacts on the society or the environment. The policies were developed, and reviewed periodically, in consultation with “customers, industry experts, shareholders and non-government organizations” and whenever possible, in accordance to international standards of good practices. These policies were developed by the group’s central corporate sustainability

---

20 Barrett, P. (19 February 2015) “The Big Bet to Hold Banks Liable for Terrorism”, Bloomberg Business, [http://www.bloomberg.com/news/articles/2015-02-19/are-credit-suisse-rbs-standard-chartered-hsbc-and-barclays-terrorism-banks](http://www.bloomberg.com/news/articles/2015-02-19/are-credit-suisse-rbs-standard-chartered-hsbc-and-barclays-terrorism-banks) (accessed 8 April 2015). In Freeman Vs HSBC, HSBC was accused of handling “hundreds of billions of dollars in international transfers for Iranian financial institutions. The Iranian financial institutions, in turn, have moved money for the Islamic Revolutionary Guard Corps (IRGC), an elite Iranian paramilitary organization, and for Hezbollah, the militant Shia movement based in Lebanon and backed by Iran. The Revolutionary Guard and Hezbollah have trained and armed Shia groups in Iraq that have kidnapped, shot, and blown up Americans, including Vincent and Freeman.”
team and were approved by HSBC’s risk management meetings of the group management board.

**Implementation**

While the bank relied on its relationship managers to check whether customers had met requirements of applicable policies, it had around 50 sustainability risk managers to provide them with guidance. It also engaged external experts to confirm customers had met its policies. For the implementation of the Equator Principles, the bank used independent consultants and resorted to credible independent certification schemes wherever available. As transparency in reporting was also required, the bank commissioned an independent assurer every year to review the Principles application and reporting.

To ensure the involved personnel were equipped with the knowledge and skills to help mitigate the bank’s sustainability risk, trainings and capacity building programmes were provided. In addition, the bank used system-based processes to institute control points to help responsible managers to consistently apply relevant policies. The system-based infrastructure not only helped to capture management information that reduced the cost of reviews by the managers, it also enabled reporting and measuring of the bank’s impact of financing activities on the society the environment.

**Sustainability Reporting**

HSBC published annually a financial report and a sustainability report. The latter was not absolutely required from a regulatory perspective (see Exhibit 6 on legal requirement of corporate social responsibility reporting in the United Kingdom), therefore, HSBC had published it yearly more for the purpose of complementing its annual financial report than for regulatory compliance purpose. On the one hand, the group’s financial report had a full section on sustainability where it discussed and reported sustainability activities that contributed most to the bank’s strategy delivery and the company’s achievements in the reporting year. It also contained a good discussion and analysis of the group’s sustainability risk alongside other risk elements that the group was facing. On the other hand, the sustainability report gave a full picture of the detail progress of initiatives and projects within the domain of HSBC sustainability. Wherever possible, the group provided benchmark figures and trackable numbers with past two years’ performances. It was apparent that the group had a clear intent to target global stakeholders who had professional interests in the matters reported as the major audience group for the sustainability report.

**Evolvement**

Before 2007, the sustainability report was called corporate responsibility report. The change in name of the report from 2007 represented the group’s acknowledgement of the interconnectedness between the bank’s commercial activities and their social and environmental implications on the bank’s long-term sustainability. It was reported that the change “also reflected an internal shift as responsibility for direct environmental footprint, sustainability risk and business opportunities, and community investment activities were brought together into a department called corporate sustainability”.23

Changes in HSBC’s sustainability reports over the years also reflected evolution of the company’s sustainability focus and efforts. In answer to changes in social and stakeholders’ expectations, there was a year-on-year shift of more focus and resources by the bank onto

---

addressing environmental issues. For instance, community investments of the bank had evolved from the earlier years’ ad hoc nature to focus on two themes, education and the environment. For another instance, there was gradual increase in data provided on environmental impacts of the bank’s operation. In addition, the bank had, over the years, expanded the number of long-term reduction targets on its operations’ environmental impacts and had given full reports in progress achieved.

**Reporting Frameworks**

The bank’s sustainability reporting started to follow the Global Reporting Initiative guidelines in 2004 (see Exhibit 7 for an overview of Global Reporting Initiative). The same year also saw the bank’s efforts to ensure transparency in reporting its applications of the Equator Principles. Global Reporting Initiative emphasized the use of “metrics and methods for measuring and reporting sustainability-related impacts and performance”. The reporting requirement of the Equator Principles called for unambiguous year-on-year display of number of transactions approved and values of loans associated with three different levels of risks.

In 2007, the bank also adopted the connected reporting framework. This framework advocated that “reported information should identify and explain the connection between the organization’s strategic objectives, the industry, market and social context within which the business operated, the associated risks and opportunities it faced, the key resources and relationships on which it depended… it should explain the connection between delivery of the business’s strategy and its financial and non-financial performance”.

**Assurance**

HSBC had always engaged independent third party to audit and to offer assurance on data related to the application of Equator Principles and the company’s carbon emissions. These two areas were selected for assurance likely because they were not only of interest but also of use to two groups of specific stakeholders, the sustainable and responsible investment community and globally influential NGOs. These two groups of stakeholders followed clear processes in tracking and benchmarking sustainability performances of international corporations of scale, such as HSBC. Third party audited data provided assurance that rigor was in place in the process of managing commercial activities with environmental implications as well as in reports compilation.

---

Looking Forward

We must keep in perspective the enormous benefits of a properly focused and functioning financial system. These range from:

- the efficient allocation of financial resources that enhances economic growth;
- to the financial innovation that allows those investing in new and complex areas to manage the related project risks;
- and on to the creation of the products and services that allow individuals and companies to realize their ambitions and contemplate their future with confidence.

- Douglas Flint, HSBC Group Chairman

With the banking industry facing the challenges of shifting expectations from social, regulatory and public policy perspectives, true sustainability of the industry and its players depended upon the latter’s recognition and execution of the transformations required by “a properly focused and functioning financial system.” As one of the largest banks in the world, HSBC had a critical role to play in fostering such systemic transformation, which was pivotal to sustainable social and economic development. As an influential, highly profitable industry player, what unique role should it take with respect to sustainability?

Looking ahead, the bank planned to focus its future investments on new products designed for better risk management, on deployment of technologies to increase the accessibility of financial services, and on enabling the world’s aging population to deal with retirement. Within these focused investment domains, should the bank introduce a focus on “sustainable communities” – in addition to education and the environment – to leverage its financial expertise directly to contribute even more effectively to the communities in which it operated?

---

27 Ibid.
28 Ibid.
EXHIBIT 1A: HSBC VALUES

In HSBC’s 2013 sustainability report, HSBC used the following to describe its values:

Our Values

Embedding HSBC Values in every decision and every interaction with customers and with each employee is a top priority for the Group and is shaping the way we do business.

The role of HSBC Values in daily operating practice is fundamental to our culture, and is particularly important in the light of developments in regulatory policy, investor confidence and society’s expectations of banks. HSBC Values are integral to the selection, assessment, recognition, remuneration and training of our employees. We expect our executives and employees to act with courageous integrity in the execution of their duties in the following ways:

Be dependable and do the right thing

• stand firm for what is right, deliver on commitments, be resilient and trustworthy;
• take personal accountability, be decisive, use judgement and common sense, empower others.

Be open to different ideas and cultures

• communicate openly, honestly and transparently, value challenge, learn from mistakes;
• listen, treat people fairly, be inclusive, value different perspectives.

Be connected with our customers, communities, regulators and each other

• build connections, be externally focused, collaborate across boundaries;
• care about individuals and their progress, show respect, be supportive and responsive.

EXHIBIT 1B: HSBC BUSINESS PRINCIPLES

In HSBC’s 2013 sustainability report, HSBC used the following to describe its business principles:

Our business principles
Our business principles set the standard by which we derive our strategy and make commercial decisions. Together our values and business principles form our character and define who we are as an organisation and what makes us distinctive. They describe the enduring nature of how we do business. We aim to bring these values and business principles to life through our day-to-day actions.

Business principles
- Financial strength – maintain capital strength and liquidity
- Risk management – be enterprising and commercial, understand and be accountable for the impact of our actions, take prudent decisions
- Speed – be fast and responsive, make principles-led decisions
- Performance focus – drive leading, competitive levels of performance, act with urgency and intensity, prioritise, simplify
- Efficiency – focus on cost discipline and process efficiency
- Quality – pursue excellence

- Customer focus – provide outstanding customer experience
- Integrated – align the Group and break down silos
- Sustainability – take a long-term outlook, understand impact of actions on stakeholders, brand and reputation

EXHIBIT 2: HSBC SUSTAINABLE OPERATION STRATEGY AND BUSINESS OWNERS

<table>
<thead>
<tr>
<th>HSBC Ten-point Sustainable Operation Strategy29</th>
<th>Business Owner30</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sustainable engagement: encourage employees to deliver improved efficiency by 2020</td>
<td>Sustainability Engagement Head, HSBC Technology and Services</td>
</tr>
<tr>
<td>2. Supply chain collaboration: sustainable savings through efficiency and innovation</td>
<td>Chief Procurement Officer</td>
</tr>
<tr>
<td>3. HSBC Eco-efficiency fund: US$50 million annually to develop new ways of working, based on employee innovations</td>
<td>Group Chief Operating Officer</td>
</tr>
<tr>
<td>4. Energy: reduce annual energy consumption per employee by 1MWh by 2020, compared to 6.2MWh in 2011</td>
<td>Global Head of Corporate Real Estate</td>
</tr>
<tr>
<td>5. Waste: use less, and recycle 100% of office waste and electronic waste</td>
<td>Global Head of Corporate Real Estate</td>
</tr>
<tr>
<td>6. Renewables: aim to increase energy consumption from renewables to 25% by 2020 from zero</td>
<td>Global Head of Corporate Real Estate</td>
</tr>
<tr>
<td>7. Green buildings: design, build and run energy efficient, sustainable buildings to the highest international standards</td>
<td>Global Head of Corporate Real Estate</td>
</tr>
<tr>
<td>8. Data centres: achieve an energy efficiency (power usage effectiveness rating of 1.5 by 2020)</td>
<td>Global Head of IT Operation</td>
</tr>
<tr>
<td>9. Travel: reduce travel emissions per employee</td>
<td>Chief Procurement Officer</td>
</tr>
<tr>
<td>10. Paper: paperless banking available for all retail and commercial customers and 100% sustainably sourced paper by 2020</td>
<td>Global Head of Service Delivery</td>
</tr>
</tbody>
</table>


29 The ten point sustainable operations strategy was from p.38 of 2014 HSBC Annual Report.
30 The business owners of the ten-point sustainable operation strategy was according to information provided in p. 17-20 of the HSBC 2013 Sustainability Report.
EXHIBIT 3: HSBC WATER PROGRAMME

The following was an extract from the source below on the HSBC Water Programme. Only two types of adaptations were made: changes from first person to third person narration and changes from present to past tense.

Launched in 2012, HSBC's Water Programme would support safe water projects in countries such as Cambodia…

Together with three leading NGOs – Earthwatch, WaterAid and WWF – this five-year programme (the HSBC Water Programme) would deliver the following goals:

- WaterAid would help provide safe water to 1.1 million people and sanitation for 1.9 million people in South Asia and West Africa
- WWF would protect freshwater ecosystems and resources in the Yangtze, Ganges, Mekong, Pantanal and African Rift Valley; they would also help thousands of small businesses tackle water risks and (would) support 115,000 fishermen and farmers to reduce fishing or farming impacts on water, whilst potentially improving livelihoods
- Together with Earthwatch, 100,000 HSBC employees across four continents would participate online in freshwater research and learning, and the bank would engage HSBC employees from all regions through one-day citizen science programmes.

By the end of 2013, the Water Programme partners had:

- Provided more than 400,000 people with safe water and more than 500,000 with sanitation.
- Organised hygiene education sessions in more than 1,500 schools.
- Supported the introduction of 15 new fish conservation zones in Thailand.
- Completed river flow studies to improve the management of the Ganges and Mekong river basins.
- Set up urban freshwater research projects in 24 cities.

EXHIBIT 4: THE EQUATOR PRINCIPLES

1. Categorize finance projects based on the magnitude of potential impacts and risks in accordance with the environmental and social screening criteria of the International Finance Corporation.

2. Conduct an assessment of the relevant social and environmental impacts and risks of the proposed project and propose mitigation and management measures relevant and appropriate to the nature and scale of the proposed project.

3. Establish the project’s overall compliance with, or justified deviation from, the applicable International Finance Corporation Performance Standards and relevant industry-specific guidelines.

4. Prepare an action plan that address the relevant findings and draw on the conclusions of the assessment.

5. Consult with project-affected communities in a structured and culturally appropriate manner.

6. Ensure that consultation, disclosure and community engagement continues throughout construction and operation of the project, and that a grievance mechanism is established as part of the management system.

7. Ensure that review of the assessment, action plan and consultation process documentation is conducted by an independent social or environmental expert not directly associated with the borrower.

8. Ensure specific elements are covenanted in financing documentation.

9. Ensure ongoing monitoring and reporting over the life of the loan.

10. Commit to reporting publicly at least annually about its Equator Principles application processes and experience, taking into account appropriate confidentiality considerations.

EXHIBIT 5: HSBC SECTOR POLICIES

HSBC had developed and was implementing the following sustainability risk policies:

- Agricultural Commodities Policy
- Chemicals Industry Policy
- Defence Equipment Sector Policy
- Energy Sector Policy
- Freshwater Infrastructure Policy
- Forestry Policy
- Mining and Metals Sector Policy
- World Heritage Sites and Ramsar Wetlands Policy

EXHIBIT 6: LEGAL REQUIREMENT OF CORPORATE SOCIAL RESPONSIBILITY 
REPORTING IN THE UNITED KINGDOM

The following was an extract from the source below. Adaptations to report in past tense were made.

The UK Government viewed corporate social responsibility as the voluntary actions that businesses could take, over and above compliance with minimum legal requirements, to address both their own competitive interests and the interests of wider society.

The relevant body of law and regulation in the UK set out certain reporting obligations which applied to quoted companies and premium listed companies.

Although no part of the UK Corporate Governance Code specifically addressed corporate social responsibility, the Corporate Governance Code touched on the need for the board to “set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met”. Furthermore, the Turnbull Guidance annexed to the Corporate Governance Code made clear that enterprise risk assessment should extend to “health, safety and environmental, reputation, and business probity issues”.

UK corporate legislation touched on corporate social responsibility in other ways as well. The Companies Act 2006 required all directors to consider the impact of the company's operations on the community and the environment when fulfilling their duty to promote the success of the company. The Companies Act 2006 also required that quoted companies produce a business review as part of their directors’ report that included information about environmental matters, employees and social and community issues, including information about any policies of the company regarding those matters and the effectiveness of those policies.

Furthermore the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013, which came into force on October 1, 2013, introduced an obligation for the directors of a company to prepare a standalone strategic report for each financial year. This report had to include a fair review of the company's business and to the extent necessary for an understanding of the development, performance or position of the company's business, an analysis using key performance indicators including information relating to environmental and employee matters. Quoted companies also had to make certain disclosures regarding greenhouse gas emissions in the directors’ report – but only to the extent that it was practical for the company to obtain the requisite information.

Additionally, a significant number of investor representative groups had updated their guidelines to make specific and detailed reference to corporate social responsibility matters.

EXHIBIT 7: AN OVERVIEW OF GLOBAL REPORTING INITIATIVE

The following was an extract from the source below. Adaptations to report in past tense were made.

GRI had pioneered and developed a comprehensive Sustainability Reporting Framework that was widely used around the world.

A sustainability report was a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities.

A sustainability report also presented the organization's values and governance model, and demonstrated the link between its strategy and its commitment to a sustainable global economy.

GRI's mission was to make sustainability reporting standard practice for all companies and organizations. Its Framework was a reporting system that provided metrics and methods for measuring and reporting sustainability-related impacts and performance.

The Framework – which included the Reporting Guidelines, Sector Guidance and other resources – enabled greater organizational transparency and accountability. This could build stakeholders’ trust in organizations, and led to many other benefits. Thousands of organizations, of all sizes and sectors, used GRI’s Framework to understand and communicate their sustainability performance.

GRI was an international not-for-profit organization, with a network-based structure. Its activity involved thousands of professionals and organizations from many sectors, constituencies and regions. The Framework was developed collaboratively with their expert input: international working groups, stakeholder engagement, and due process – including Public Comment Periods – helped made the Framework suitable and credible for all organizations.

GRI's Secretariat was located in Amsterdam, The Netherlands, and there were GRI Focal Points – regional offices – in Australia, Brazil, China, India, South Africa, and the USA. More than 600 Organizational Stakeholders – core supporters – played a vital part in endorsing GRI's mission.

GRI also enjoyed strategic partnerships with the United Nations Environment Programme, the UN Global Compact, the Organisation for Economic Co-operation and Development, the International Organization for Standardization, and others.

Source: Global Reporting Initiative (n.d.) “What is GRI?”,