

## HSBC Holdings plc 2007 Sustainability Report

### COLOUR KEY

COMPANY PROFILE DISCLOSURES (Governance + Strategy items)
MANAGEMENT APPROACH DISCLOSURES (6 Performance Areas)
CORE PERFORMANCE INDICATORS (compulsory)
ADDITIONAL PERFORMANCE INDICATORS (optional)
SPI FINANCIAL SERVICES SUPPLEMENT 2002
EPI FINANCIAL SERVICES SUPPLEMENT 2005

### Abbreviation & links

ARA - Annual Report and Accounts

SR - Sustainability Report

GRI G3 Guidelines	Reference/ Comment
1.1 Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	SR page 3 <i>Introduction by Group Chairman</i>
1.2 Description of key risks and opportunities	ARA pages 197-288
2.1 Name of the organisation	Front cover
2.2 Primary brands products and/or services, The reporting organisation should indicate the nature of its role in providing these products and services, and the degree to which it utilises outsourcing	ARA pages 16-130
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	SR pages 4-5 <i>About HSBC</i> , ARA pages 16-130 <i>Customer Groups and Global Businesses, Geographical regions</i>
2.4 Location of organisation's headquarters	SR Back cover
2.5 Number of countries where the organisation operates, and the names of the countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	SR pages 4-5 <i>About HSBC: HSBC around the world</i> , ARA pages 407-409
2.6 Nature of ownership and legal form	ARA Inside Front Cover
2.7 Markets served (including geographical breakdown, sectors served, types of customers/beneficiaries)	ARA pages 16-130

2.8 Scale of reporting organisation, including; number of employees, net sales (for private sector organisations) or net revenues (for public sector organisations; and total capitalisation broken down in terms of debt and equity (for private sector organisations) and quantity of products and services provided. Reporting organisations encouraged to provide additional information; total assets; beneficial ownership (including identity and percentage of ownership of largest shareholders); and breakdowns by country/region of the following: • Sales/revenues by countries/regions that make up 5 percent or more of total revenues; • Costs by countries/regions that make up 5 percent or more of total revenues; and • Employees.	SR pages 4-5 <i>About HSBC: HSBC around the world</i> and throughout ARA
2.9 Significant changes during the reporting period regarding size, structure or ownership, including: the location of, or changes in operations including facility openings, closings and expansions and changes in the share capital structure and other capital formation, maintenance and alteration operations	ARA pages 10, 415
2.10 Awards received in the reporting period	SR Inside front cover
3.1 Reporting period (e.g., fiscal/calendar year) for information provided	2007
3.2 Date of most recent report if any	2006
3.3 Reporting cycle (annual, biennial, etc.)	Annual
3.4 Contact point for questions regarding the report and its context	SR page 36
3.5 Process for defining report content, including determining materiality, prioritising topics within the report and identifying the stakeholders that the organisation expects to use the report. Include an explanation of how the organisation has applied the <i>Guidance on Defining Report Content</i> and the associated principles	SR page 1 <i>Executive Summary: About this report</i>
3.6 Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	SR page 1 <i>Executive Summary: About this report</i>
3.7 State any specific limitations on the scope or boundary of the report. If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organisation, state the strategy and the projected timeline for providing complete coverage	SR page 1 <i>Executive Summary: About this report</i>
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	SR page 1 <i>Executive Summary: About this report</i>
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	SR page 34 <i>DNV Assurance Statement</i>
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers/acquisitions, change of base year/periods, nature of business, measurement methods)	SR page 33 footnotes, 34 <i>DNV Assurance Statement</i>
3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	SR page 1 <i>Executive Summary: About this report</i>

<p>3.12 GRI Context Index Table identifying the location of the Standard Disclosures in the report. Identify the page number or weblinks where the following can be found: Strategy and analysis 1.1-1.2; Organisational profile 2.1-2.10; Report parameters 3.1-3.13; Governance, commitments and engagement 4.1-4.17; Disclosure of management approach per category, Core performance indicators, Any additional GRI indicators that were included, any GRI sector supplement indicators included in the report</p>	<p>This is the GRI Context Index Table</p>
<p>3.13 Policy and current practice with regard to seeking independent assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s)</p>	<p>SR page 1 <i>Executive Summary: Assurance of this report</i>, 34 <i>DNV Assurance Statement</i></p>
<p>4.1 Governance structure of the organisation including committees under the highest governance body responsible for specific tasks such as setting strategy or organisational oversight. Describe the mandate and composition (including the number of independent members and/or non-executive members) of such committees and indicate any direct responsibility for economic, social and environmental performance)</p>	<p>SR pages 6-7 <i>About HSBC: Governance, Corporate Sustainability Committee, Board committees</i>; ARA pages 289, 295-307</p>
<p>4.2 Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement).</p>	<p>ARA page 296</p>
<p>4.3 For organisations that have a unitary board structure state the number of members of the highest governance body that are independent and/or non-executive directors. State how the organisation defines 'independent' and 'non-executive'. This element applies only for organisations that have unitary board structures.</p>	<p>ARA page 297, 328</p>
<p>4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include references to processes regarding: the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and informing and consulting employees about working relationships with formal representation bodies such as organisation level works councils and representation of employees in the highest governance body. Identify topics related to economic, environmental and social performance raised through these mechanisms during the reporting period.</p>	<p>Website Memorandum and Articles of Association  <a href="http://www.hsbc.com/1/PA_1_1_S5/content/assets/investor_relations/060500_manda.pdf">http://www.hsbc.com/1/PA_1_1_S5/content/assets/investor_relations/060500_manda.pdf</a></p>
<p>4.5 Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance)</p>	<p>ARA pages 322-335</p>
<p>4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.</p>	<p>Found in the HGHQ articles of association (articles 130 to 137). See pages 2, 9-10 and 22-25 of the AGM notice 2008, at <a href="http://hsbc.com/investor-relations">hsbc.com/investor-relations</a> about proposed changes</p>

4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	ARA page 297
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation Explain the degree to which these: are applied across the organisation in different regions and department/units; and, relate to internationally agreed standards	SR page 7 <i>About HSBC: HSBC's values and embedding sustainability</i>
4.9 Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles Include the frequency with which the highest governance body assesses sustainability performance	ARA page 297-307
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	ARA page 297-307
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organisation Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organisation's approach to risk management in operational planning or the development and introduction of new products	SR throughout, most particular page 3 <i>Introduction by Group Chairman, 12-14 Climate Change, 15-17 Business Development</i>
4.12 Externally developed, economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses. Include the date of adoption, countries/operations where applied, and the range of stakeholders involved in the development and governance of these initiatives (e.g. multi-stakeholder, etc). Differentiate between non-binding, voluntary initiatives and those with which the organisation has an obligation to comply	SR page 8 <i>International commitments and memberships</i>
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. This refers primarily to memberships maintained at the organizational level.	SR page 8 <i>International commitments and memberships</i>
4.14 List of stakeholder groups engaged by organisations. Examples of stakeholder groups are communities, civil society, customers, shareholders and providers of capital, suppliers, and employees, other workers and their trade unions	SR pages 9-10 <i>Stakeholder engagement</i>
4.15 Basis for identification and selection of stakeholders with whom to engage. This includes the organisation's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage	SR pages 9-10 <i>Stakeholder engagement</i>

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. This could include surveys, focus groups, community panels, corporate advisory panels, written communication, management/union structures, and other vehicles. The organization should indicate whether any of the engagement was undertaken specifically as part of the report preparation process.	SR pages 9-10 <i>Stakeholder engagement</i>
4.17 Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting	SR pages 9-10 <i>Stakeholder engagement</i>
<b>Economic Performance - Management Approach</b>	ARA throughout, especially 131-288
EC1 Direct Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments (core)	SR page 8 <i>Distribution of economic benefits</i> , page 31 <i>Key facts: Economic</i>
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change (core)	SR pages 12-14 <i>Climate Change</i> , page 15 <i>HSBC's role in developing a low carbon economy</i>
EC3 Coverage of organisation's defined benefit plan obligations (core)	ARA pages 262-263, 358, 365-376
EC4 Significant financial assistance received from government (core)	Not material issue, no significant assistance received
EC6 Policy, practices and proportion of spending on locally based suppliers at significant locations of operation (core)	Not material issue, and do not report publicly on this indicator
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. (core)	Not material issue as local nationals are fully represented in senior management throughout the Group. We do not report publicly on this indicator
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement (core)	Not a material issue within our industry
<b>Environmental Performance - Management Approach</b>	SR pages 12-15 <i>Climate Change</i> , 15-17 <i>Business Development</i> , 18 <i>Footprint Management</i> , 20-21 <i>Accounting for sustainability</i> , 22-23 <i>Managing Sustainability Risk</i> , 25-26 <i>Forestry</i>
EN1 Materials used by weight or volume (core)	Not among our most material environmental effects, we are not reporting on this issue currently
EN2 Percentage of materials used that are recycled input materials (core)	Not among our most material environmental effects, we are not reporting on this issue currently

EN3 Direct energy consumption by primary energy source (core)	SR pages 20-21 <i>Accounting for sustainability</i> , 33 <i>Key facts: Environmental resource efficiency</i>
EN4 Indirect energy consumption by primary source (core)	SR page 33 <i>Key facts: Environmental resource efficiency</i>
EN7 Initiatives to reduce indirect energy consumption and reductions achieved (additional)	SR page 18 <i>Footprint Management: Global Environmental Efficiency Programme</i> , 20-21 <i>Accounting for sustainability</i>
EN8 Total water withdrawn by source (core)	SR page 33 <i>Key facts: Environmental resource efficiency</i>
EN11 Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas (core)	Given the nature of our business with its urban centre locations, not a material issue for our direct operations. With regards to our lending policies see SR especially pages 22-24 <i>Managing Sustainability Risk</i> , page 25 <i>Forestry</i>
EN12 Description of significant impact of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas (core)	Given the nature of our business with its urban centre locations, not a material issue for our direct operations. With regards to our lending policies see SR especially pages 22-24 <i>Managing Sustainability Risk</i> , page 25 <i>Forestry</i>
EN16 Total direct and indirect greenhouse gas emissions by weight (core)	SR page 33 <i>Key facts: Carbon dioxide emissions by region</i>
EN17 Other relevant indirect greenhouse gas emissions by weight (Core)	Not material; carbon dioxide is our most significant GHG emission
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved (Additional)	SR pages 20-21 <i>Accounting for sustainability</i>
EN19 Emissions of ozone depleting substances by weight (core)	Emissions not significant
EN20 NO SO and other significant air emissions by type and weight (core)	Emissions not significant
EN21 Total water discharge by quality and destination (core)	Not significant, water discharge overwhelmingly to public sewers
EN22 Total weight of waste by type and disposal method (core)	SR pages 20-21 <i>Accounting for sustainability</i> , 33 <i>Key facts: Environmental resource efficiency</i>

EN23 Total number and volume of significant spills (core)	Not a relevant issue for our direct operations
EN26 Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation (core)	SR page 26 <i>Footprint management</i>
EN27 Percentage of products sold and their packaging materials that are reclaimed by category (core)	Packaging not material to our business
EN28 Monetary value of significant fines and total number of non-monetary sanctions for, non-compliance with environmental laws and regulations (core)	ARA pages 261-262
EN29 Significant environmental impacts of transporting goods and materials used for organisation's operations, and transporting members of the workforce (additional)	SR page 33 <i>Key facts: Business travel</i>
F1 Description of environmental policies applied to core business lines	SR pages 22-24 <i>Managing Sustainability Risk, 25-26 Forestry</i>
F2 Description of process(es) for assessing and screening environmental risks in core business lines	SR pages 22-24 <i>Managing Sustainability Risk, 25-26 Forestry</i>
F3 State the threshold(s) at which environmental risk assessment procedures are applied to each core business line	SR page 24 <i>Managing Sustainability Risk: Sustainability risk ratings</i>
F4 Description of the processes for monitoring clients' implementation of and compliance with environmental aspects raised in risk assessment process(es)	SR pages 22-24 <i>Managing Sustainability Risk: Equator Principles</i>
F5 Description of process(es) for improving staff competency in addressing environmental risks and opportunities	SR page 24 <i>Managing Sustainability Risk: Training</i>
F7 Description of interactions with clients/investee companies/business partners regarding environmental risks/opportunities	SR pages 22-24 <i>Managing Sustainability Risk, 25-26 Forestry</i>
F9 Percentage of assets subject to positive, negative and best-in-class environmental screening	SR pages 22-24 <i>Managing Sustainability Risk</i>
F10 Description of voting policy on environmental issues for shares over which the reporting organisation holds the right to vote shares or advise on voting	SR page 11 <i>Customers: Third-party investments</i>
F13 Value of portfolio for each core business broken down by specific region and sector	SR page 4 <i>About HSBC</i>
<b>Product responsibility - Management Approach</b>	SR page 11 <i>Customers</i>
PR1 Life cycle stages in which the health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures (core)	This indicator material only to companies with physical products
PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements (core)	Not applicable to our business
PR6 Programmes for adherence to laws, standards and voluntary codes related to marketing communications including advertising, promotion and sponsorship (core)	SR page 11 <i>Customers</i>
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services (core)	ARA pages 261-262

Labour practices & Decent work - Management Approach	SR page 19 <i>Supply Chain, 27-28 Employees</i>
LA1 Total workforce by employment type, employment contract and region (core)	SR page 31 <i>Key facts: Social</i>
LA2 Total number and rate of employee turnover by age group, gender and region (core)	SR page 31 <i>Key facts: Social, supplies breakdown by region but not gender or age group</i>
LA4 Percentage of employees covered by collective bargaining agreements (core)	AR page 307
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements (core)	Always comply with law but do not report publicly on this indicator
LA7 Rates of injury, occupational diseases, lost days and absenteeism and total number of work related fatalities by region (core)	SR page 32 <i>Key facts: Health and Safety</i>
LA8 Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases (core)	SR page 28 <i>Employees equality and diversity</i>
LA10 Average hours of training per year per employee by employee category (core)	SR page 27 <i>Employees: Learning and Development</i>
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity (core)	AR pages 289-292
LA14 Ratio of basic salary of men to women by employee category (core)	SR page 32 <i>Key facts: Gender by management type</i>
Human rights - Management Approach	SR page 3 <i>Introduction of Group Chairman</i>
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening (core)	SR page 19 <i>Suply chain</i>
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken (core)	SR page 19 <i>Suply chain</i>
HR4 Total number of incidents of discrimination and actions taken (core)	We have chosen not to publicly report on this at Group level

HR5 Operations identified in which the right to exercise of freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights (core)	We do not report publicly on this indicator. The Group Standards Manual stipulates that each Group member will work in a professional manner with legitimate employee representative bodies such as unions, employee associations and any employee representative forum established in agreement with the HSBC Group company.
HR6 Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour (core)	Always abide by law, not a significant risk within our direct operations
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour (core)	Always abide by law, not a significant risk within our direct operations
Society - Management Approach	SR page 3 <i>Introduction of Group Chairman</i>
SO1 Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting (core)	SR pages 29-30 <i>Community investment</i>
SO2 Percentage and total number of business units analysed for risks related to corruption (core)	We do not report publicly on this indicator
SO3 Percentage of employees trained in organisation's anti-corruption policies and procedures (core)	We do not report publicly on this indicator
SO4 Actions taken in response to incidents of corruption (core)	We do not report publicly on this indicator
SO5 Public policy positions and participation in public policy development and lobbying (core)	See <a href="http://www.hsbc.com/sus-moreinfo">www.hsbc.com/sus-moreinfo</a>
SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country (additional)	ARA page 320
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations (core)	ARA pages 261-262
CSR1 CSR policy	SR page 1 <i>Executive Summary, 3 Introduction by the Group Chairman</i>
CSR2 CSR organisation	SR pages 6-7 About HSBC: Governance, Corporate Sustainability Committee
CSR4 CSR sensitive issues	SR throughout
CSR6 CSR stakeholder dialogue	SR pages 9-10 Stakeholder engagement
INT1 Internal CSR policy	SR pages 27-29 <i>Employees</i>

INT2 Staff turnover	SR page 31 <i>Key facts: Social</i>
INT3 Employee satisfaction	SR page 27 Employees: Employee engagement
INT4 Senior management remuneration	AR pages 322-335
INT5 Bonuses fostering sustainable success	SR page 18 Footprint Management
INT7 Employee profile	SR page 32 <i>Key Facts: gender by management type</i>
SOC1 Charitable contributions	SR pages 29-30 Community investment, page 31 <i>Key Facts: Community Investment</i>
SOC2 Economic value added	SR page 31 <i>Key Facts: Economic</i>
SUP1 Supplier screening	SR page <i>Supply Chain</i>
RB1 Retail banking policy	SR page 11 <i>Customers</i>
RB2 Lending profile	SR page 11 <i>Customers</i>
RB3 High social benefit lending profile	SR page 11 <i>Customers</i>
IB1 Investment policy	SR pages 22-24 <i>Managing Sustainability Risk</i>
IB3 High benefit transactions	SR pages 22-24 <i>Managing Sustainability Risk</i>
AM1 Asset management policy	SR page 11 <i>Customers</i>