

HSBC in Society

For HSBC, corporate social responsibility, or CSR, means addressing the expectations of our customers, shareholders, employees and other stakeholders in managing our business responsibly and sensitively for long-term success.

The way we approach our work with our stakeholders reflects our core values, or what we call our 'corporate character' (see page 9). It is a fundamental part of the HSBC brand. Since everything we do and the way we do it either exceeds, meets or falls short of the expectations people have of us, everyone who works for HSBC contributes to our corporate social responsibility.

Our first responsibility is to be a successful company. Success is the only outcome that satisfies all of our stakeholders. Without success, our shareholders would not invest in us, our customers would not bank with us, and good people would not come to work for us. Our success also means that we can fulfil our responsibilities to the wider world, to the communities in which we operate.

We also believe that doing the right thing is just as important. We recognise that remaining successful in the long-term means that we must manage our business in a sustainable way, taking care that our decisions and actions today do not compromise the success of our business or its stakeholders in the future.

We recognise that our success and that of our stakeholders go hand in hand. Ultimately, we depend on — and contribute to — the health and vitality of society and the environment at large.

The title of our report, *HSBC in Society*, reflects this reality.

The business case for CSR

There are a number of business reasons for investing in CSR.

The social reasons

For HSBC, good CSR is good business. We



Customers, shareholders, employees and other stakeholders all gain from responsible business.

always try to understand the needs of the market and customers we serve. By following sound CSR practices, we develop our business in ways that will continue to appeal to customers, investors, employees and other stakeholders.

Diversity is a good example. As the world's local bank, we believe the world is a rich and diverse place, full of interesting cultures and ideas. We value this diversity in our customers and in local communities. The better our workforce reflects this diversity, the better we can anticipate and meet our customers' needs.

Education is crucial to the development and prosperity of every country. It is the engine of economic development and a route to personal achievement and success. HSBC's own success has always depended on the fruits of education, both for the people we employ and the societies in which we operate. By investing in education, we seek to build the confidence and abilities of young people on whom, as

customers or employees, our future business will depend.

Supporting our **communities** through our employees' time and through our charitable donations has many benefits for our business:

- By working with schools and sharing their knowledge with young people, our employees can also gain in understanding, confidence and self-esteem.
- Being recognised in the community as good corporate citizens and employers helps us to attract local people who can provide the best service to customers.
- Community involvement leads to new customer relationships.
- We have an interest in healthy communities because our employees live in and belong to those communities.

The environmental reasons

We recognise that, as a bank, we must lend and invest responsibly, avoiding projects where the potential for environmental damage outweighs the economic benefits. We also recognise that businesses that damage the environment are likely to lose the support and commitment of their stakeholders and, thereby, represent a greater credit risk to our business.

We believe companies like ours must share responsibility with governments and citizens for minimising the damaging effects of human activity — pollution of land, water and air and the depletion of resources. Our environmental management system, still in its infancy, continues to grow.

Although we already look for cost-savings from more efficient use of resources, we believe we need to go further. The depletion of the planet's natural resources on which life depends can only lead to human conflict. Dependent as it is on political stability, the financial services industry has a vested interest in helping to provide solutions to these major challenges. One HSBC contribution is our Investing in Nature partnership.

Continuing progress

Meeting our social responsibilities has been part of our approach since our earliest days. For example, in 1878 we donated HK\$1,000 to the China Crisis Fund and, in 1909, gave HK\$50,000 to help found the University of Hong Kong. Our support in the UK for Young Enterprise started in 1971 while, to co-ordinate its extensive community support programmes in the Hong Kong SAR and mainland China, The Hongkong and Shanghai Banking Corporation established its own fully registered charitable trust in 1981. We formalised our commitment to sustainability in 1992 by becoming a founder signatory to the UN Environment Programme Statement by Financial Institutions on the Environment and Sustainable Development. This is ongoing work. Progress over the last seven years is summarised here.

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| 1997 | Publish our first <i>Environmental Policy</i> . |
| 1998 | First publish HSBC's statement of <i>Business Principles and Values</i> .
Adopt the vision of becoming the world's leading financial services company.
Adopt education and environment as twin foci for philanthropic support worldwide. |
| 1999 | Develop dialogue with ethical investment fund managers.
Lord Butler is appointed to oversee HSBC in the Community. |
| 2000 | Adopt UN Global Compact and Global Sullivan Principles.
A founder member of the Wolfsburg Group. |
| 2001 | Establish the HSBC Education Trust in the UK, headed by Dame Mary Richardson.
Publish our first CSR report, <i>HSBC in the Community: Sharing our Success 2000</i> .
Achieve inclusion in FTSE4Good ethical index and Dow Jones Sustainability Index.
Pilot environmental management system in the UK. |
| 2002 | Establish international diversity team.
Launch Investing in Nature programme in partnership with WWF, Earthwatch and BGCI.
Environmental management system operating in 10 countries.
First participate in Business in the Environment index. |
| 2003 | Adopt the Equator Principles covering project finance.
Engagement with WWF on sustainability aspects of HSBC policies.
Board of HSBC Holdings plc establishes CSR Committee. |