

PRESENTATION TO INVESTORS

Sustainability at HSBC

MARCH 2008



HSBC 

The world's local bank

Forward-looking statements

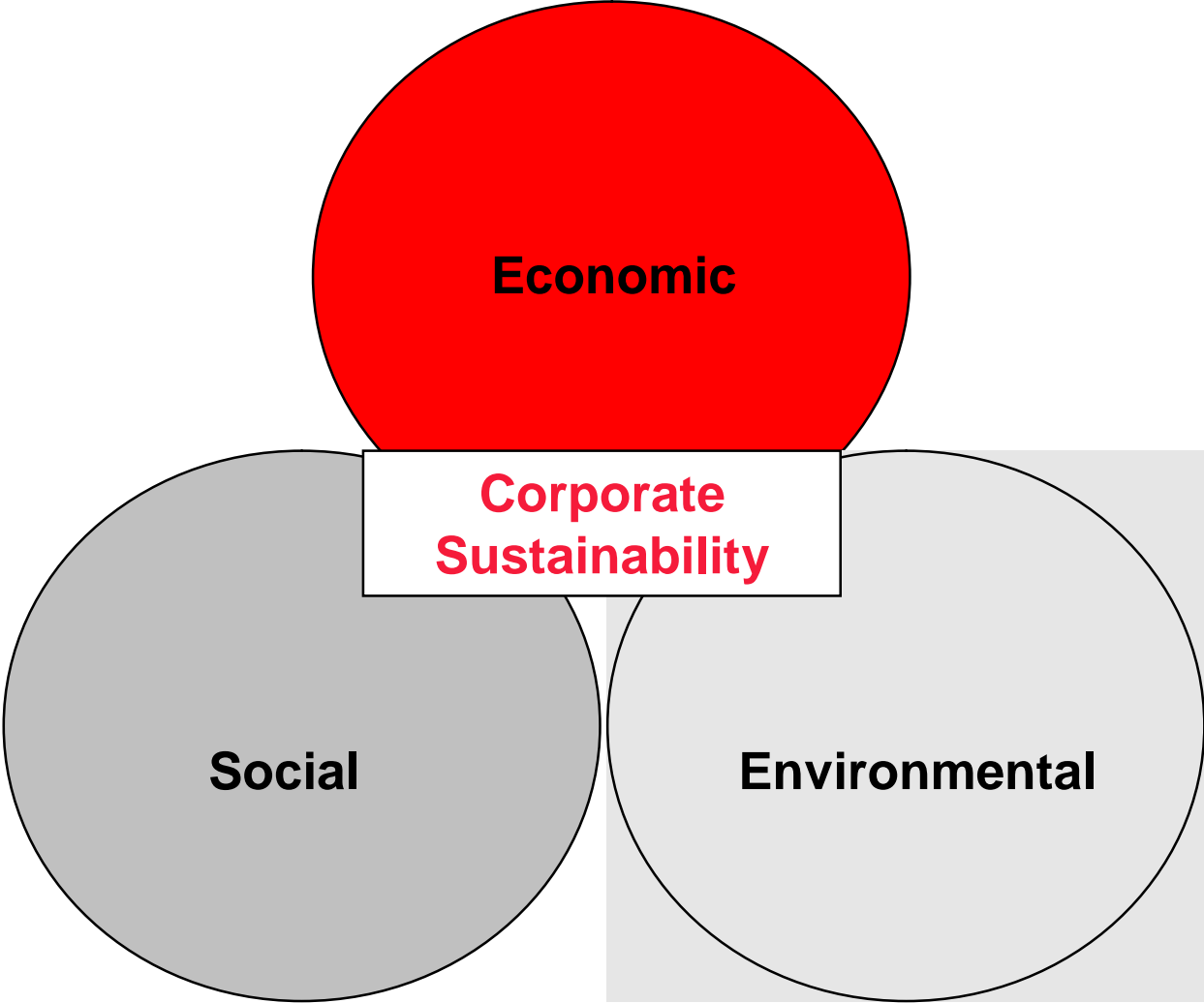
This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report.

Agenda

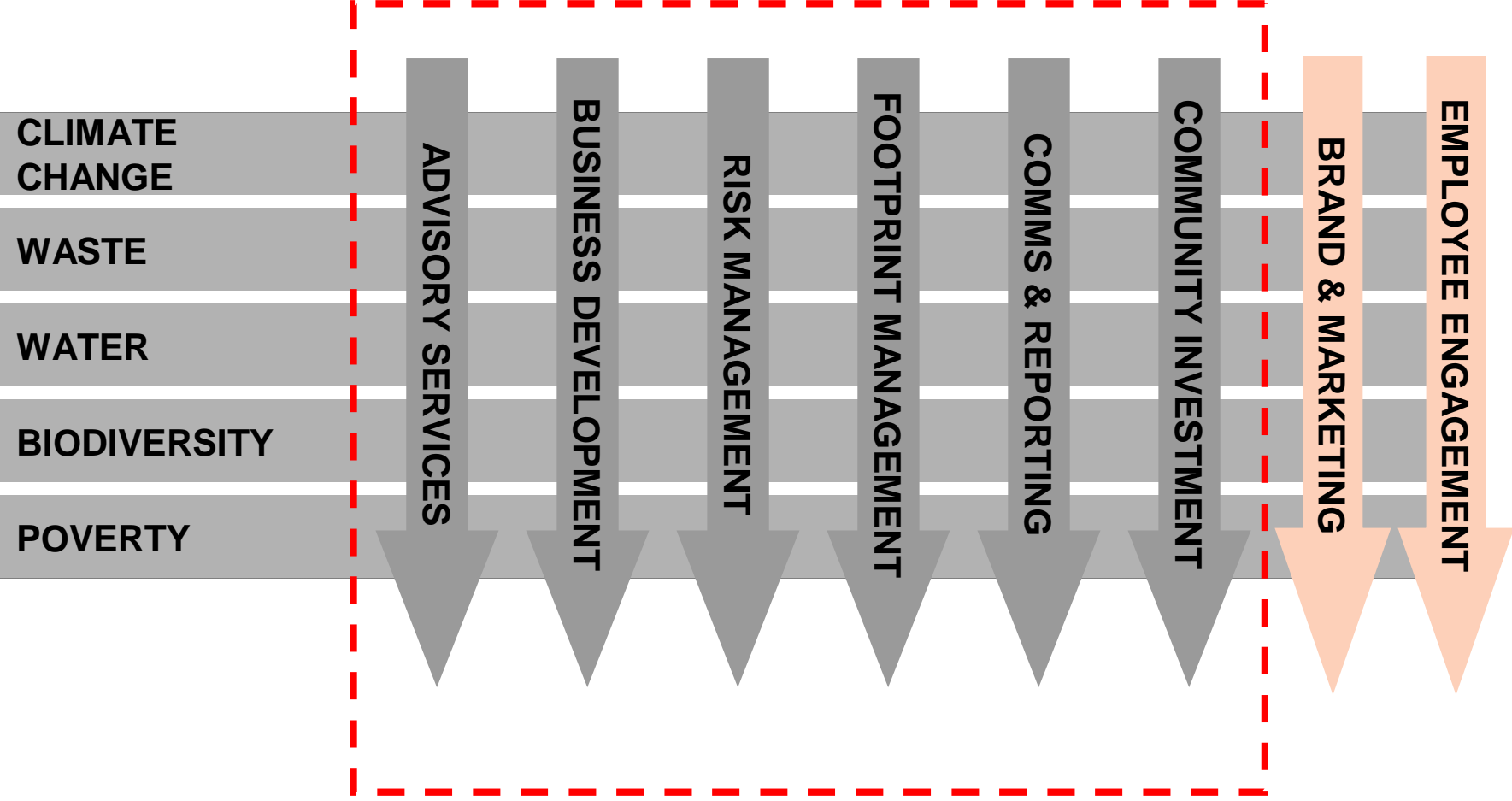
- **HSBC's approach to sustainability**
 - Sustainability strategy
 - Structure and governance
 - Risk management
 - Business development
 - Footprint management
 - Community investment
- **Key themes**
 - Climate change
 - Microfinance
- **Progress so far**
- **Q&A**

Sustainability strategy

Its about taking a position, not positioning.....

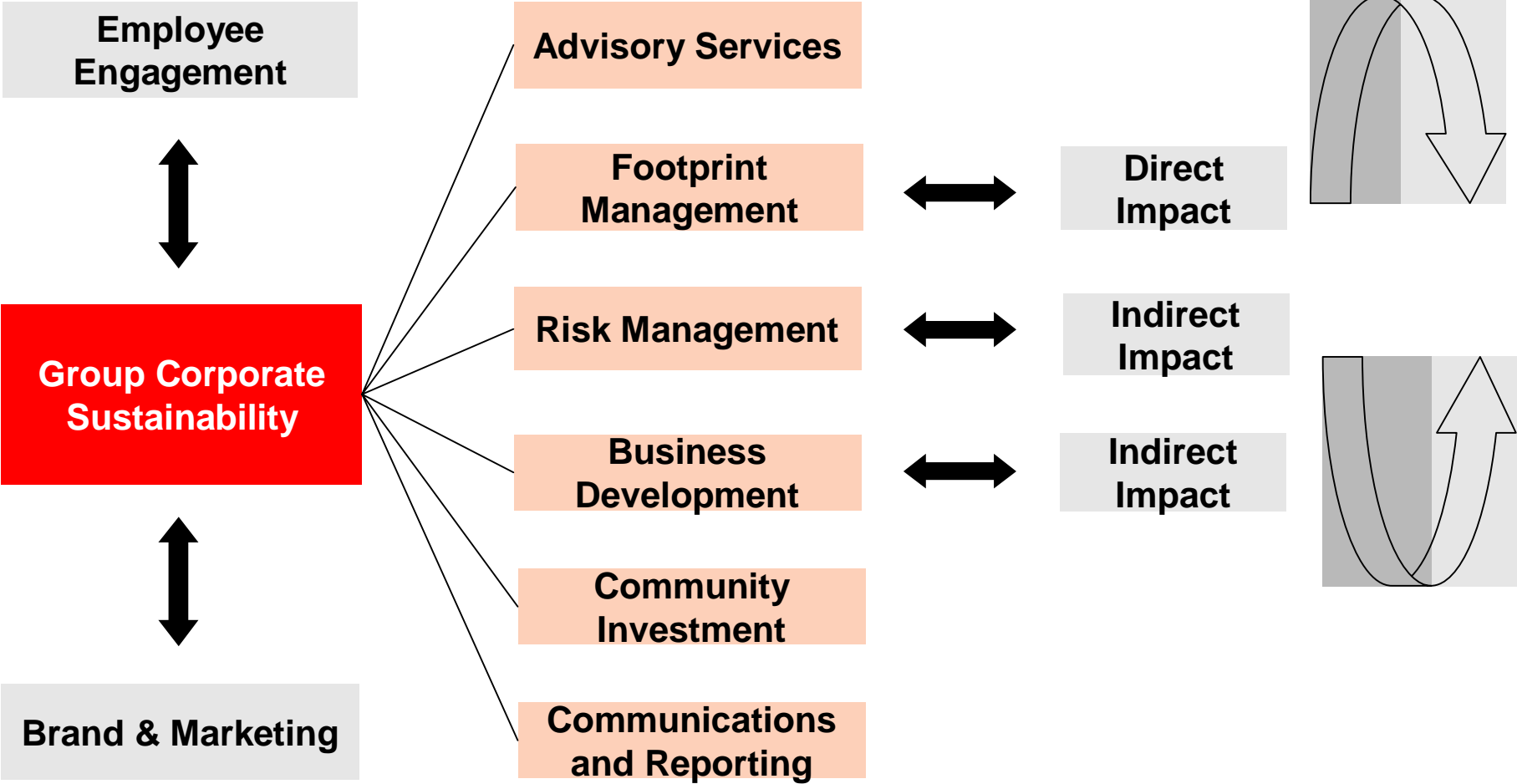


Our Corporate sustainability strategy



Structure and governance

Corporate sustainability

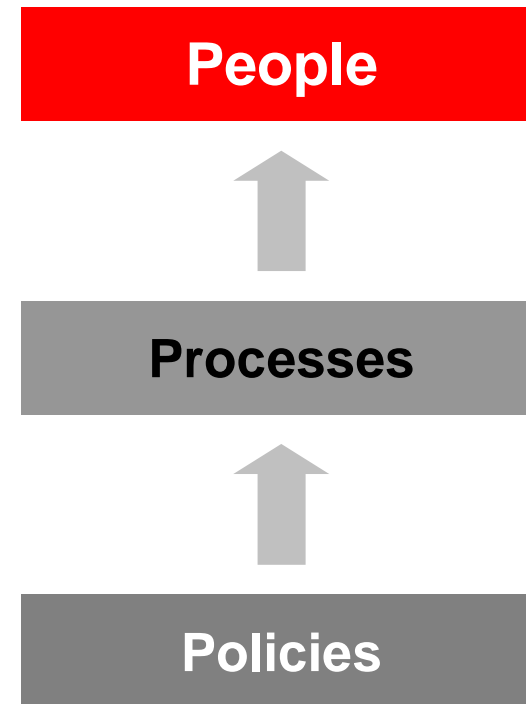


Risk management

Sustainability risk management

Minimising the indirect impact of our lending

- **Objectives:**
 - Develops policies and processes to ensure that the Group protects its reputation and brand from environmental and reputational risk
 - Ensures that these policies and processes are mainstreamed in the risk assessment and approval process through a programme of communication and training



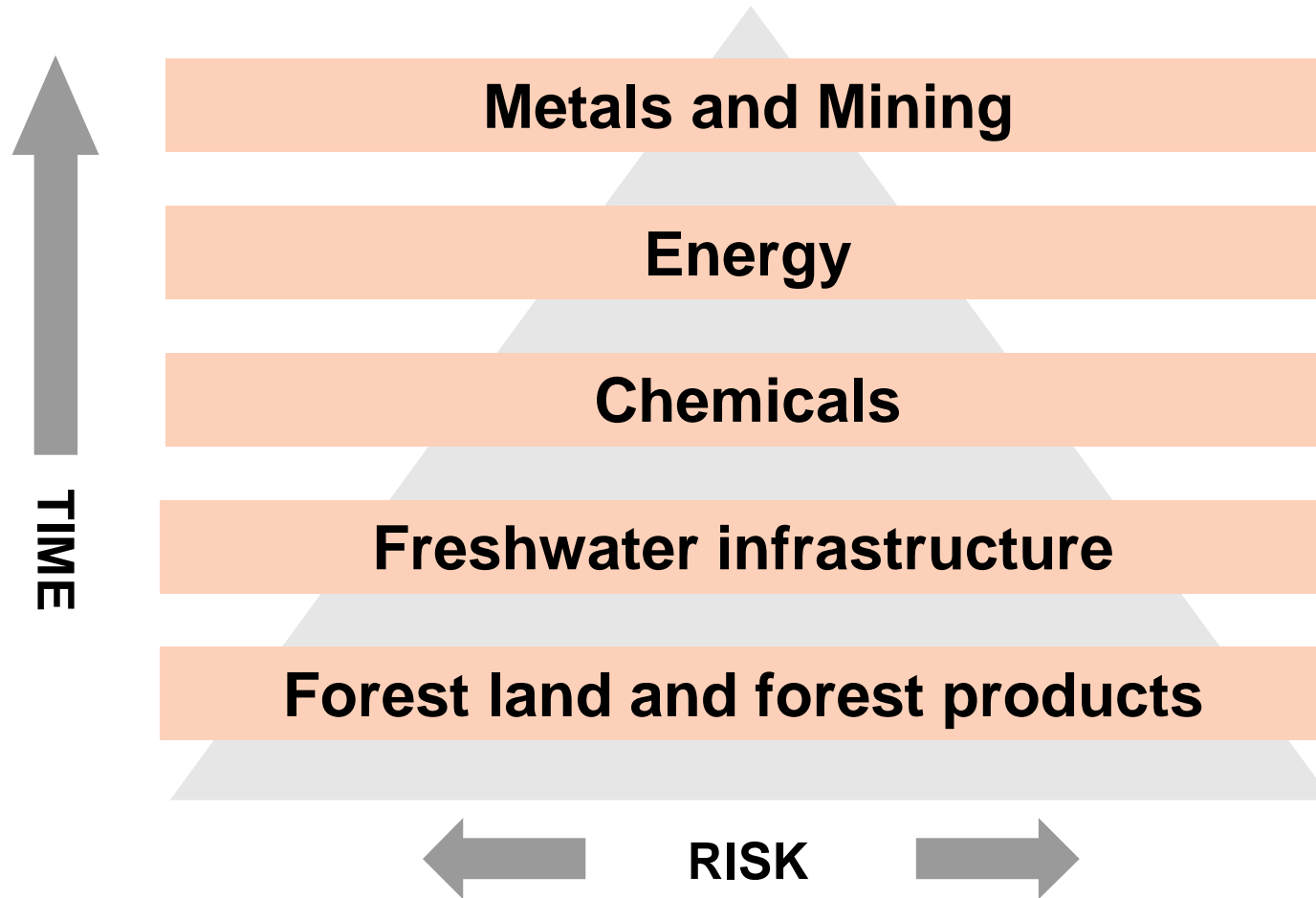
Sustainability risk framework

Group Standards Manual

Group Credit and Risk FIM
Chapter 4 - Sustainability Risk

Group Credit Policy & Standards Library
Guidance Notes

Sector guidelines



Equator principles

- Relunched July 2006
- HSBC led the Working Group
- Updates to Principles
- Updates to IFC framework
- 61 financial institutions
- Estimated 80-90% of cross-border project finance

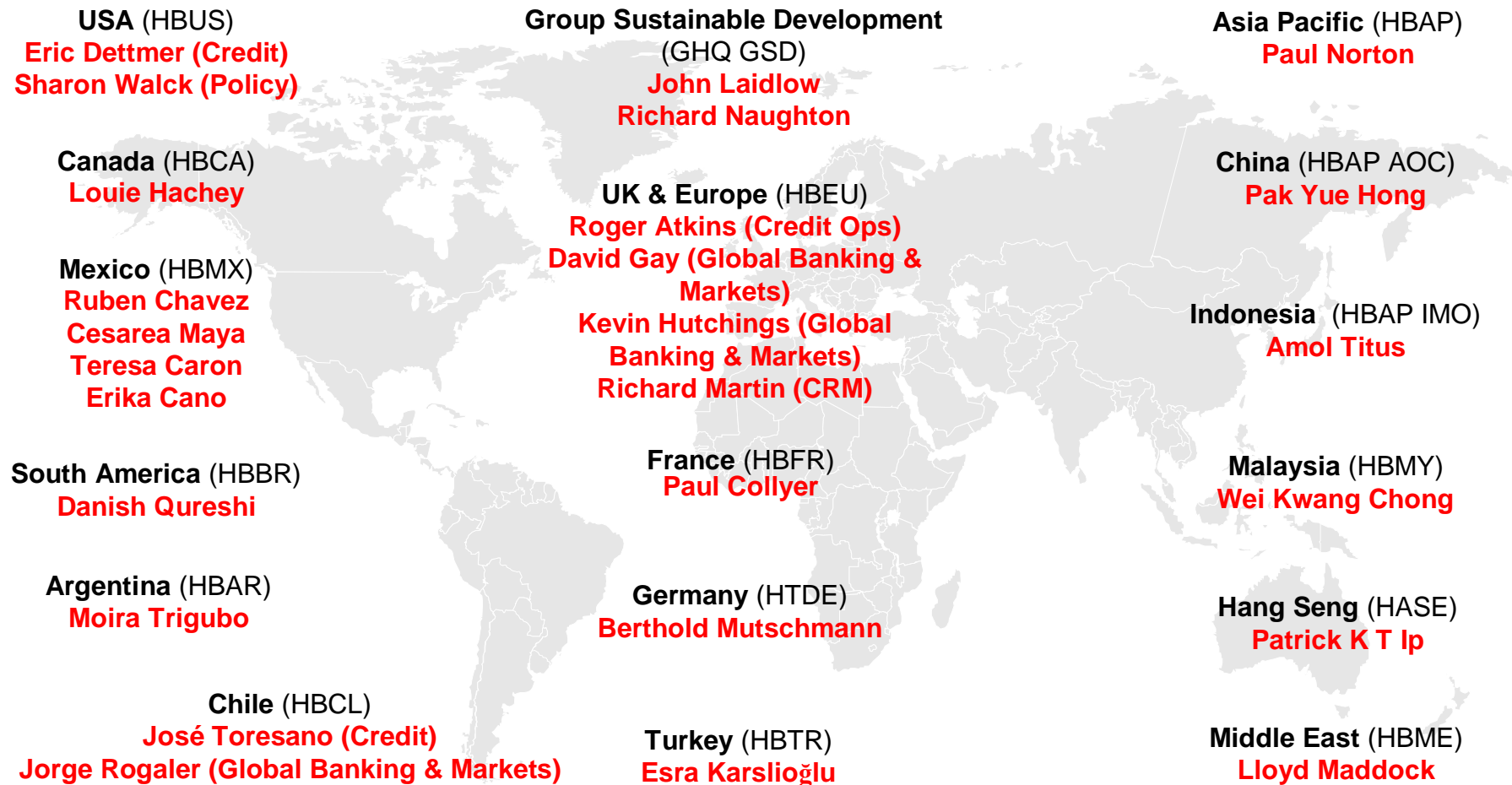
Changes to the Equator Principles

- US\$10m capital cost of project
- Upgrades and expansions
- Advisory
- High Income OECD countries
- Public reporting
- Still assessment, categorisation, action plans, covenants

Equator principles transactions.....

GROUP STATISTICS	2005		2006		2007	
	No.	Value (US\$ m)	No.	Value (US\$ m)	No.	Value (US\$ m)
By Mandate					103	8,705
-Lending	67	4,601	76	5,171		
-Advisory (additional only)	n/a	n/a	n/a			
Loans by Category						
-Category A	5	809	1	80	7	1,407
-Category B	38	1,917	41	2,708	57	5,184
-Category C	24	1,875	34	2,383	39	2,114
Transactions declined	7	n/a	4	n/a	4	n/a

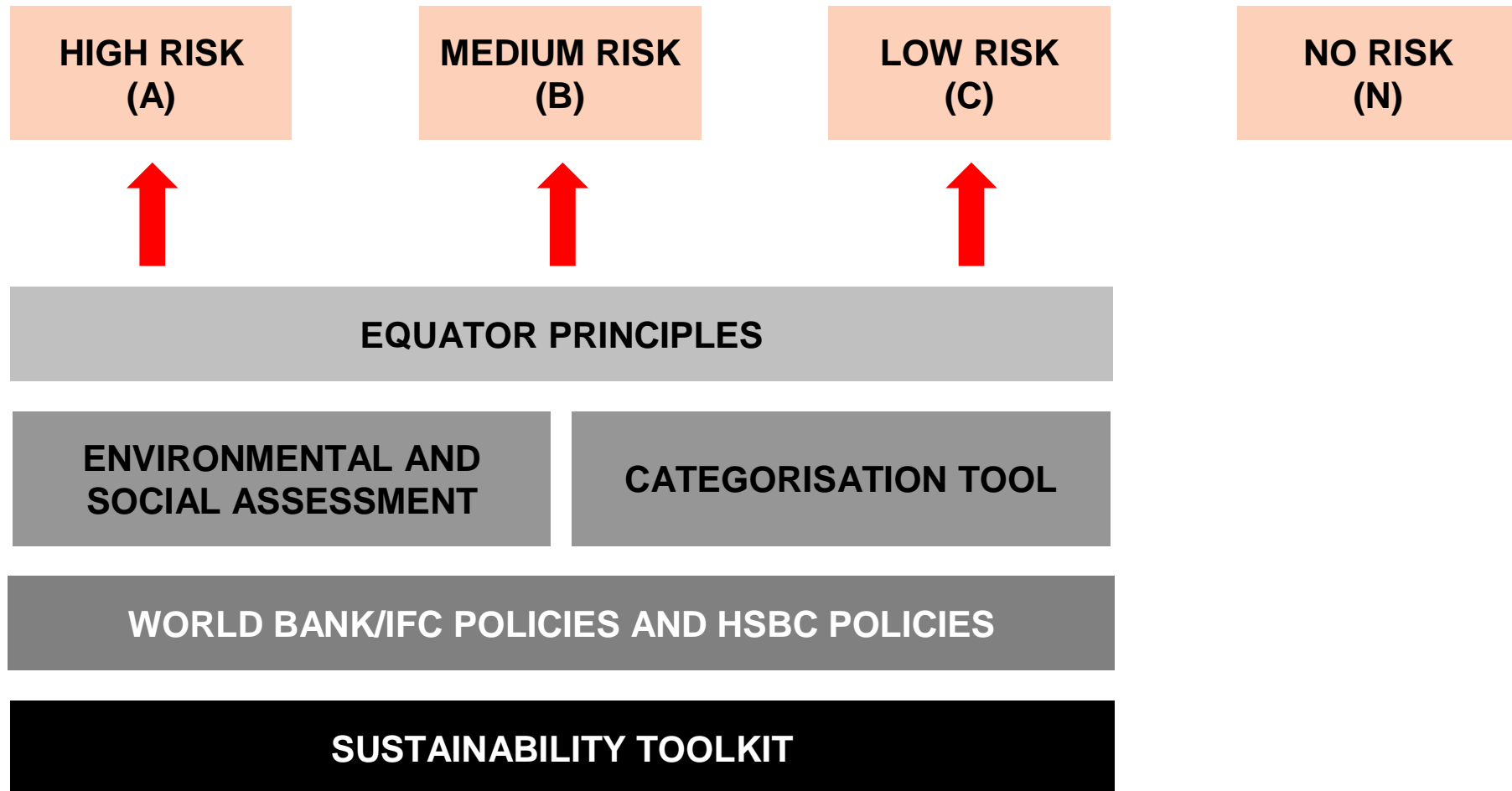
Functional management of sustainability risk



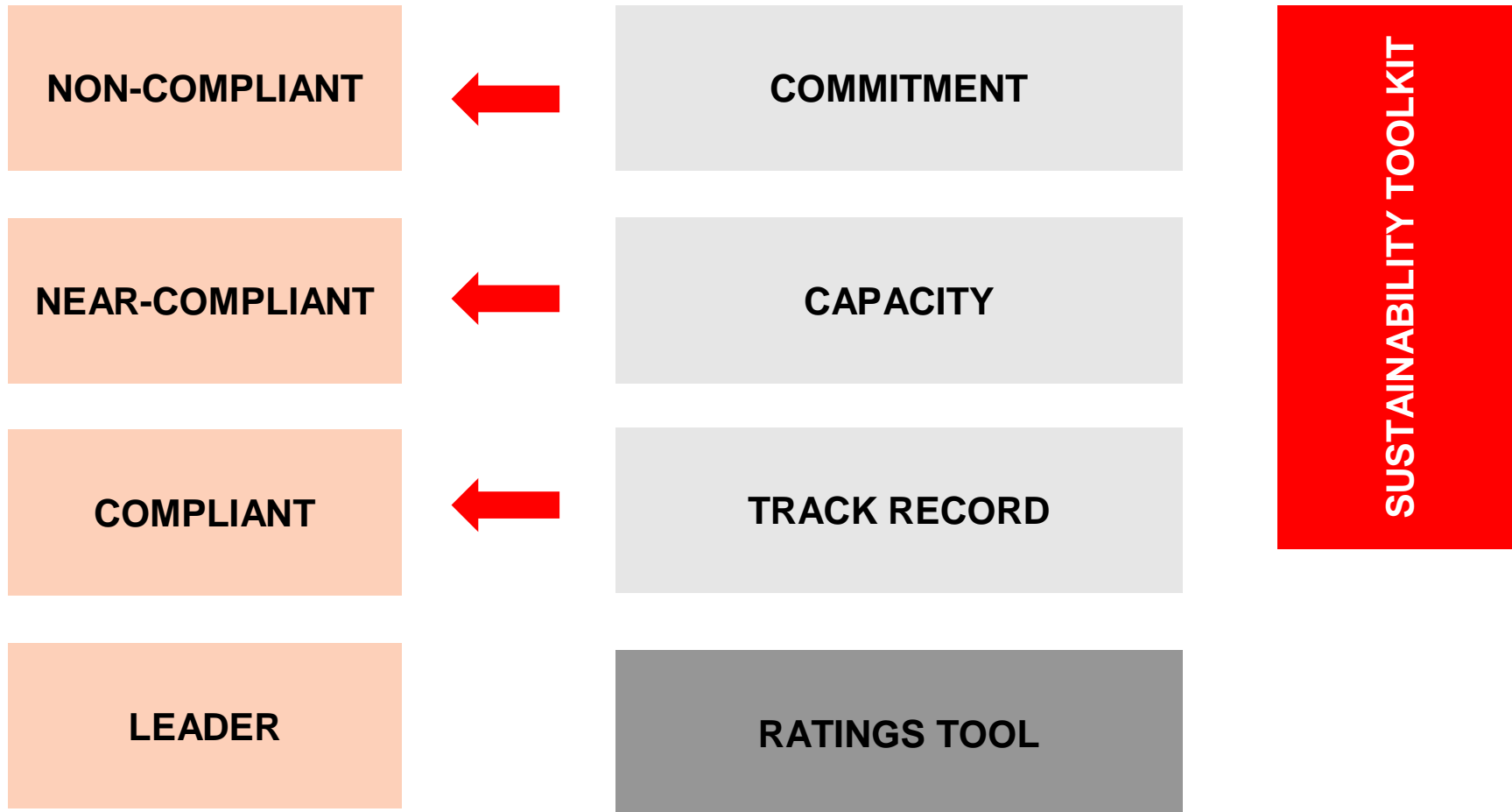
Overall risk assessment

	A. HIGH RISK	B. MEDIUM RISK	C. LOW RISK	NO RISK
4. NON-COMPLIANT	Red	Red	Light Gray	Dark Gray
3. NEAR-COMPLIANT	Red	Light Gray	Dark Gray	Orange
2. COMPLIANT	Light Gray	Dark Gray	Dark Gray	Orange
1. LEADER	Dark Gray	Dark Gray	Dark Gray	Orange

Project risk



Client risk



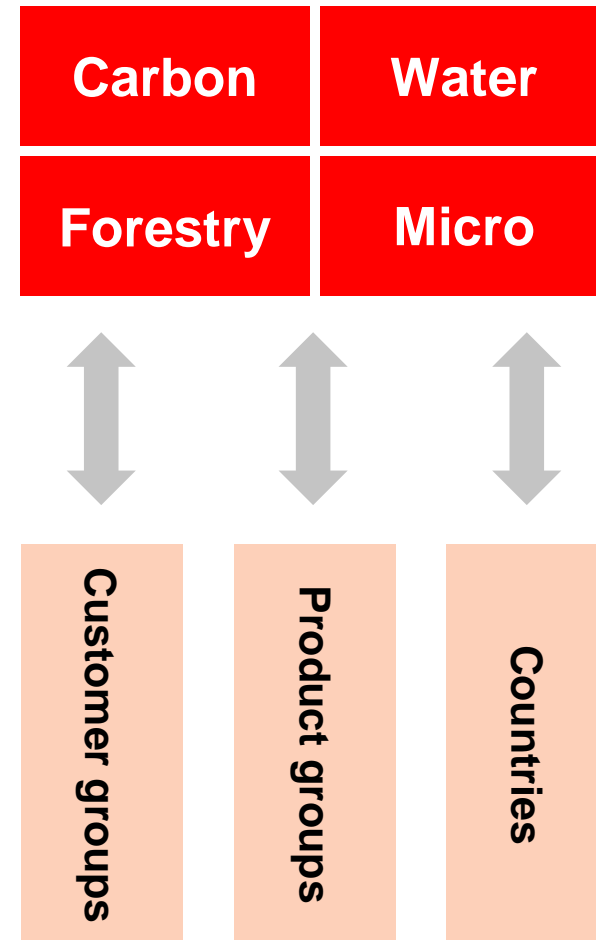
Sustainable business development

Sustainable business development

Capturing the opportunities

- Objectives

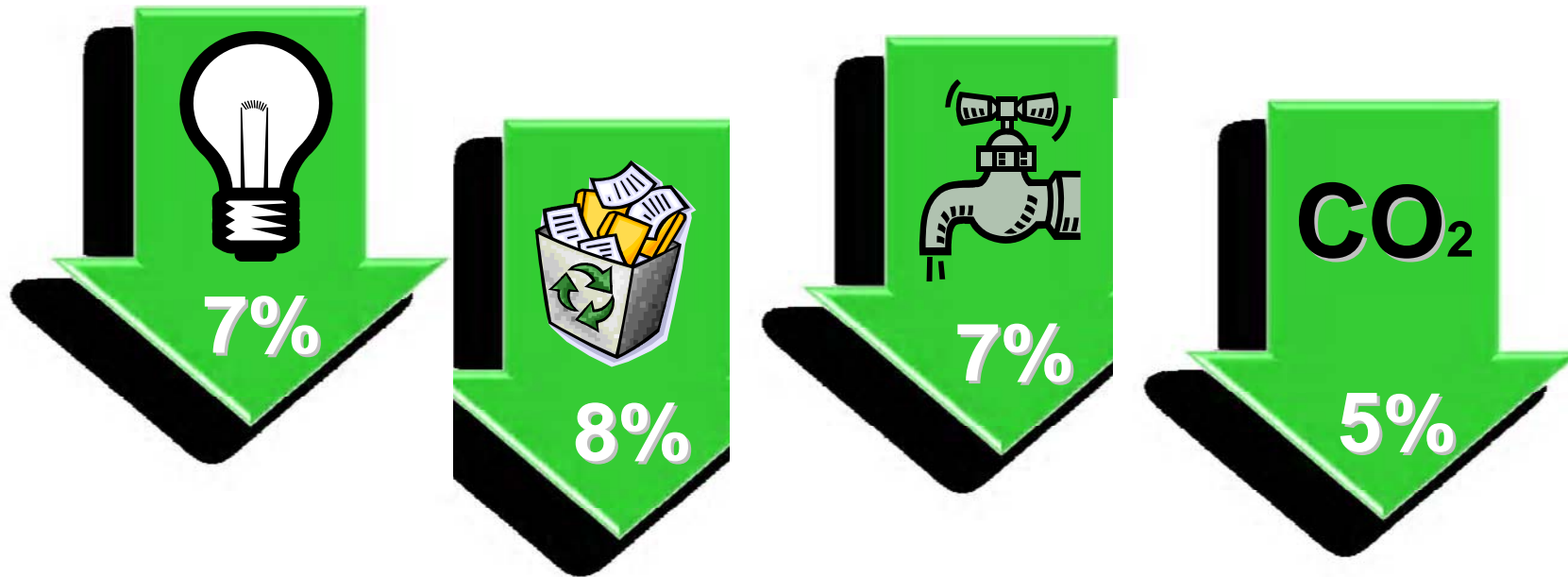
- Focuses on key areas of business development in:
 - Climate change and low-carbon technology
 - Sustainable forestry
 - Water infrastructure
 - Microfinance
- Seeks to identify business development opportunities across all geographies, all customer groups, and all product groups and support business units in capturing them; and to evaluate inbound business referrals



Footprint management

Efficiency through targets...

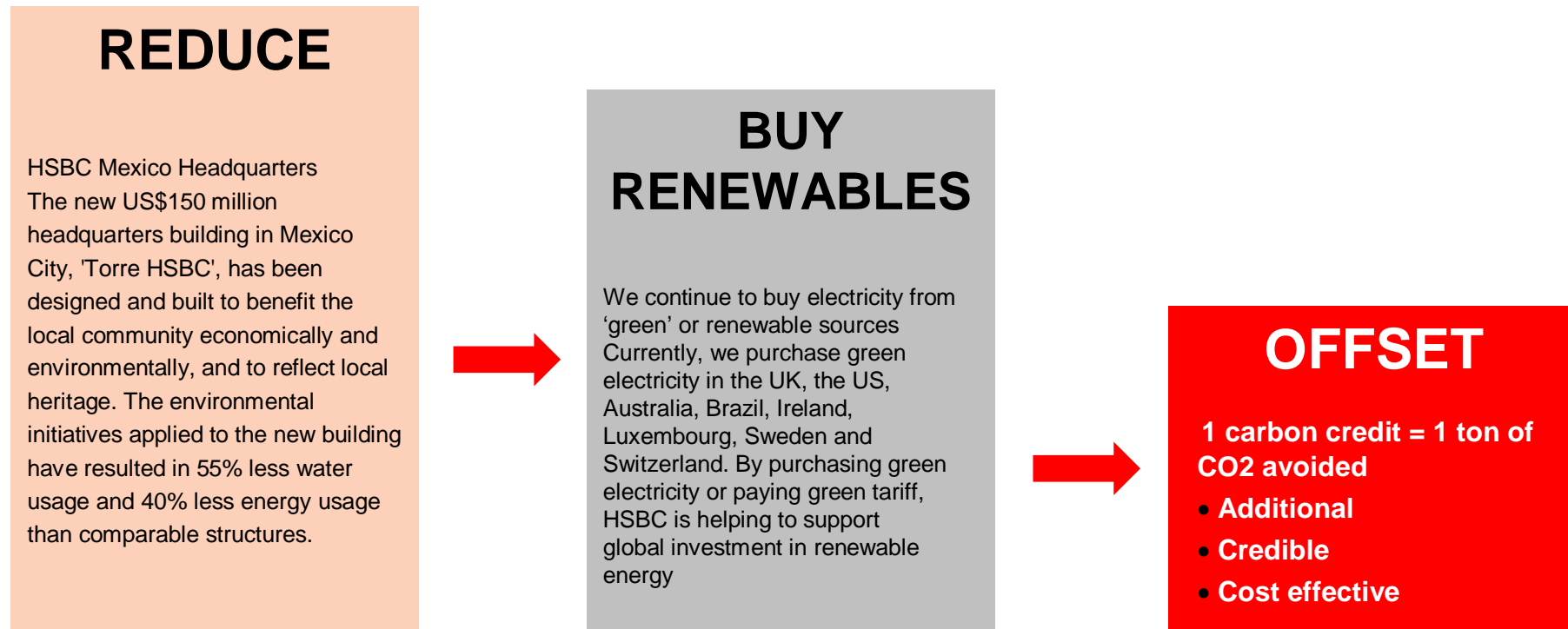
HSBC sets, monitors and reports direct impacts: energy & carbon dioxide and water consumption and waste generation 2005-07 and now 2008-11



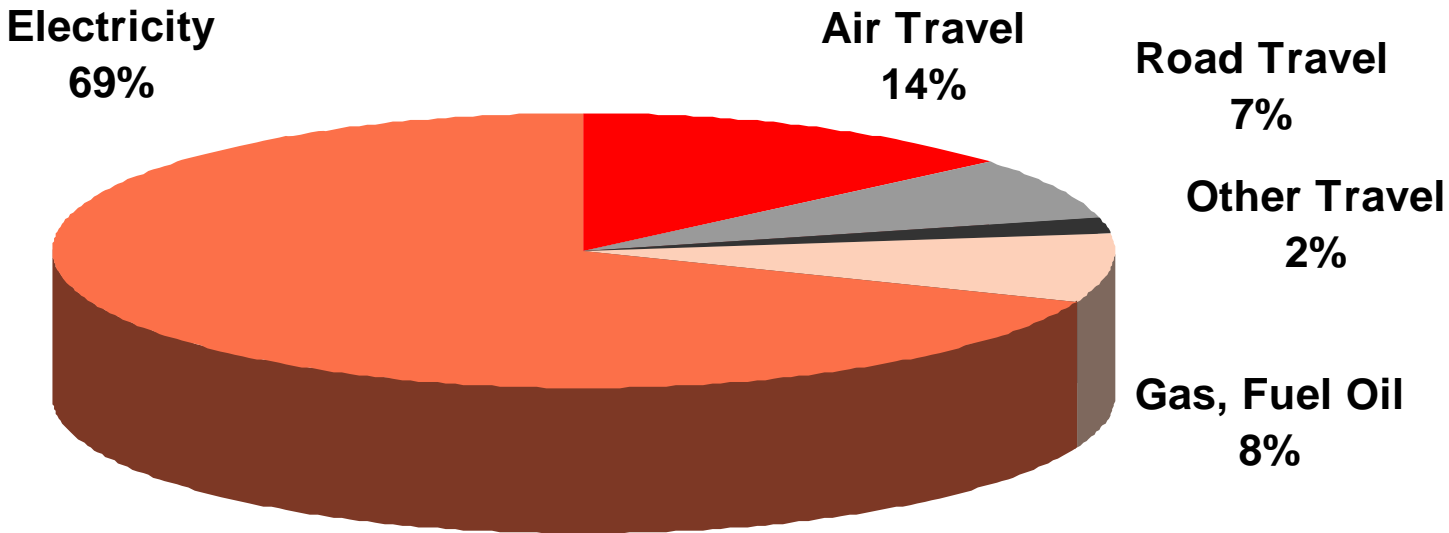
Managing our footprint...

HSBC is the world's first carbon neutral bank

We have 813,000t CO2 to manage...



Group carbon dioxide emissions – 2006



Energy Savings = Cost Savings

Step 2: Reduce. Step 3: Buy Renewables. The Global Environmental Efficiency Programme

- Minimising CO₂ in Hong Kong
- India's coolest building
- Bricket Wood wind and solar trial
- Mexico City Head Office
- New York's zero carbon branch



Step 4: Offset

Our 2006/7 offset portfolio

- ▶ HSBC purchased 813,000 carbon credits to offset 2006/7 emissions
- ▶ Three projects were chosen:
 - Hydroelectric Facilities in China
 - Energy Efficiency in Steel Making, China
 - Water Treatment in a Starch Manufacturing Facility in Thailand



Community investment



HSBC Climate Partnership



WWF

for a living planet



THE CLIMATE GROUP



Smithsonian Tropical Research Institute

A five year, US\$100 million programme to tackle the impacts of climate change on people, forests, water and cities

Key themes: climate
change

Climate change matters...

We believe that climate change represents the largest single environmental challenge this century and that financial institutions will play an important role in the shift to cleaner energy.

“HSBC is working to support the transition to a low-carbon economy. As a carbon neutral company, we are proud to be investing in renewable energy technology including wind and solar power and hope that our actions will inspire other financial institutions to do the same.”

(Stephen Green, Group Chairman, HSBC Holdings plc May 2006)



Climate change: The Stern review

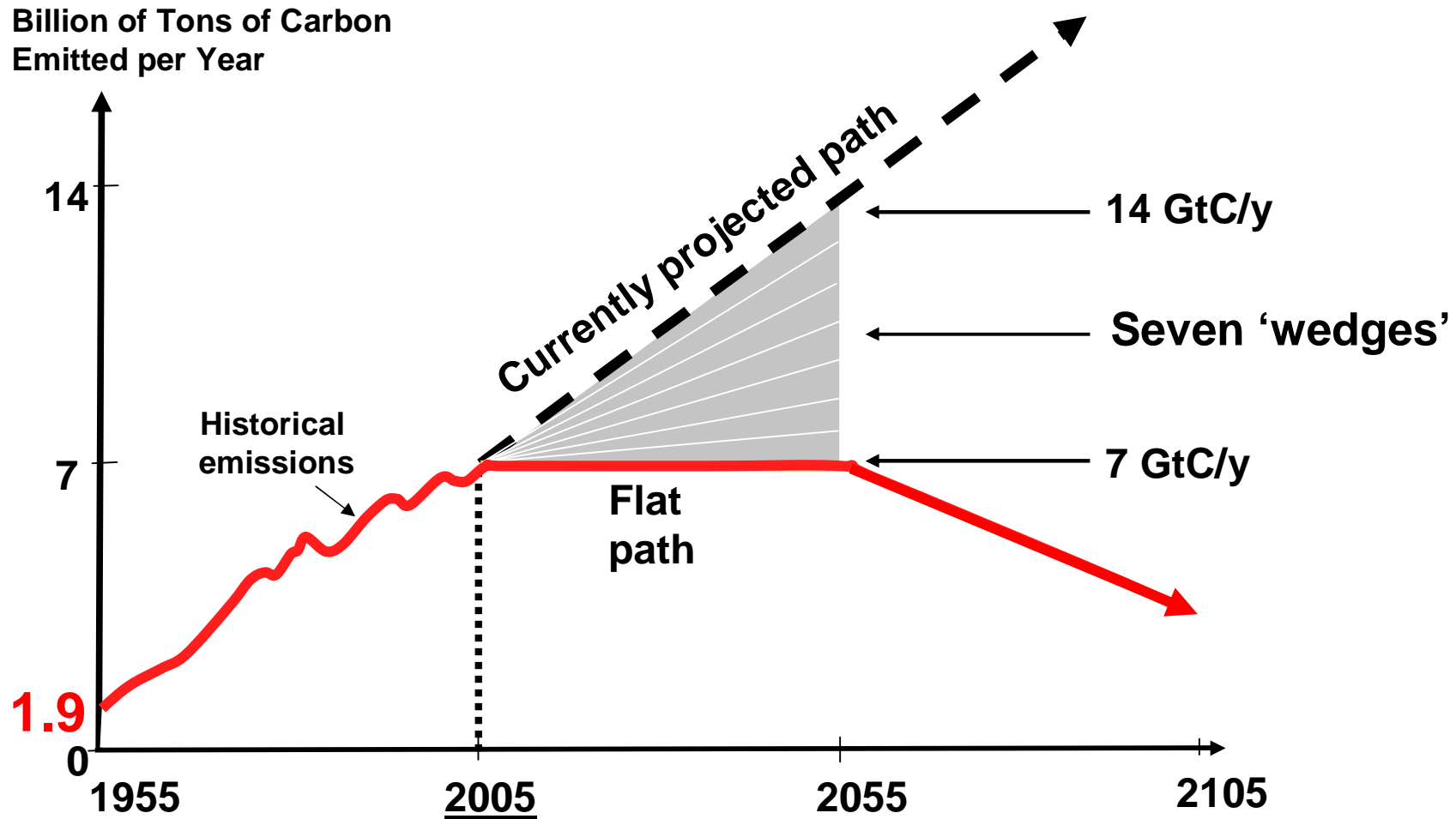


“We have the time and knowledge to act, but only if we act internationally, strongly and urgently”

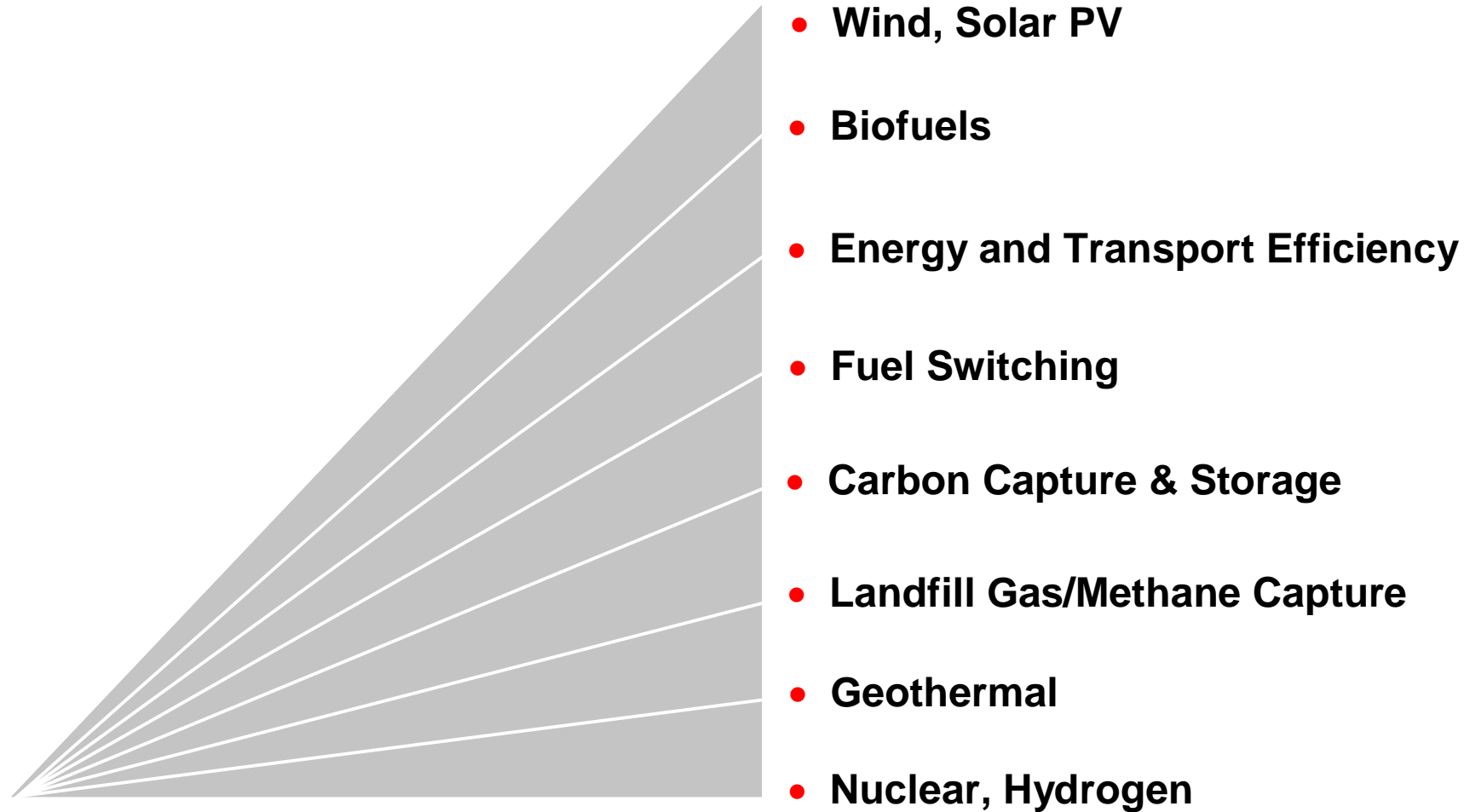
(Lord Nicholas Stern: the Chairman’s advisor on economic development and climate change)

- **CO₂ emissions: reduce by 80% by 2100**
- **Technically and commercially viable solutions exist**
- **Costs of doing so now: 1% of global GDP (US\$184bn)**
- **Costs of doing nothing: 5-20% of global GDP by 2050**

Managing our indirect impacts...



Our areas of focus...



Our perception of opportunity...

US\$ 500bn

Markets for low-carbon energy products by 2050

US\$ 94bn

Investments in clean energy YTD Sept 2007

US\$ 52bn

Global market for biofuels by 2015

US\$ 22bn

Worldwide Solar industry revenues by 2010

US\$ 15bn

Fuel cells and Hydrogen market by 2015

Low Emission Buses, Santiago, Chile

In 2006, HSBC financed a deal to provide 1,779 buses with low carbon emissions to serve 4.5 million passengers in Santiago, Chile.

The project could cut air pollution in Santiago by as much as 77 per cent and is an example of the projects we support under our Carbon Finance Strategy



Equity Research

Equity Quantitative Research
Global

HSBC Climate Change Indices

Biggest investment opportunity for the
foreseeable future...



HSBC Global Climate Change Benchmark Index

Four Investable Indices:

Climate Change

Energy Efficiency & Energy
Management

Low Carbon Energy Production

Waste, Water & Pollution Control

Asset Management

“Climate change is set to become one of the defining investment opportunities in the years ahead”

(Nick Robins, Head of HSBC Climate Change Centre of Excellence)

Launched: November 2007



Partnership for Renewables

HSBC Environmental Infrastructure Fund GB£49m equity investment in public-private partnership with the Carbon Trust

Partnership to develop 500MW portfolio of renewables, powering 230,000 homes in the UK



Roaring 40's

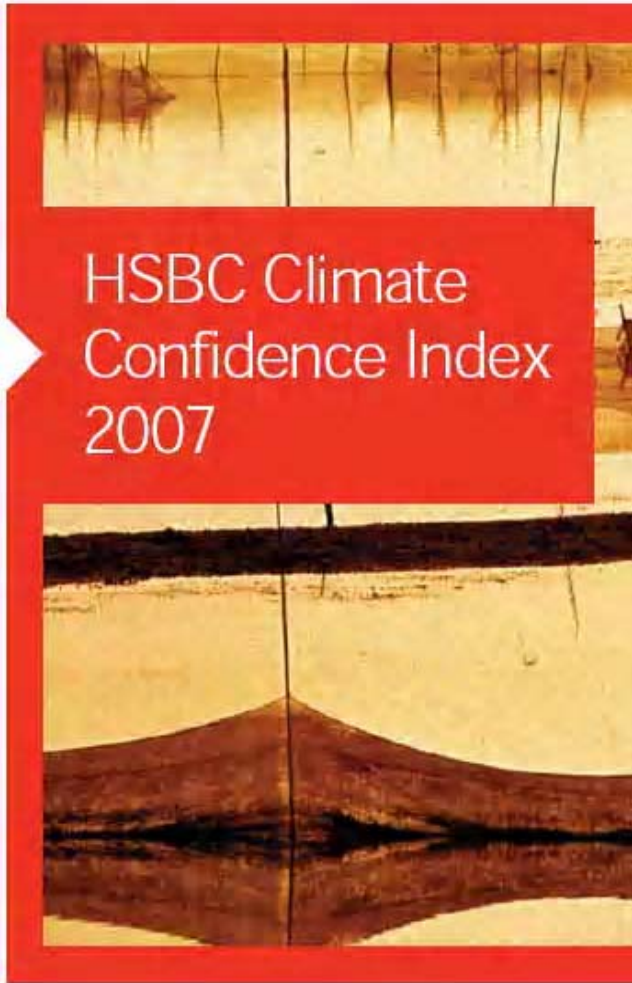
HSBC Project Finance Asia
non-recourse financing for a
50MW Windfarm in Khandke,
Maharashtra, India

Joint venture between China
Light & Power and Hydro
Tasmania

Exploring purchase options for
carbon credits



What consumers think about climate change...



	Concern	Confidence	Commitment	Optimism	
	<i>Climate change and how we respond to it are among the biggest issues I worry about today.</i>	<i>The people and organisations who should be doing something about climate change are doing what is needed.</i>	<i>I am personally making a significant effort to help reduce climate change through how I live my life today.</i>	<i>I believe we will stop climate change.</i>	
France	37%	7%	30%	5%	Sceptical pessimists
UK	22%	5%	19%	6%	
Germany	26%	6%	25%	11%	
USA	32%	13%	23%	18%	Sceptical optimists
Mexico	59%	14%	43%	24%	Committed concerned
Brazil	58%	14%	47%	26%	
India	60%	19%	47%	45%	
China	47%	46%	44%	39%	Committed confident
Hong Kong	46%	38%	37%	30%	

Fewer than 1 in 10 agrees
 1 in 10 people agrees
 1 in 4 people agrees
 1 in 3 people agrees
 Half of all people agree

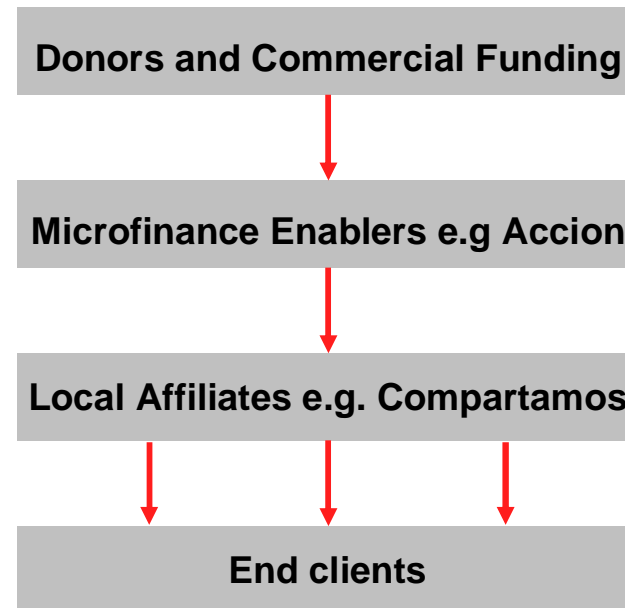
Key theme: Microfinance

HSBC Microfinance strategy

- Microfinance originated in Bangladesh in 1973
- While the original Asian model was based on group lending and cross guarantees, individual lending is increasingly popular, especially in Latin America
- Today there are some 3000 Microfinance Institutions (MFIs), either NGOs or regulated banks, serving 92 million clients
- 5 or 6 Enablers based in the US or UK co-ordinate across networks of partner MFIs. These enablers either lend directly to their affiliates or facilitate funding from donors and commercial sources

- Microcredit is the provision of small loans to the unbanked - loans of typically less than US\$200 - to individuals (usually women) to establish or expand a small self-sustaining business - a microenterprise
- Microfinance is the extension of this concept to include a full suite of banking products - savings, insurance and remittance services for migrant workers to send money home

- The players:



HSBC's current involvement

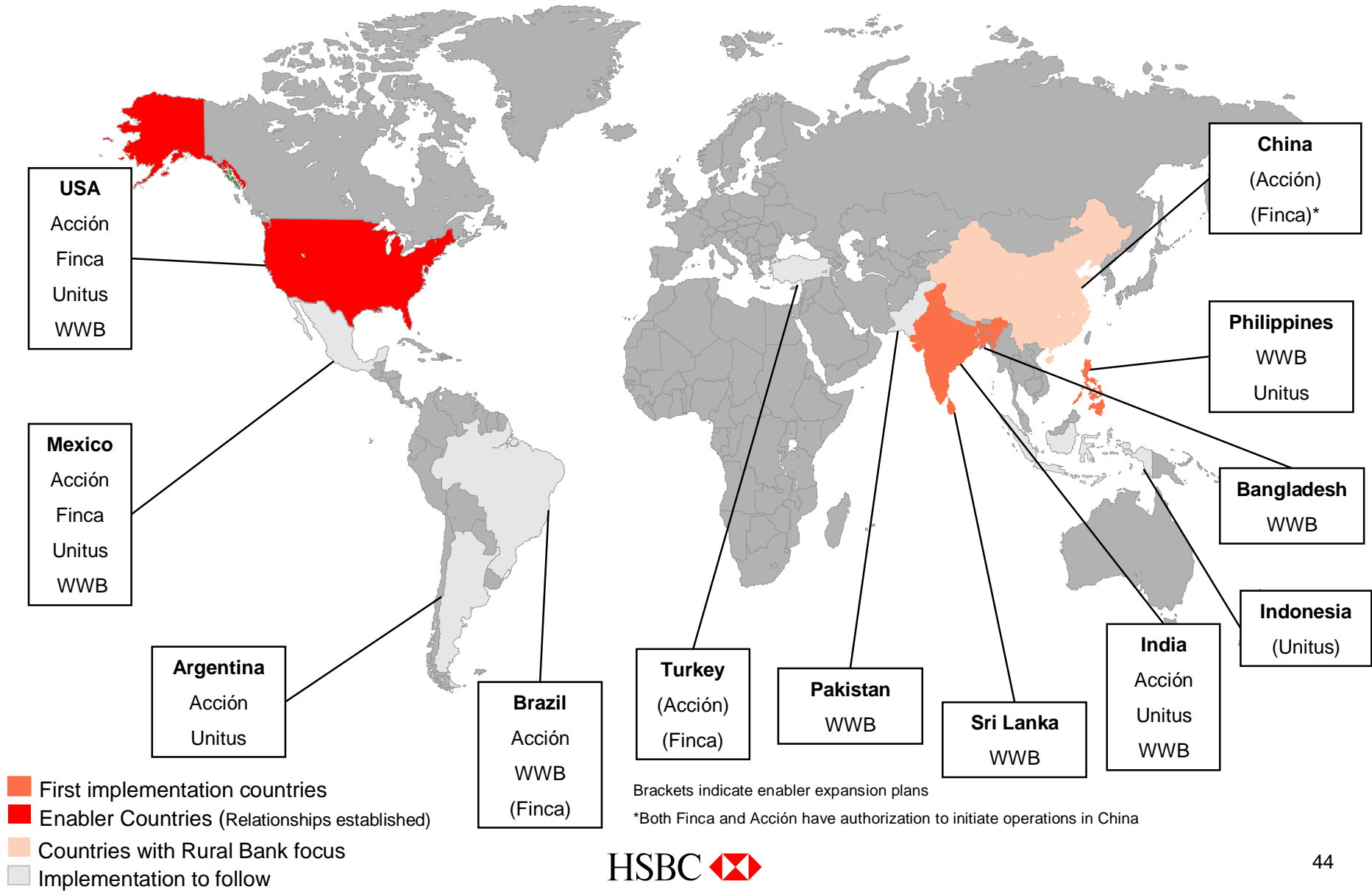
- **HSBC is currently engaged with Microfinance institutions in:**
 - India
 - Mexico
 - Philippines
 - Russia
 - Sri Lanka
 - USA
- **HSBC Group Microfinance Strategy**
- **Mandated by the HSBC Board to expand this business from 5 to potentially 15 countries worldwide**

- **Country and Product support is critical to success**

Expansion targeted in:

- **Priority countries: Argentina, Brazil, China, Poland, Turkey**
- **Next steps...
Bangladesh, Egypt, Indonesia, Pakistan, Poland, Thailand**

Our Microfinance experience and expansion strategy



HSBC Microfinance strategy

- **Mandated by the HSBC Group Management Board to expand this business**
- **Group Sustainable Development to assume global responsibility**
- **Approach is to engage with the microfinance sector on a commercially viable and sustainable basis, not as philanthropy**
- **Strategy centres on the need to leverage our strengths rather than try and build expertise/capacity quickly in the short/medium.**
- **Business should be based on existing HSBC product and operations**

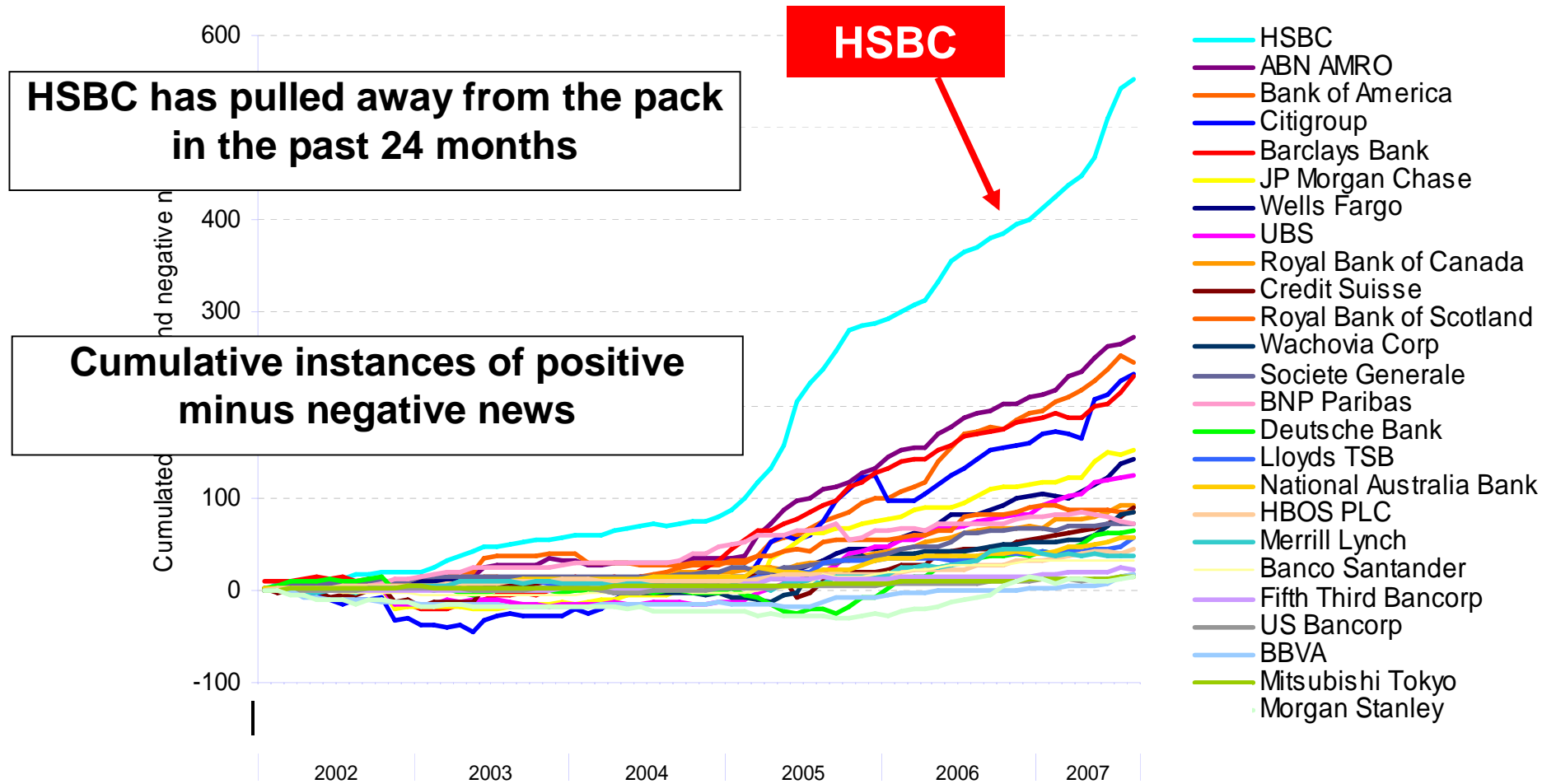
How can HSBC position itself to provide value in the microfinance space?

Cash/Liquidity Management

- **Collections**
- **Receivables**
- **Currency**
- **Remittances**
- **Cards**

Progress so far

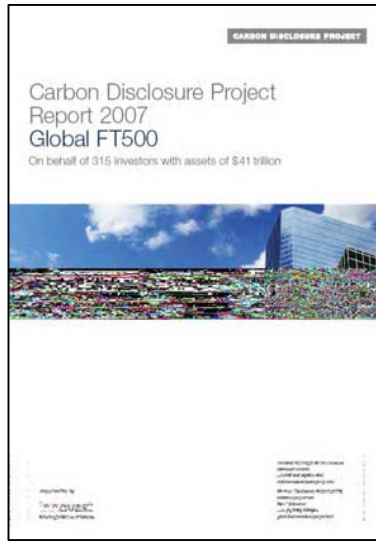
Relative performance on sustainability



Source: Covalence EthiQuote 10 Banks 2002 - 2007



Awards and recognition...



Member of the Carbon Disclosure Leadership Index 2007



Top financial company in ethical business survey for 2007



2008: HSBC rated 'top-bank' by US Investor Coalition, Ceres for Governance and climate change

The World's First Carbon Neutral Bank

PRESENTATION TO INVESTORS

Sustainability at HSBC

MARCH 2008



HSBC 

The world's local bank