

# HSBC Supplier Code of Conduct



# Introduction

Our Supplier Code of Conduct ('the Code') sets out HSBC's sustainability priorities and areas of focus in relation to our supply chain. It also sets out what is required from suppliers to support these areas.

All HSBC suppliers must comply with the Code. Suppliers must also require their sub-contractors to meet the standards set out in the Code.



# Policy

The Code should always be considered in the context of the size and nature of the relevant supplier organisation, the services that they provide, and the jurisdictions they operate in. An overarching principle of the Code is that suppliers should, at all times, comply with applicable laws and regulations in meeting the requirements set out below.



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# Requirements

## Environment

Supporting the transition to net zero is a key priority for HSBC and we aim to achieve net zero in our own operations, travel and supply chain by 2050, in line with our overarching net zero ambition.

We aim to support our suppliers in their transition to net zero as we take steps to reduce our supply chain emissions.

Alongside our net zero ambition, our aim is to be a responsible consumer of natural resources. We can take steps to achieve this by reducing the water we use or cutting down on the amount of our waste going to landfill.

Healthy ecosystems and biodiversity are an essential factor in helping address climate change and ensuring the future of our planet. It is vital we help to protect biodiversity and the ecosystems we all rely on.

**Requirement: carbon emissions**

HSBC	Suppliers
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**Areas of focus:**

- ◆ Our ambition to become net zero in our operations, travel, and supply chain by 2050.
- ◆ Working in partnership with our supply chain to reduce carbon emissions.
- ◆ Making regular, transparent disclosures on how we are progressing toward net zero.



**Must:**

- ◆ Have a clear ambition statement with regard to their emissions reduction.
- ◆ Disclose on request, accurate scope 1, 2 and 3 greenhouse gas emissions data\*, or, where such data is not yet available, such information as may be required for HSBC to calculate estimated greenhouse gas emissions data via a method identified by HSBC. Where supplier is unable to provide accurate scope 1, 2 and 3 greenhouse gas emissions data, supplier will work towards providing such data as soon as practicable.

\*To measure and manage our greenhouse gas emissions, we follow the Greenhouse Gas Protocol global framework, which identifies 3 scopes of emissions:



- Scope 1 - the direct emissions we create.
- Scope 2 - the indirect emissions resulting from the use of electricity and energy to run a business.
- Scope 3 - indirect emissions attributed to upstream and downstream activities.



**Are encouraged to:**

- ◆ Have targets to increase renewable electricity purchasing.
- ◆ Provide plans to reduce absolute greenhouse gas, with interim targets in place for 2030.

**Requirement: being a responsible consumer of natural resources**

HSBC	Suppliers
 <p><b>Areas of focus:</b></p> <ul style="list-style-type: none"> <li>◆ Identifying key opportunities to reduce our environmental impacts.</li> <li>◆ Being a responsible consumer of natural resources in our operations.</li> <li>◆ Reducing the risk to ecosystems and biodiversity from our operations.</li> <li>◆ Ensuring the effective management of the environmental impacts of our supply chain.</li> </ul>	 <p><b>Must:</b></p> <ul style="list-style-type: none"> <li>◆ Have a written environmental policy appropriate to the size and nature of the supplier’s operations and addressing all significant environmental impacts.</li> <li>◆ Have addressed all significant environmental impacts of the goods or services being provided and have plans and procedures in place to reduce these impacts.</li> <li>◆ Comply with all applicable legislation and regulations related to the protection of the environment.</li> </ul>



# Human rights



As set out in our Human Rights Statement (ESG reporting centre | HSBC Holdings plc), we recognise the role of business in respecting human rights. Our approach is guided by the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

We expect our suppliers to uphold these same standards, to not cause or contribute to adverse human rights impacts, and address impacts when they occur.

HSBC makes an annual statement relating to its actions on modern slavery and human trafficking which can be found here:

<https://www.hsbc.com/who-we-are/esg-and-responsible-business/modern-slavery-act>.

## Requirement: human rights

HSBC	Suppliers
 <p><b>Areas of focus:</b></p> <ul style="list-style-type: none"> <li>◆ Respecting human rights.</li> <li>◆ Seeking ways to prevent or mitigate adverse human rights impacts and address any when they occur in our operations and supply chain.</li> </ul>	 <p><b>Must:</b></p> <ul style="list-style-type: none"> <li>◆ Avoid causing or contributing to adverse human rights impacts and address any when they occur.</li> <li>◆ Prohibit the use of child labour in their operations and supply chain.</li> </ul>

**HSBC**

**Suppliers**



**Areas of focus:**

- ◆ Not using forced or child labour.
- ◆ Providing fair and equal compensation and legally mandated benefits.
- ◆ Protecting the rights of permanent, temporary, direct and indirect workers.
- ◆ Ensuring responsible sourcing of goods, services, labour and minerals used in goods supplied to HSBC.
- ◆ Upholding the right to freedom of association and collective bargaining where it is permitted by law.
- ◆ Supporting freedom from harassment in the workplace and providing healthy and safe working conditions.
- ◆ Applying clear and consistent disciplinary and grievance procedures that include provisions prohibiting mental, physical, sexual or verbal abuse or harassment, and protecting workers against retaliation.



**Must:**

- ◆ Only employ young persons with non-hazardous tasks that do not interfere with their physical and mental development and education. Young persons typically refers to individuals under a certain age (commonly 16-18) defined by local law.
- ◆ Protect the rights of permanent, temporary, direct and indirect workers.
- ◆ Prohibit the use of all types of bonded, indentured, slavery and forced labour and human trafficking within their operations and their supply chain.
- ◆ Ensure employment is chosen freely. Allow workers, whether local or migrant, to leave employment when they choose, to retain control of their own travel and ID documents and be clearly informed about the terms of their employment contracts.
- ◆ Ensure that employees are not charged recruitment fees.
- ◆ Ensure that wages and benefits meet legal requirements and industry standards without unauthorised deductions.

**HSBC****Areas of focus:**

- ◆ Respecting cultural and land rights, as well as ensuring protection from environmental impacts for communities that supply goods, services, labour and minerals used in goods supplied to HSBC.

**Suppliers****Must:**

- ◆ Ensure that working hours are in accordance with local regulation and industry practice and voluntary overtime is at manageable levels.
- ◆ Not prevent workers from organising and joining associations such as labour or trade unions (where permitted by law) and engaging in collective bargaining to negotiate fair and just employment conditions.
- ◆ Apply clear and consistent disciplinary and grievance procedures that include provisions prohibiting mental, physical, sexual or verbal abuse or harassment, and protect workers against retaliation.
- ◆ Provide healthy and safe working conditions where issues, incidents and non-compliance are identified and addressed.
- ◆ Have appropriate due diligence procedures to identify and manage human rights considerations within their own operations and supply chain for goods, workforce recruitment and employment services.
- ◆ Respect cultural diversities, local traditions and the rights and titles to property and land of individuals, indigenous people and local communities.



# Diversity and inclusion

HSBC wants to ensure our suppliers represent our employees, our customers and the communities we serve to create a world of opportunity. We believe that creating a diverse supply chain drives innovation and increases our agility and adaptability.

HSBC aims to ensure that diversity and inclusion is recognised in the goods and services we buy from suppliers, and that supplier teams providing services to HSBC are diverse and the goods and services suppliers deliver are equally accessible to everyone.





**Requirement: diversity and inclusion**

HSBC	Suppliers
 <p><b>Areas of focus:</b></p> <ul style="list-style-type: none"> <li>◆ Working with large, medium and small enterprises that are diverse owned.</li> <li>◆ Having in place a supplier diversity programme focussed on increased collaboration with diverse suppliers. Diverse Suppliers are small-to-medium size enterprises (SMEs) or businesses that are majority-owned, operated, and controlled by historically underrepresented groups.</li> <li>◆ Not tolerating unlawful discrimination, bullying or harassment on any grounds, including: age, race, caste, ethnic or national origin, colour, mental or physical health conditions, disability, pregnancy, parent or carer role, gender, gender expression, gender identity, sexual orientation, marital status or other domestic circumstances, employment status, working hours or other flexible working arrangements, religion or belief, union membership and political affiliation.</li> <li>◆ Meeting or exceeding the requirements of all relevant equalities legislation.</li> </ul>	 <p><b>Must:</b></p> <ul style="list-style-type: none"> <li>◆ Not unlawfully discriminate against any individual or group on the grounds of age, race, caste, ethnic or national origin, colour, mental or physical health conditions, disability, pregnancy, parent or carer role, gender, gender expression, gender identity, sexual orientation, marital status or other domestic circumstances, employment status, working hours or other flexible working, religion or belief, union membership and political affiliation.</li> <li>◆ Meet or exceed the requirements of all relevant equalities legislation.</li> <li>◆ Encourage supplier diversity within their own supply chain.</li> <li>◆ Take D&amp;I into consideration in the widest context when providing services to HSBC, i.e. by taking into account and complying with international accessibility standards when creating and/or maintaining any deliverables for HSBC.</li> </ul>

# Economic

HSBC has a statement of business principles and a code of conduct which set out our purpose and values, and the high standards of conduct we expect of our employees.



## Requirement: economic – business conduct

HSBC	Suppliers
 <p><b>Areas of focus:</b></p> <ul style="list-style-type: none"> <li>◆ Following our Supplier Management Conduct Principles. See - <a href="https://www.hsbc.com/who-we-are/esg-and-responsible-business/working-with-suppliers">https://www.hsbc.com/who-we-are/esg-and-responsible-business/working-with-suppliers</a>.</li> <li>◆ Complying with all relevant legislation and regulations including those related to prevention of money laundering, tax evasion, fraud, bribery and corruption and sanctions.</li> <li>◆ Working collaboratively with our suppliers to improve the sustainability performance of the goods and services we buy.</li> <li>◆ Upholding a fair payment policy for suppliers.</li> </ul>	 <p><b>Must:</b></p> <ul style="list-style-type: none"> <li>◆ Have a code of business standards or a similar policy, setting out the basic business principles they operate under.</li> <li>◆ Comply with applicable national and international laws and regulations, including international sanctions policy and regulations.</li> <li>◆ Ensure policies are in place to stop fraud, money laundering, bribery and corruption and refrain from offering gifts and entertainment to HSBC employees.</li> <li>◆ Have reasonable and lawful payment policies with their own suppliers and subcontractors, that do not permit unfair practices such as ‘pay when paid’ terms and unilateral extension of payment terms.</li> </ul>

# Governance

It is essential that suppliers have good governance and management processes in place to ensure they and their own suppliers are able to comply fully with this Code when providing goods and services to HSBC, as is appropriate to the size of the supplier’s operations, their location and the nature of the goods and services they provide.

## Requirement: governance

HSBC	Suppliers
 <p><b>Areas of focus:</b></p> <ul style="list-style-type: none"> <li>◆ Engaging suppliers who are able to fully comply with this Code.</li> <li>◆ Engaging with suppliers to develop a plan for change or improvement where necessary to fully comply with this Code.</li> <li>◆ Reviewing performance of suppliers to evidence compliance.</li> </ul>	 <p><b>Must:</b></p> <ul style="list-style-type: none"> <li>◆ Have sufficient management systems and governance in place to enable compliance with this Code.</li> <li>◆ Ensure responsible sourcing of goods, services, labour and minerals used in goods supplied to HSBC.</li> <li>◆ Positively and fully respond to information, compliance and audit requests.</li> </ul>



# Artificial Intelligence

HSBC is striving to be a leader in the development and deployment of artificial intelligence (AI) in financial services. Our commitment to using data and AI safely and responsibly underpins everything that we do to achieve this.

AI, like many innovative technologies, can make mistakes. That’s why we need robust control environments surrounding its use. At HSBC, our use of data and AI is informed by the same core values that we bring to our day-to-day work. HSBC Colleagues are expected to follow our [Principles for the Ethical Use of Data and AI](#) and comply with defined standards to ensure we use data and AI in the right way and in our customers’ best interests at all times.

We expect our suppliers will also recognise the value of AI in enhancing their processes, improving products, and even enabling new and unique offerings that will benefit HSBC and our customers. While we support suppliers’ use of innovative technologies, we expect our suppliers to uphold the same level of safe and responsible AI principles and standards as we do within HSBC.

## Requirements: Responsible AI

HSBC	Suppliers
 <p><b>Areas of focus:</b></p> <ul style="list-style-type: none"> <li>◆ Operate in line with <a href="#">HSBC’s Principles for the Ethical Use of Data and AI</a></li> </ul>	 <p><b>Must:</b></p> <ul style="list-style-type: none"> <li>◆ Ensure that AI systems used in providing products and services are fit for purpose, conducting regular audits to address any potential issues, including those related to bias and fairness concerns.</li> </ul>

**HSBC****Suppliers**

- ◆ Maintain transparency regarding the AI systems used in their products and services for HSBC, including clarity in AI decision-making processes.
- ◆ Adopt a risk-based approach, which involves conducting risk assessments, implementing mitigation strategies, and regularly updating risk management practices.
- ◆ Inform HSBC of any use of AI when providing goods and services to HSBC.
- ◆ Never use HSBC data to train AI models without explicit and formal authorisation from HSBC.
- ◆ Ensure that AI systems undergo thorough testing and continuous monitoring both before and after deployment.
- ◆ Facilitate responsible AI use, including training employees to understand AI capabilities and limitations.
- ◆ Ensure use of AI complies with all applicable laws and regulations.
- ◆ Ensure that AI systems used in providing products and services to HSBC do not involve prohibited practices under the EU AI Act.

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# Compliance

Our aim is to work with suppliers that have committed to this Code or to their own policy of equivalent or higher standards.

When engaging and reviewing a potential new supplier relationship, applicability of all elements of this Code will be evaluated taking into account the size of the supplier's operations, their geographic location and the nature of the goods and services they provide.

If a supplier is unable to accept or adhere to this Code, HSBC will in the first instance seek to work with the supplier to develop a plan for change or improvement to help enable the supplier to meet the standards set by this Code. Unwillingness to accept or adhere to the Code without a clear or valid justification, nor openness to work on an improvement plan, could lead to a supplier's onboarding being declined.

HSBC reserves the right to review the supplier's policies, procedures or any other documents related to evidencing adherence to this Code. In some cases, HSBC may require an on-line or on-site audit of a supplier's adherence to this Code and accordingly the supplier will work together with HSBC to facilitate such audits and to close out potential findings and drive continuous improvement.

# Supplier relationship

HSBC values the opportunity to work in partnership with suppliers to help address common sustainability challenges and ensure that the management of our supply chain leads to improved sustainability.

