



Who we are

HSBC is one of the largest banking and financial services organisations in the world.

Customers:

54 million

Served by:

254,000 employees

Through four global businesses:

Retail Banking and Wealth Management
Commercial Banking
Global Banking and Markets
Global Private Banking

Located in:

75 countries and territories

Across six geographical regions:

Europe
Hong Kong
Rest of Asia-Pacific
Middle East and North Africa
North America
Latin America

Offices:

Over 6,300

Global headquarters:

London

Market capitalisation:

US\$207 billion

Listed on stock exchanges in:

London
Hong Kong
New York
Paris
Bermuda

Shareholders:

216,000 in 131 countries and territories

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Cover images

The cover images show the views from HSBC's head offices in Shanghai, Hong Kong and London. HSBC has a proud heritage in all three cities, where our trade credentials were established in 1865 and which today play vital roles as hubs for international trade and in helping us meet our aim to be the world's leading and most respected international bank. We will achieve this by focusing on the needs of our customers and the societies we serve, thereby delivering long-term sustainable value to all our stakeholders.

Photography: Matthew Mawson

Overview

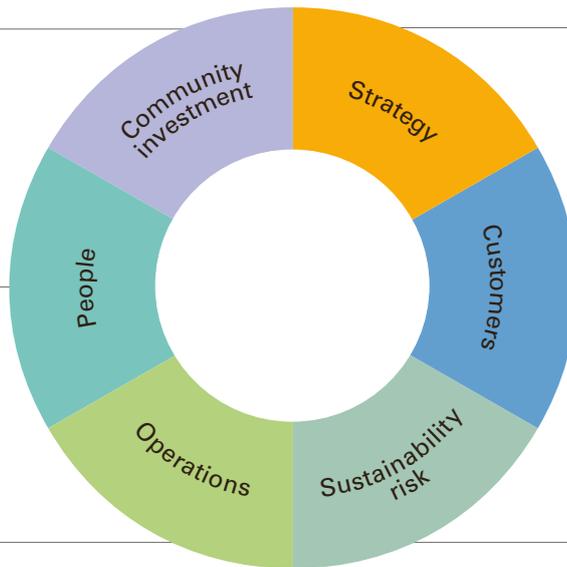
This report sits alongside our *Annual Report and Accounts 2013*, and specifically aligns to the *Strategic Report 2013*, which forms part of our annual report. The *Sustainability Report* articulates how we view sustainability at HSBC: the way we integrate sustainability into our business model, both in terms of seeking commercial opportunities and in mitigating risks.

We report on six key areas: strategy; customers; sustainability risk; operations; our people; and community investment. In each area, we report on key developments in 2013, including progress made and room for improvement. We also give targets and our vision for 2014 and beyond.

Community investment – working with charity partners to help young people realise their potential and achieve their ambitions, and protect and provide access to freshwater and sanitation through the HSBC Water Programme

People – how we attract, retain and develop the best talent in an international market-place in order to deliver our strategy

Operations – how we will achieve our goal to cut annual employee carbon emissions from 3.5 to 2.5 tonnes by 2020

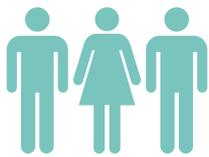


Strategy – how sustainability fits into our organisational strategy and values, helping us to achieve our purpose as an organisation

Customers – how we connect our customers to our products and services through our four global businesses, including commercial opportunities that support the transition to a low-carbon economy

Sustainability risk – helping to manage our risks and support customers through our sustainability risk policies and processes

Highlights 2013



6,700

employees trained online in sustainability risk since 2011



US\$117m

donated to community investment programmes



135,000

employees trained in HSBC Values



500,000

people provided with sanitation thanks to WaterAid



US\$13.3b

available in growth funds for international SMEs



7%

reduction in energy use in our operations

Group Chairman's Introduction



Douglas Flint
Group Chairman

“Future economic prosperity has to be based on more efficient consumption of scarce natural resources if targeted economic growth is to be sustainable.”

In recent years, it has been socially challenging to be in banking. In the aftermath of the global financial crisis, our industry has, deservedly, had to face up to well-founded public criticism and deal with the implications for its business models of a severe loss of trust. The consequential public policy response has been intense and prolonged, leading to significant regulatory changes as well as requiring banks to undertake critical self-examination as to their social purpose and culture. The scale and depth of these examinations and reforms are immense but, at their heart, they quite properly address a simple question, namely is the financial system delivering what society expects from it in a way that contributes to the long-term sustainable health and growth of the economies in which we live?

Recognising global trends

As the developed world contemplates more subdued growth than enjoyed historically and as emerging markets enter a phase of consolidation, deregulation and greater market-based reforms, a number of trends are apparent that will shape the global

economy in the near to mid-term. The first of these is urbanisation in emerging markets, most notably in China, as migration from the rural economy accelerates in order to achieve a more balanced distribution of economic prosperity. Secondly, there needs to be massive investment in new infrastructure to support this growth in urbanisation in emerging markets and, at the same time, to refresh ageing infrastructure in developed markets. Thirdly, the newly affluent citizens benefiting from a greater share of economic prosperity will demand a more varied diet and better quality of life than their predecessors, putting even greater strain on the scarce natural resources needed to deliver this. So the fourth overriding trend is a recognition that future economic prosperity has to be based on more efficient consumption of scarce natural resources and lower dependence on climate-impacting fuels if targeted economic growth is to be sustainable; this leads to the need to embrace much greater investment in new ‘green’ technologies. Finally, the world is facing a major shift in demographic profile, essentially an ageing population, relatively larger to the working

population than ever seen, with huge consequential funding implications for pensions, healthcare and long-term care costs.

So while we need urgently to address the causes of past failings in our industry, we have always to keep in perspective the benefits that come from 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 realise their ambitions and contemplate their future with confidence. This is what the financial system can and must deliver. And when it delivers, as it did in the decades up to the global financial crisis it contributes not only to the steady spread of prosperity, but also to an escape from poverty for many millions of people. Additionally, a properly functioning financial system puts economies on course to meet the growing obligations created by demographic ageing.

Embedding sustainability

All of this reinforces that sustainability, in the context of the financial system, has to be at its core and not seen as a parallel accountability. That is why in 2014 we have folded our Corporate Sustainability Committee responsibilities into a new Conduct and Values Committee with much broader

“Our focus on improving society through education for disadvantaged young people continues to be both inspiring and successful.”

terms of reference. This committee is responsible for non-executive oversight of, and advice to the Board on, all aspects of HSBC policies, procedures and standards designed to ensure that the Group conducts its business responsibly and consistently adheres to HSBC Values. The committee's remit will not only provide the governance noted above but will continue to respond to changing expectations from society and our key stakeholders.

During 2013, both as part of routine review and in response to stakeholder feedback, we updated our Forest Land and Forest Products Policy and issued a revised Forestry Policy, an Agricultural Commodities Policy and a World Heritage Sites and Ramsar Wetlands Policy. These relate to the role we play as a bank in providing financial services to our customers along the supply chain. In order to improve our policies we have tightened our checking processes, made our policies more specific to different parts of the forestry industry and simplified them. We also now apply our palm oil standards to traders and refiners as well as to growers.

I am delighted to report the growing success of the HSBC Water Programme. Now in its third year of five, we are seeing real progress in communities, both locally and globally. With an estimated global population of nine billion by 2050, the pressure on our water supplies continues to grow and, by 2025, it is projected that 65 per cent of the global community will live in water-stressed areas. Lack of safe water and sanitation has vast

economic, social and humanitarian implications. Under the HSBC Water Programme, urban freshwater research projects are now up and running in 24 cities, thanks to our partner Earthwatch. In addition, over 1,600 HSBC Citizen Science Leaders have been trained to collect data on freshwater quality and biodiversity. Through our partner WaterAid, over 400,000 people now have access to safe water and over 500,000 have better sanitation. Hygiene education has been provided in more than 1,500 schools in developing countries. Thanks to our partner WWF, 72 stakeholder groups have made an initial commitment to work together to conserve wetland headwaters of the Pantanal in Brazil.

Our focus on improving society through education for disadvantaged young people continues to be both inspiring and successful. In the UK, we launched a three-year, £30 million programme – the Opportunity Partnership – to help young people realise their potential. In the first six months of the partnership, the initiative helped 3,000 young people to secure a place in education, training or work. In 2014, we are piloting a four-week vocational training course to help disadvantaged young people who are not work-ready to gain the skills and experience they need to access entry-level job opportunities, such as cashier or counsellor, at HSBC. Forty-five young people began the scheme in January 2014, with 250 due to take part by December. We hope that at least 50 per cent of the young people who complete the programme will want to get a job at HSBC and succeed in doing

so. If successful, they will join HSBC's existing apprenticeship programme.

In drawing my remarks to a conclusion, I want to record how particularly proud I am of the commitment of my HSBC colleagues to employee volunteering opportunities – over 250,000 hours given in work time in 2013. We support this personal contribution not just through giving the time to participate but through training. So that we have senior level understanding of what environmental efficiency means to each business and function within HSBC and that we have the accountability for delivering our operational sustainability goals, we continue to run HSBC's Sustainability Leadership Programme across the Group. In 2013, we trained 255 senior managers, taking the total trained to 627. More broadly, in 2013, nearly 135,000 employees received focused values training, in addition to the 103,000 employees in 2012.

We are on a never-ending journey to embed sustainability in all its forms into HSBC's business practices and values. We are making good progress which is well illustrated in this Report.



Douglas Flint
Group Chairman

May 2014

Our Strategy

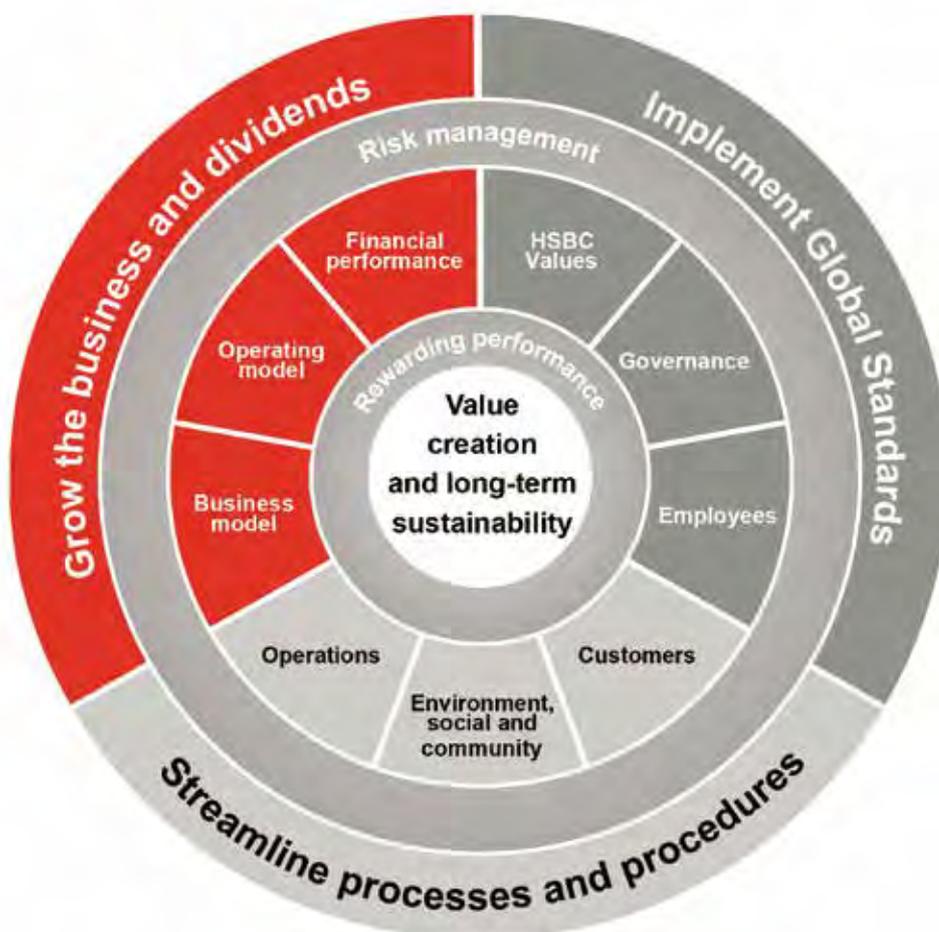
Our strategic priorities are designed to ensure we have a sustainable business for the long term.

Grow ...

Profit underpins long-term business sustainability and growing our profit is an integral part of our strategy. The conditions for creating value and generating profits are reflected in our business and operating models, which determine how our global businesses, geographical regions and functions interact. Delivering organic growth will support a progressive dividend.

Implement ...

A global bank needs global standards – consistent operating principles that are fundamental to the way we do business and which help us to detect, deter and protect against financial crime. Implementing Global Standards affects how we govern the Group, the nature of our core business and the performance, recognition and behaviours of all our people in managing high quality customer relationships. It starts with embedding our HSBC Values in everything we do.



Streamline ...

This initiative is critical to the long-term sustainability of our business. Society's expectations of the financial services industry are evolving and becoming more demanding. At the same time, the digital revolution is reducing barriers to new entrants to the industry and markets are becoming increasingly competitive. In this environment, it is essential

that we focus relentlessly on improving efficiency, ensuring that all parts of the Group streamline their processes and procedures and, as a consequence, reduce their costs. In doing so, we must remain cognisant of our wider obligations to the community, including human rights, and the environment.

Our Purpose, Values and Business Principles

Our purpose is to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

Our strategic priorities

We aim to be the world's leading and most respected international bank. We will achieve this by focusing on the needs of our customers and the societies we serve, thereby delivering long-term sustainable value to all our stakeholders.

For 2011 to 2013, we defined strategic actions across three areas: capital deployment, organisation and cost efficiency, and growth. In May 2013, we announced a set of three interconnected and equally weighted priorities for 2014 to 2016 to help us deliver our strategy:

- Grow the business and dividends
- Implement Global Standards
- Streamline processes and procedures

Each priority is interrelated, complementary and underpinned by initiatives within our day-to-day business. Together these priorities create value for our customers and shareholders, and contribute to the long-term sustainability of HSBC.

Further information on our implementation of these priorities is available on pages 13-35 of the *Strategic Report 2013*.

For HSBC, sustainability is about reaching a balance of positive economic, social and environmental outcomes. We seek to make good decisions and act with integrity to ensure we can deliver our strategic priorities and create sustainable long-term value.

The emphasis we place on these issues has led us to establish a new Board committee in 2014, the Conduct and Values Committee, which will oversee the setting and application of HSBC policies, procedures and standards to ensure we conduct business responsibly and consistently and adhere to HSBC Values. The Committee takes on much of the remit of the former Group Corporate Sustainability Committee, and expands upon it. The Committee will focus on ensuring that in the 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.

Further details are available on our website at www.hsbc.com/investor-relations/governance/board-committees.

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.

We aim to be the world's leading and most respected international bank. We will achieve this by focusing on the needs of our customers and the societies we serve, thereby delivering long-term sustainable value to all our stakeholders.

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

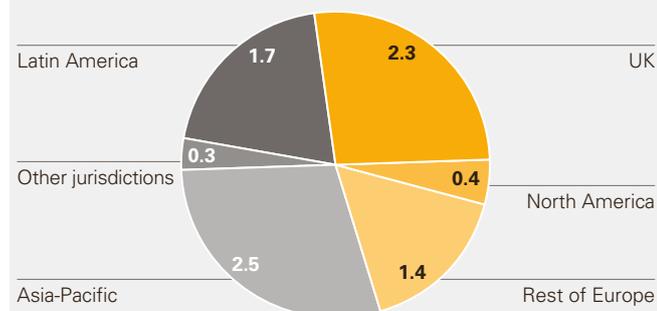
Our economic contribution

By running a sustainable banking business, HSBC is able to make a valuable contribution to the global economy not only by providing services to our customers but also by paying dividends to our shareholders; remuneration to our employees; payments to our suppliers; and tax revenues to governments in the countries and territories where we operate.

HSBC does not enter into or promote tax avoidance. We observe the spirit as well as the letter of the law in all the jurisdictions where we operate and deal with tax authorities in an open and honest manner. As part of its anti-money laundering programme, HSBC has established a global standard that seeks to ensure its services are not used by clients to evade tax. For example, we impose significant restrictions on the use by clients of bearer shares, which are not registered to any owner but are beneficially owned by the person physically holding the share certificates – a situation that carries risks of money laundering and tax evasion.

Breakdown of tax paid by region 2013

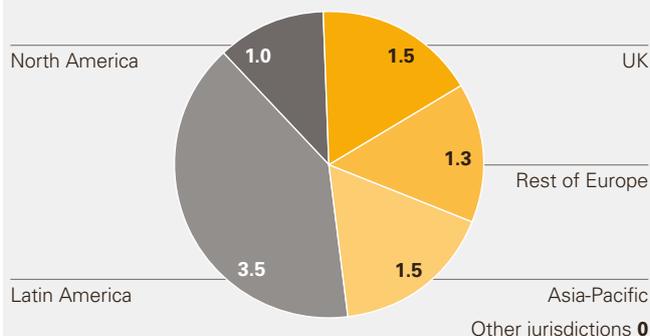
Total US\$8.6b



Taxes paid by HSBC relate to HSBC's own tax liabilities including tax on profits earned, employer taxes, bank levy and other duties/levies such as stamp duty. This chart reflects a geographical view of HSBC's operations by its tax residency. Going forward the basis of preparation will align to the Group's approach in meeting its country-by-country reporting obligations as laid out in Article 89 of the European Union Capital Requirements Directive IV.

Taxes collected for government 2013

Total US\$8.8b



Taxes collected relate to those taxes which HSBC is liable to pay as agent for taxation authorities across the world and include all employee-related taxes, together with taxes withheld from payments of interest and charged on the provision of goods and services to its customers.

HSBC pays corporate tax where it has business operations. We have substantial businesses in lower-tax jurisdictions, such as the Hong Kong SAR.

Following requests from shareholders and non-governmental organisations (NGOs) for more transparency on taxation, we provide a breakdown of our tax payments for our priority markets in the 'Key Facts' section of this report on page 32.

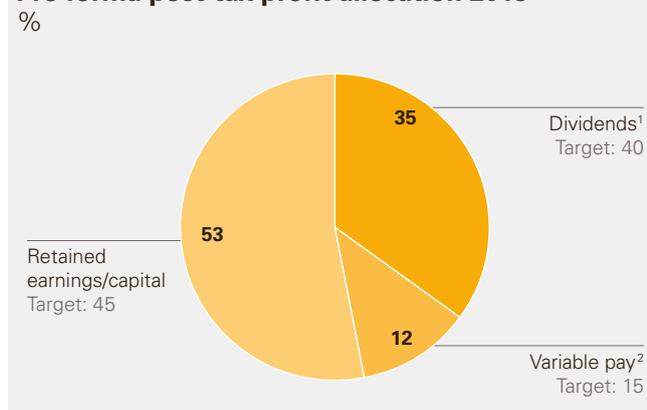
UK tax paid

HSBC ranks as one of the biggest contributors of tax to the UK government, paying US\$2.3 billion in 2013, compared with US\$1.6 billion in 2012, an increase of US\$0.7 billion. Our tax contribution included the UK government bank levy of US\$0.7 billion, up from US\$0.5 billion in 2012.

Pro forma post-tax profit allocation

HSBC's Board of Directors is responsible for allocating the appropriate distribution of profits to balance retained capital, shareholder reward and employee variable pay. For the sake of clarity, the variable pay pool profit measure takes into account the impact of fines, penalties and other items of redress. On a pro forma basis, attributable profits (excluding movements in the fair value of own debt and before variable pay distributions) are allocated in the proportions shown in the charts below. The Group's target policy is for the vast majority of post-tax profit to be allocated to capital and to shareholders.

Pro forma post-tax profit allocation 2013



HSBC's net cash tax contribution

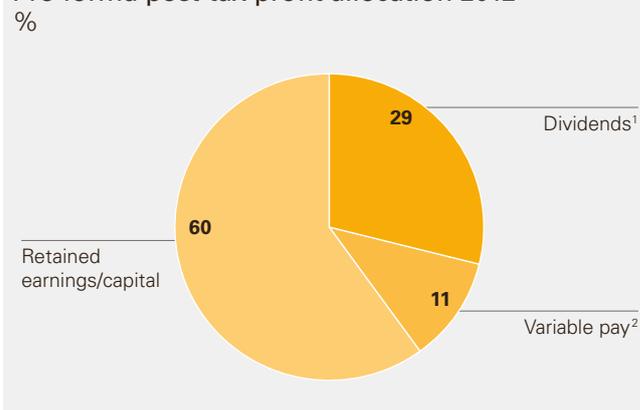
US\$b	2012	2013
Tax on profits	5.6	4.7
Employer taxes (National Insurance)	1.6	1.6
UK bank levy	0.5	0.7
Irrecoverable value-added tax	0.8	0.8
Other duties and levies	0.8	0.8
Total	9.3	8.6

Distribution of economic benefits

US\$b	2011	2012	2013
Net cash tax outflow ¹	8.0	9.3	8.6
Distributions to shareholders and non-controlling interests	8.3	8.7	10.2
Employee compensation and benefits	21.2	20.5	19.2
General administrative expenses including premises and procurement	17.5	20.0	17.1

¹ Includes cash outflows of corporation tax, employer payroll tax, irrecoverable value-added tax and other taxes.

Pro forma post-tax profit allocation 2012



¹ Inclusive of dividends to holders of other equity instruments and net of scrip issuance based on an assumption of scrip take-up for the fourth quarter of 2013 of 20 per cent. Dividends per ordinary share declared in respect of 2013 were US\$0.49, an increase of 8.9 per cent compared with 2012.

² Total variable pay pool net of tax and portion to be delivered by the award of HSBC shares.

Global Businesses

With their strong international connectivity, HSBC's four global businesses – Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking – serve 54 million customers and are supported by 11 global functions, including Global Corporate Sustainability.

Retail Banking and Wealth Management

We offer advice and wealth products such as personal banking, pensions and life insurance to more than 50 million personal customers worldwide.

Commercial Banking

We help small and medium-sized enterprises (SMEs) to find the right financial solutions to succeed in the global economy. Our international network of offices supports SMEs that trade or aspire to trade internationally.

Customer service, satisfaction and complaints

In 2013, we further sharpened our focus on customer service.

In Retail Banking and Wealth Management (RBWM), we measure customer recommendation through an independent market research survey of retail banking customers in selected countries, using a customer recommendation index to score performance. We benchmark our performance against our key competitors in each market and set targets relative to our peer group. The Group target is for 75 per cent of markets (based on their weighted revenue to the Group) to achieve their local customer recommendation index target. In 2013, RBWM met this target, with a score of 85 per cent.

In RBWM, 'root cause analysis' of complaints is conducted to enable us to understand the nature of the complaint and, more importantly, to come up with a solution. Since early 2013, complaints are reviewed at the monthly Global RBWM Executive Committee and market Executive Committee meetings. In the second half of 2013, there was a 17 per cent reduction in complaints globally. In markets where regulators publish complaint trends, HSBC is typically at or below its peer group in complaint volumes. As John Flint, Chief Executive, RBWM, says: 'Complaints are a moment of truth for our customers and we must treat them as such. If we resolve the customer's complaint the right way, we have the opportunity to reinforce an even more trusted and long-term relationship.'

Global Banking and Markets

We provide financial services and products to corporates, governments and institutions.

Global Private Banking

We offer private banking and wealth management services to wealthy individuals and their families in such areas as legacy and succession planning, and philanthropic giving.

We measure the satisfaction of our Commercial Banking clients through a survey of key customers – the client engagement programme – conducted by an independent third party. This provides a valuable insight into customer demand, helping us to tailor solutions to meet customers' needs. The survey, which provides aggregate scores for the Business Banking and Corporate Banking divisions, is conducted in the UK, Germany, France, Turkey, the USA, Canada, the United Arab Emirates, mainland China, the Hong Kong SAR, India, Australia, Singapore, Mexico, Argentina and Brazil. We have conducted more than 2,500 interviews with our Corporate Banking customers and over 6,000 with Business Banking clients. These interviews allow us to build an overall score, out of a possible 100, that rates us on seven key relationship criteria.

In 2013, Corporate Banking's score was 85, up slightly from 84 in 2012, with strong performances in mainland China, the US, Brazil and Germany. Business Banking scored 82, up from 81 in 2012, with strong performances in a number of priority markets, notably our home markets of Hong Kong and the UK. Given the complex and competitive environment in many of the markets surveyed, this is a very good, consistent performance that demonstrates HSBC's positive relationships with these valuable customers.

Client selection

Effective client selection is central to our growth strategy as we seek to generate long-term relationships and sustainable revenue streams within acceptable risk parameters. In 2013, we launched a comprehensive programme to reposition our

portfolios in order to manage our business more effectively. The programme, which is continuing in 2014, includes reviewing our customer base and establishing robust client selection filters to ensure we only do business with customers who we are confident meet our criteria.

New products and services

Digital improvements

In 2013, we launched new mobile applications (apps) and increased the functionality of our internet banking platforms, tailored to customers' needs in different countries. We delivered service improvements for customers using mobile phones and achieved 2.5 million downloads of our global mobile banking app in 25 countries. In addition, we selectively piloted Twitter and Facebook-based services for customers and were voted the top social media bank in the UK in 2013 by IMGroup, the digital management consultancy.

In Vietnam, we developed an SMS alert message that is now sent to a customer's registered mobile phone number as soon as he/she completes a credit card transaction, preventing fraud and providing protection.

In Brazil, we launched bill payment via digital picture on mobile phones and were recognised by *Global Finance* magazine as the best internet bank in the market for the second year running.

In Hong Kong, we are seeing more customers using the Group's global mobile banking app to trade stocks. HSBC was the first bank in Hong Kong to send stock price alerts via push notification.

Supporting customers

Incentivising sales staff

In 2013, we took a major step to align our employees' remuneration with customers' interests by introducing a new incentive programme for our Wealth Management relationship managers. This removes all formulaic links to sales volumes and instead focuses on meeting our customers' needs. The emphasis on strengthening the overall customer relationship rather than simply increasing product volumes represents a significant shift in our approach to remuneration. We have developed a similar incentive programme covering the rest of RBWM's customer-facing staff, and all our retail products. This was partially implemented in France and the UK in 2013 and was effective in most markets from the beginning of 2014.

Product range and value for money reviews

In 2013, we continued to simplify and reduce our product range to make it easier for customers to identify products that meet their needs. By the end of 2013 across our priority markets, we had reduced the number of retail banking products from just under 1,000 to 730. Streamlining has enabled us to identify gaps in our portfolio, which allows our product range to be improved in the future.

We also reviewed all our retail, wealth management and

insurance products to assess their value for money and to position the business for the future. This initiative, which is now a standard element of our new product approval process worldwide, has enabled RBWM to apply greater consistency when reviewing product portfolios and has equipped management to balance customer outcomes with producing a commercial return.

Supporting home ownership

Mortgages are one of our key products. In the UK, we granted more than 28,000 loans to first-time buyers and started offering 95 per cent loan-to-value mortgages as part of the UK government's 'Help to Buy' scheme. HSBC also won the *Moneyfacts* award for Best Bank Mortgage Provider for the fifth year running.

In mainland China, we streamlined our mortgage application process, halving our turnaround time and enabling a decision in principle to be made in under an hour. We also introduced a mortgage application that can be completed using a tablet computer.

In the USA, we continued to work with the Federal Home Loan Bank of New York to offer 'First Home Club', a savings and education programme that assists low-income families to raise the down payment required to buy their first home.

In Mexico, the number of customers we helped to buy a property through a mortgage more than doubled, to nearly 10,000.

Supporting customers in financial difficulty

We support customers facing financial difficulty in a challenging global economy. Across Europe, frontline specialists have been trained to offer an income and expenditure review for customers who are likely to face difficulty in making repayments to HSBC in the near future.

We also assist customers affected by natural disasters. In the Philippines in 2013, we offered a 'general restructured' facility for customers both in arrears and otherwise, and offered payment holidays to those affected by Typhoon Haiyan. In Australia, we offered hardship relief on mortgage repayments to customers affected by bushfires in New South Wales. Each relationship manager contacted more than 270 customers living in hazardous areas to offer them hardship relief on their mortgage payments if required.

In early 2014, parts of the UK were affected by serious and prolonged flooding. HSBC offered immediate financial support to affected customers. HSBC also telephoned agricultural customers affected by flooding to offer help. We sent insurance claims managers to some of the worst-hit areas, such as Somerset and the Thames Valley, to ensure claims were processed as quickly as possible. Staff in our personal insurance call centres worked additional hours to ensure calls and claims were dealt with immediately, with most calls answered within 20 seconds.

For further information on how HSBC responds to natural disasters, see 'Community Investment', page 25, and 'Business contingency', page 20.

Supporting customers into retirement

Commissioned by HSBC, *The Future of Retirement* is a world-leading, independent research study into global retirement trends, providing authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world. Since the programme began in 2005, it has canvassed the views of more than 125,000 people worldwide.

In 2013, we published two global reports: *A new reality* and *Life after work?* The latter compares the real-life experience of today's retirees with the views and expectations of those still working towards retirement. It also provides practical steps to help people secure a more comfortable retirement.

These reports help us to meet the needs of our customers, raise public awareness worldwide of the necessity to prepare for retirement, and contribute to industry initiatives and policy reviews, most recently in Switzerland, France and the UK.

To see all global and country reports, visit hsbc.com/retirement.

UN Principles for Sustainable Insurance

In 2013, HSBC signed up to the UN's Principles for Sustainable Insurance (PSI), a global sustainability framework of the United Nations Environment Programme Finance Initiative (UNEP FI). Its aim is to help insurance companies manage their environmental, social and governance challenges.

PSI provides a significant opportunity for us to meet the expectations of our customers, shareholders, employees and other stakeholders. A recent example of this is our Value for Money initiative, which provides a globally consistent approach to assessing the prices of our 350 insurance products to the benefit of both the customer and the business. We aim to build a position of trust with customers by making the right decisions in product pricing, design and development. All new insurance products are now subject to the Value for Money minimum standards which have been integrated into our product development and approval processes throughout the organisation. We are also working together with our insurance partners to implement Value for Money uniformly across third party and manufactured products.

UN Principles for Responsible Investment

HSBC Global Asset Management signed up to the United Nations Principles for Responsible Investment in June 2006. Since then, we have integrated environmental, social and governance (ESG) criteria across our investment platform.

In 2012, HSBC introduced a new policy to require all Equity and Credit analysts to incorporate ESG analysis into their fundamental research following a period of training. In 2013, to ensure ESG input is embedded on a daily basis in all our business locations, we set up a network of 22 ESG champions, who have been given 20 hours of online ESG training. Being portfolio managers and analysts themselves, they are well placed to provide guidance to their colleagues and raise potential concerns regarding the application of ESG issues to Equities and Fixed Income strategies.

All our 550 investment professionals have access to a global proprietary ESG database which holds the most current research from specialist third party providers. This tool enables the analysts to assess ESG risks and the quality of

existing and targeted investee companies, as well as helping them to acquire a more holistic view of the issues.

We have also upgraded our corporate governance and stewardship practices. Firstly, a global voting policy has been established. This overarching set of principles defines a global framework for the local policies required in many jurisdictions to support our proxy voting activities.

Secondly, and in accordance with our fiduciary duties, we have initiated a global engagement programme. Each quarter we question a group of investee companies regarding the quality of their corporate governance, for example, board structure and minority shareholders. If appropriate, we challenge their lack of compliance with global norms and treaties, such as the 10 principles of the UN Global Compact.

These actions are covered in the annual *Responsible Investment Transparency Report*, which is published on the UN Principles for Responsible Investment website.

Financial inclusion and education

In Vietnam, we built on our 'Personal Financial Management Training'. Launched in 2012 in Hau Giang province in the Mekong Delta, the scheme helps young women to improve their knowledge of spending, saving and budgeting. In 2013, the programme was extended to Tan Phu and Dong Nai provinces, reaching 7,000 participants. We also set up an online banking library, open to all, to provide basic information about finance and banking. In Mexico, we delivered financial education to customers through a series of YouTube videos. Six videos were issued in 2013 on such topics as personal finances, credit cards, auto loans and payroll. The videos are also shown in our branches in Mexico.

In New Zealand in 2013, HSBC made free personal financial reviews available to our retail Premier customers. By gaining a better understanding of our customers' future plans, family circumstances, protection needs and current financial commitments, our relationship managers were able to provide information and solutions specific to their customers' needs and help them to fulfil their financial aspirations.

Physical access to branches: helping customers with disabilities

We aim to help our customers to access their accounts in the most convenient way for them. We continue to improve physical access to our branches for customers with disabilities.

In Argentina, we began to fit ATMs with audio kits for customers who are hard of hearing and plan to have at least one such facility in place at all branches by the end of 2014. We are also increasing the number of branches with ramps to improve physical access: 89 per cent now have ramps in place, with another six per cent being constructed in 2014. The remaining five per cent of branches are due to be relocated.

All our standard forms, such as terms and conditions, product request applications and price lists, are available in Braille free of charge.

In Hong Kong, we have offered Braille statements to customers since 2006 and remain one of the few banks to do

so. We also support the Hong Kong Guide Dogs Association, with all of our branches allowing guide dog access.

In Canada, our upgraded ATMs now feature paperless bill payments and voice guidance in English, French, Cantonese and Mandarin.

Supporting commercial clients

We have launched a series of funds to help small and medium-sized enterprises (SMEs) with international ambitions to succeed in the global economy. SME funds were set up in the UK, Egypt, Malta, Turkey, France, Mexico, the USA and Canada during 2013. In the UAE, we launched our fourth SME fund, an AED1 billion (US\$272 million) scheme for international trade customers. A total of US\$13.3 billion has been made available.

Our Commercial Banking business encourages SMEs to adopt sustainable business practices. In Hong Kong, for example, we run the HSBC Living Business programme. Established in 2004, this initiative informs local businesses about sustainability-related issues through seminars, company visits, networking events and a dedicated website. It received 1,030 applications in 2013 – a record number. The annual Living Business Awards showcase SMEs that improve their competitiveness and productivity by incorporating environmentally sustainable practices into their operations.

International Exchange Programme

HSBC's International Exchange Programme brings global businesses closer together and equips our clients with knowledge and market insights to facilitate their growth in the world's faster-growing markets.

In 2013, four International Exchange Programme events were held in Singapore, Guangzhou, Mexico City and Istanbul to provide leadership development and networking opportunities for more than 300 corporate clients from around the world. We work closely with local government, trade bodies and central banks to provide the best possible insight and information for these customers.

Wealth management and customer philanthropy

Building on our Commercial Banking heritage, the primary focus of our Global Private Banking business is to be the private bank of choice for the owners and principals of HSBC's corporate clients. Our approach to wealth management focuses on meeting our customers' aspirations in five key areas: family protection; educating children; retirement; managing and growing wealth; and legacy planning.

HSBC's Global Private Banking business also helps clients who want to use their wealth for philanthropic purposes, linking wealthy individuals and their families with important social causes. We help clients to involve their children in decision-making about philanthropy. Some families want to inculcate philanthropic values in their children and grandchildren so that they appreciate the value of wealth and understand the responsibility of managing money, as well as learn about governance, investment management and stewardship. For example, Global Private Banking can advise

families on how to set up a foundation for a chosen charity or cause in which all family members can actively participate.

Tax transparency

As a global bank, HSBC supports clients' domestic and international banking requirements. To reduce the risk that clients could use our services to evade their tax obligations – which could result in legal, regulatory and reputational consequences for HSBC and our clients – we ask our clients to undergo an anti-money laundering and 'know-your-customer' programme before they can use our services. In 2013, Global Private Banking began to implement a new internal standard to ensure that HSBC's banking services are not associated with any arrangements that are known, or suspected to be designed, to facilitate tax evasion by our clients. The new standard involves an assessment of our induction procedures, our current customer profiles and our products in order to identify and deal with potential tax evasion.

Global Private Banking clients have their own tax reporting obligations. HSBC does not provide tax advice but, where staff know, or have reasonable grounds for suspecting, that a potential or existing client may be using HSBC's services to evade taxes, they must follow the standard anti-money laundering escalation procedures, including the filing of a suspicious activity report where appropriate. HSBC will refuse to establish an account with a new client or terminate a relationship with an existing client if our knowledge or suspicions are not adequately addressed. We devoted considerable effort, time and expense to this initiative during 2013 and the process continues in 2014.

Climate Business

Environmental and social changes present opportunities as well as risks for our customers and for our own business. We recognise that an important element of sustainability is to seek the commercial opportunities that arise from the transition to a low-carbon economy.

Business solutions that reduce carbon emissions or enable society to adapt to climate change bring environmental and social benefits as well as a commercial return. We call this climate business.

These types of opportunities arise in the solar, wind, biomass, energy efficiency, low-carbon transport and water sectors. HSBC's Commercial Banking, and Global Banking and Markets businesses use knowledge and insight about these sectors to identify opportunities and close deals.

Collaboration driving climate business

Collaboration between our Global Banking and Markets and Commercial Banking businesses has been recognised by *Asiamoney* magazine as a key factor in HSBC's success in investment banking. Climate business deals involve rapidly growing companies. We are able to offer traditional investment banking services to growing climate business customers to help them meet their goals and encourage a long-term banking relationship with HSBC.

Collaboration across our global businesses was instrumental in the success of a number of climate business deals in 2013. For example, HSBC was joint global co-ordinator and senior bookrunner in the capital increase and first initial public offering (IPO) in the Nasdaq of a Spanish corporate since 2010, a leading engineering and clean technology company. We were also financial adviser for raising project finance for two renewable energy projects in South Africa – a 138-megawatt wind farm and a 75-megawatt solar park.

Building on our trade links, we were financial adviser for the acquisition of a Dutch waste-to-energy company by an Asian infrastructure consortium. In the USA, HSBC was bookrunner on an equity offering for the world's largest thin-film photovoltaic solar module manufacturer and provider of solar power system solutions. We also supported an Omani power and water company that focuses on desalination with an IPO, the largest in Oman in 2013.

Investor insight

One of the challenges of climate business is attracting investors to the sector. HSBC provides tools and services to institutional clients to assist their investment decisions. For example, in 2013 HSBC's Climate Change Centre of

What is 'climate business'?

We define climate business as long-term commercial business opportunities that arise in the transition to a low-carbon economy. These cover three areas:

- Increasing the share of low-carbon energy production, such as bio-energy, solar and wind;
- Improving energy efficiency in buildings, industry and transport, as well as energy storage; and
- Adapting to the impacts of climate change, particularly in agriculture, infrastructure and water.

Greater Gabbard: UK project bond

Greater Gabbard is a 504-megawatt wind farm 40 kilometres off the coast of Suffolk in England. In 2013, HSBC arranged a project bond to enable a consortium of infrastructure investors to purchase a high voltage subsea link connecting the wind farm to the UK's national grid. This was the first time a UK offshore transmission link had been financed in the capital markets, offering a precedent for future deals using the same model.

"Gabbard was a landmark transaction, giving confidence that the market is there."

Katrina Haley
Head of Structured Bonds, HSBC

Excellence, part of HSBC Global Research, produced around 60 research notes on such themes as scoring climate change risk, pollution in China, and responses to the fifth climate change assessment report from the UN Intergovernmental Panel on Climate Change. The analysts were ranked in the top three by the Thomson Reuters EXTEL awards for the fourth year in a row.

Climate Change Benchmark Index

HSBC also runs a Climate Change Benchmark Index, used by institutional investors to make decisions about investing in companies likely to benefit from the responses to climate change. The strongest performing sectors change over time, according to markets and commercial viability. In 2013, the sixth year of the index, out of the 21 identified themes, energy efficiency performed the strongest. Controlling costs and careful use of resources continue to be priorities, benefiting companies offering energy efficiency products and services.

Identifying future potential: 'green bonds'

In 2013, HSBC Global Research identified an increasing use of bond markets to raise capital for the low-carbon economy. The issuance of specifically labelled 'green bonds' has been rising rapidly. HSBC research showed that the green bond market grew fivefold in 2013 to US\$10 billion.

HSBC adopted new green bond issuance principles – drawn up in consultation with a number of leading financial institutions – at the end of 2013. The principles are designed to help issuers launch green bonds, and to guide institutional investors with an appetite to invest in environmentally responsible projects, including renewable energy and waste management.

'The Green Bond Principles are an excellent initiative to increase transparency and disclosure in this market, and to foster continued growth in investments which help combat climate change,' commented Ulrik Ross, Managing Director Financing Management, HSBC.

In the first quarter of 2014, HSBC acted as joint lead manager on the European Investment Bank's new £500 million six-year Climate Awareness Bond. Driven by socially responsible investors in the UK, this bond is earmarked for disbursements to the bank's lending projects within the fields of renewable energy and energy efficiency. The transaction follows the bank's environmental briefing in London in December 2013, which was co-hosted by HSBC.

Bus rapid transit

HSBC is a market leader in structuring solutions for bus rapid transit (BRT) systems. In 2013, HSBC was successful in bidding for a BRT deal in Rio de Janeiro for improving its transport infrastructure ahead of global sporting events in

"With sustainable mobility, cities can become more successful and attractive to business and citizens. Bus rapid transit offers the means to connect people to economic and social opportunities in a sustainable way for long-term growth in cities."

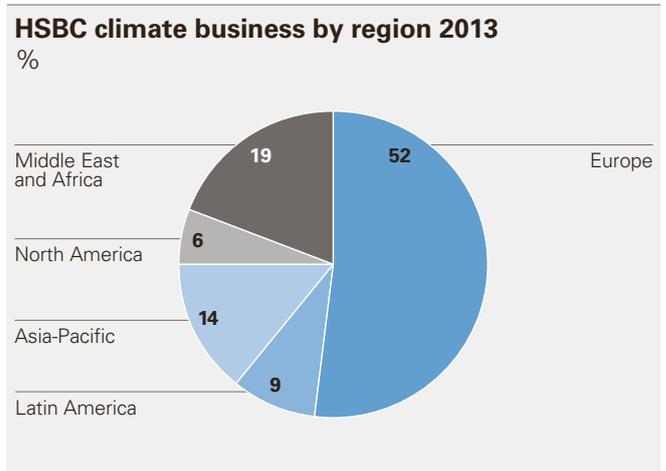
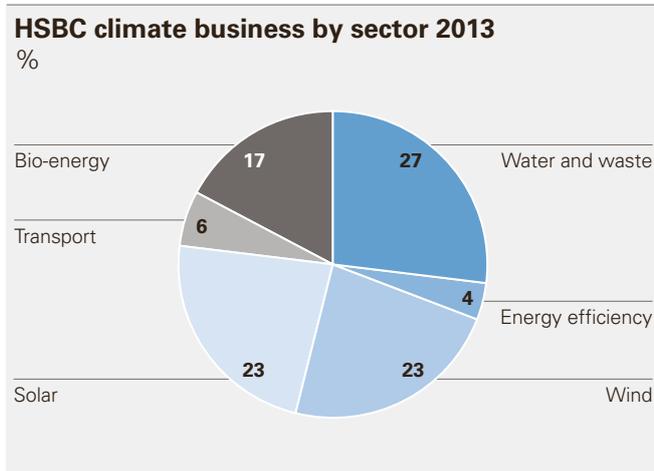
Graham Smith

Director of Export Finance, HSBC

2014 and 2016. Other cities where HSBC has completed similar transactions are Johannesburg, Panama City, Bogotá, Manaus, Curitiba, Mexico City and Santiago.

BRT networks use new fuel-efficient buses to provide quick, safe, easy and cost-effective transport solutions. Passengers can pay for their travel in advance and the buses have dedicated lanes to bypass heavy traffic. In 2013, HSBC worked with Embarq, the World Resources Institute programme for sustainable urban transport and planning, to research the environmental, social and economic impacts of BRT systems on cities. The research shows that by shifting to BRT systems, commuters can save millions of hours of travel time, road fatalities are significantly reduced, and carbon emissions are lowered. For example, Embarq found that, in Istanbul, the average passenger on the BRT saved 28 workdays per year in reduced travel time. By reducing local air pollution and emissions, the BRT line in Mexico City, which serves 800,000 passengers daily, has prevented more than 2,000 days of lost work (due to illness), four new cases of chronic bronchitis and two deaths per year, saving an estimated US\$4.5 million.

HSBC teams in Global Banking and Commercial Banking in various countries and regions joined forces to structure the finance for these deals. Our expertise in BRT projects highlights HSBC's commitment to global trade within the context of climate business.



The charts above show the global spread and sector scope of our climate business in 2013. Solar power deals are up compared with 2012, reflecting a renewed strength in parts of the sector, driven by industry consolidation and price reduction following an earlier oversupply of solar cells.

Our Sustainability Risk Framework

HSBC's approach to sustainability risk was first introduced in 2002. Our objective is to ensure that the financial services HSBC provides to its customers to facilitate economic development do not result in unacceptable impacts on people or the environment.

We take social and environmental issues seriously, in terms of the impact poor management could have on our own business and on the wider world. We seek a balance of economic, social and environmental factors by following international good practice on environmental and social risks.

Sustainability risk

HSBC focuses its policies on sectors which may have an adverse effect on people or the environment and in which we have a significant number of customers. HSBC's policies cover the following industry sectors: Agricultural Commodities; Chemicals; Energy; Forestry; Freshwater Infrastructure; Mining and Metals; and World Heritage Sites and Ramsar Wetlands. We also have other policies including a Defence Equipment Policy. They are available on our website at www.hsbc.com/sustainability.

Our policies apply to the main financing products which we provide to business customers, such as loans, trade finance and debt and equity capital markets services. They do not apply directly to our asset management business, whose customer is the investor, resulting in a lower degree of influence over the investment itself. Our asset management business has a separate engagement policy on sustainability issues.

We engage with customers, where appropriate, and support them in moving towards good practice, which we believe is one of the major ways we can contribute to sustainable development. However, we close banking relationships with customers when they are unwilling or unable to comply with our standards.

Policy development

In 2013, we continued to develop our policies to retain good standards in a changing market and social context, including simplifying them to improve the effectiveness of their implementation. A major project was to engage with internal and external stakeholders on the revision of our forestry policy, which was issued in early 2014.

HSBC was one of the first banks, in 2004, to introduce a Forest Land and Forest Products Policy to tackle issues such as deforestation and the rights of forest communities. As part of our review of this policy, we consulted and listened to the views of companies, certification schemes, trade bodies, NGOs, investors and auditors and also internally within HSBC.

We engaged Proforest, an independent international organisation that advises on sustainable natural resource management, to benchmark our policy against the wider corporate sector and make recommendations for improvements. Proforest found that HSBC's policy compared extremely well with the rest of the sector in terms of its technical scope. Proforest also made recommendations for improvement, most of which we incorporated.

As a result of this and our wider review, we have improved our standards, extended the scope of the policies and tightened up the implementation process. The following actions have been taken:

- Our forestry policy has been separated out into three policies covering forestry including logging; agricultural commodities; and World Heritage Sites and 'Ramsar' Wetlands. This was partly the result of recommendations from Proforest and reflects the different issues and management approaches involved in these three types of business.
- We set a requirement for forestry customers to gain 100 per cent certification by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification in high risk countries by 31 December 2014. Previously, we required 70 per cent certification. Certification requires that customers are operating legally and sustainably.
- We set a requirement for palm oil customers to become members of the Roundtable on Sustainable Palm Oil (RSPO) by 30 June 2014, to have at least one operation certified by the end of 2014, and all operations by the end of 2018. We also now apply our palm oil standards to traders and refiners as well as to growers.

Many of our customers already meet these standards and we believe more will meet our deadlines. If customers are unwilling or unable to achieve the standards by the deadlines, we will end these banking relationships. To support our customers and sustainable development in this sector, HSBC has developed a specific product – discounted finance for RSPO-certified palm oil – that will be offered from 1 July 2014 to incentivise trade in sustainable palm oil and encourage customers to achieve RSPO certification more rapidly.

We also recognise that independent certification needs to be strengthened to protect people and the environment more effectively. HSBC has committed to provide support to RSPO as well as FSC, Bonsucro – which sets a standard for sugar cane production – and the Roundtable for Responsible Soy to develop their organisations, improve their standards and strengthen their processes.

We will report on the impact of our new policies in 2015. In 2013, we commissioned PricewaterhouseCoopers LLP (PwC) to conduct a compliance review of our implementation of the previous forestry policy and will report on the findings once they are available.

Implementation and training

Our network of specially trained Sustainability Risk Managers, present in 27 countries, supports policy implementation in each region. We also provide online sustainability risk training through a tailored e-module. From 2011 to the end of 2013, 6,729 employees globally had completed this training.

In 2013, 172 additional senior managers were trained in sustainability risk as part of HSBC's Risk Management Programme across nine sessions in different locations including London and Hong Kong.

Equator Principles

The Equator Principles provide a framework for banks to manage the risk of a negative impact on local people and on the environment that may arise from financing large projects. HSBC adopted the Principles when they were launched in 2003. Our Project and Export Finance teams are trained to analyse a proposed transaction in line with the requirements of the Equator Principles. This initial assessment by the business team involves identifying and flagging any contentious sustainability risk issues at an early stage to the relevant risk and sustainability teams. Detailed due diligence is conducted by the business team and the proposal is submitted for approval by the risk team, with higher risk transactions requiring higher levels of approvals. If the transaction is approved, annual review procedures are in place to ensure that the risks continue to be monitored and managed until the end of the life of the loan.

Development in 2013

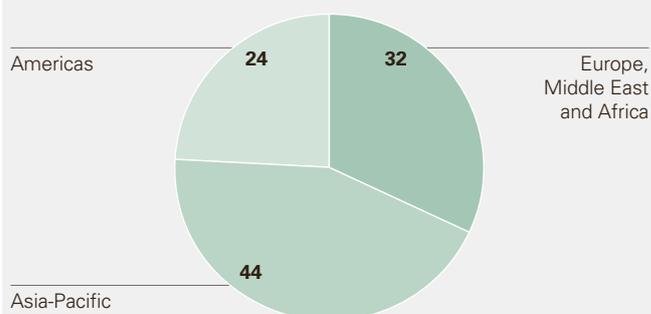
Following an update, a new set of Principles, 'EP3', has been agreed by more than 75 banks. HSBC supported the Equator Principles Association during the revision process and welcomed the new direction set by EP3, but would support strengthening the Principles even further. Indeed, we have been implementing some parts of the new EP3 framework voluntarily for some time. For example, we have always voluntarily extended the scope of the Principles beyond pure project finance to other loans and quasi-loans for projects. The new framework introduces changes to public reporting requirements, including a requirement for an online summary of the environmental and social assessment, and reporting on greenhouse gas emissions for projects exceeding 100,000 tonnes of carbon dioxide annually during the operational phase.

Since the new version was launched in June 2013, HSBC has aligned its own policy to implement EP3 requirements, including developing templates and delivering training.

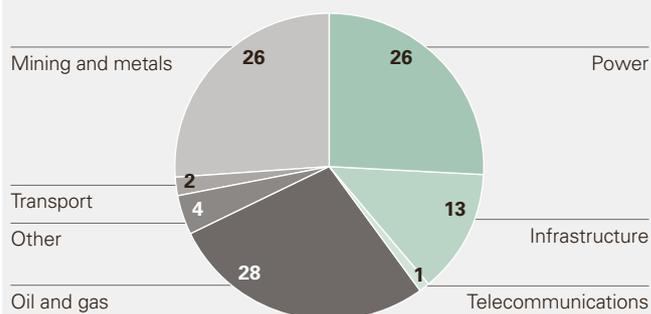
As part of our commitment, we report the number of transactions we have reviewed using the Principles, and provide an additional breakdown by sector and by region, seen in the charts below. Since 2012, we have exceeded the minimum requirements by also reporting the number of projects located within high-income OECD countries; the number of Category A and B projects where an independent expert review has been completed; and the number of transactions where we have extended the Principles to export credit loans. While it is not a requirement, we also arrange an annual independent audit of our application of the Principles to ensure HSBC has implemented the Principles accurately, as we believe this is helpful to us and to other stakeholders. This year's assurance report, provided by PwC, can be found on page 35.

Of the 31 transactions assessed (see page 16), 23 per cent are extended transactions, which means HSBC applies the Principles to a loan because the proceeds are being used to finance a project. The number of lending transactions decreased overall and particularly in oil and gas, reflecting a downturn in market volumes both in Project and Export Finance and increased competition from other market participants. The proportion of power deals in the renewables sector is also down, partly due to more challenging market conditions, for example cuts to subsidies in many markets.

Equator Principles: loans by region of borrower by % value 2013



Equator Principles: loans by industry sector by % value 2013



Equator Principles: transactions vetted by HSBC (see PricewaterhouseCoopers LLP 'Assurance Report' on page 35)

	2011		2012		2013	
	Number	Value (US\$m)	Number	Value (US\$m)	Number	Value (US\$m)
Transactions approved	63	4,643	67	5,779	49	4,937
By mandate						
Lending	42	4,643	48	5,779	31	4,937
Advisory	21	0	19	0	18	0
Loans by category¹						
Category A	9	1,432	12	2,499	9	1,627
Category B	24	2,274	26	2,781	19	3,083
Category C	9	937	10	499	3	227
Loans according to scope of EP²						
Standard transactions	28	2,889	26	4,133	24	3,807
Extended transactions	14	1,754	22	1,646	7	1,130
Loans by region						
Americas	9	948	13	1,457	8	1,187
Asia-Pacific	12	1,349	13	1,568	9	2,178
Europe, Middle East and Africa	21	2,346	22	2,754	14	1,572
Loans by industry sector						
Infrastructure	9	853	6	652	6	625
Mining and metals	3	411	6	726	5	1,300
Oil and gas	14	1,881	10	2,008	8	1,406
Power	10	931	21	2,095	9	1,276
Telecommunications	1	215	1	75	1	52
Transport	2	151	1	2	1	100
Other	3	200	3	221	1	178
Loans under additional EP3 reporting						
Category A and B projects with an independent review	–	–	29	4,509	22	3,446
Category A, B and C projects in high-income OECD countries	–	–	11	1,772	12	2,262
Renewables	5	477	10	862	3	298
% of power	45	50	48	41	33	23
% of total	7	8	21	15	10	6

1 Category A: projects with potentially significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.

Category B: projects with potentially limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

Category C: projects with minimal or no social or environmental impacts.

2 We extended Equator Principles to export credit loans (extended transactions), the procedures for which are presented in our Reporting Guidelines (www.hsbc.com/sus-assurance).

Sustainability Risk in action: Mexico

HSBC's Sustainability Risk Managers encouraged the financing of a highway construction project designed to protect the biodiversity of the local area, by re-routing a busy road away from a protected site. The project involved the construction of a highway which is part of the main route between Mexico City and the Gulf of Mexico. HSBC's client, Autovia Necaxa-Tehuacan S.A. de C.V., is constructing the 36.6-kilometre section which includes six tunnels, 12 bridges, vehicle underpasses, underpasses for animals to access habitat, and more than 100 drainage works.

Before agreeing to the project, HSBC risk managers investigated the project's proximity to a Natural Protected Area and Ramsar site, and concluded that the project would actually improve the protection of the site, as the new road will carry traffic away from the more sensitive

parts of the area. HSBC ensured that the client protected flora and fauna, for example by removing, protecting and then replacing rare orchids, and reforesting 1.2 million trees, which also created jobs and training opportunities for members of the community.

As a result, three times the vegetation lost to the project has been re-planted. Owing to the importance of the Natural Protected Area the client, together with the Minister of Environment and Natural Resources, established an environmental education programme in local schools and also for the project workers, 80 per cent of whom were from local communities. HSBC has continually monitored its application of the Equator Principles by reviewing quarterly environmental and social reports and by making a site visit.

Our Sustainable Operations Strategy

For HSBC, sustainability is about our long-term contribution to society and this includes managing our own environmental footprint. Our goal is to support innovation in environmental efficiency throughout our operations and along our supply chain.

By working with supply chain partners and collaborating within HSBC to improve environmental efficiency, we aim to reduce our annual carbon emissions per employee from 3.5 to 2.5 tonnes by 2020. HSBC's Sustainable Operations strategy, established in 2012 to meet this objective, covers 10 areas of focus. Our progress towards meeting these operational sustainability goals is reported in this chapter.

In 2013, our energy consumption and carbon emissions fell as we operated our data centres more efficiently, improved the energy efficiency of our building portfolio, and streamlined the organisation. Our paper consumption and waste generated also declined significantly as staff took up the challenge. Since 2011, annual employee carbon emissions have reduced from 3.5 to 3.4 tonnes per full-time employee equivalent (FTE).

Looking ahead

In 2013, we assessed our strategy and approach to operational sustainability by benchmarking it against our financial services peer group and corporations leading in sustainability across the world. As a result of the review, in 2014-15, we will lead on renewable energy procurement, sustainable paper sourcing and managing our supply chain sustainably. We will continue to collaborate across HSBC's global businesses and global functions to achieve the 10 goals we set out below.



21%

reduction in waste disposed

Operational sustainability goals 2012–20

Sustainability engagement: encourage employees to deliver improved efficiency by 2020

Progress in 2013

We trained an additional 255 senior managers as part of our Sustainability Leadership Programme, bringing the total number of alumni to 627. This programme has been critical to ensuring that we have senior level understanding of what operational sustainability means to each business and function within HSBC and that we have leaders who are accountable for delivering our goals. See page 23 in 'Valuing our Employees' for further details. We also engaged the top 4,000 staff in our operational functions so they understand the strategy and that they have a responsibility to contribute to achieving our goals. Programmes to involve additional employees in our operational functions have been set up in the majority of our operational centres including Hong Kong SAR, Mexico, Brazil, Canada, France, Malaysia, mainland China and India.

For example, one programme in Guangzhou, China, involves employees in scientific field research training. This approach builds employees' knowledge and enthusiasm to deliver HSBC's sustainability operational goals. 386 employees have taken part so far.

Plans for 2014

In 2014, we are focusing on engaging key employees in HSBC's global businesses and global functions – in addition to those in our operational functions – who are in a position to support the operational sustainability strategy. We are also expanding our programme of engagement activities for suppliers. We will run three-day residential workshops with our key strategic vendors to make sure we are collaborating in the best way to achieve our goals.

Business owner

Sustainability Engagement Head,
HSBC Technology and Services

“HSBC has been working to reduce its impact on the environment for many years. What we have found is that it’s only when our people are truly engaged in sustainability and understand the imperative to act that change really happens.”

Sean O’Sullivan

Group Chief Operating Officer

Supply chain collaboration: sustainable savings through efficiency and innovation

Progress in 2013

Our policies and processes ensure suppliers integrate sustainability into the products and services delivered to, or on behalf of, HSBC. Our Supplier Code of Conduct and Core Sustainability Assessment and our Paper Sourcing Policy set out our standards. Our Supplier Performance Management processes include sustainability criteria and we have also collaborated with our strategic global vendors to embed sustainability into contracts and deliver shared sustainability goals.

In 2013, we collaborated with suppliers to reduce our global energy consumption in data centres and the real estate portfolio and to ensure that the paper used for marketing is sustainably sourced.

Plans for 2014

In 2014-15, we will continue to work with our major suppliers to collaborate on initiatives to deliver our 10 goals. We will conduct assessments of our main suppliers’ approach to sustainability to inform our sourcing decisions and review our supply chain for sustainability risk issues.

Business owner

Chief Procurement Officer, HSBC



30%

reduction in paper consumption

HSBC Eco-efficiency Fund: US\$5 million annually to develop new ways of working, based on employee innovations

Progress in 2013

In 2013, we allocated US\$5 million to fund sustainability innovation across HSBC’s operations. This included US\$0.5 million for a trial of energy-efficient LED lighting in branches in Hong Kong. The bulbs are up to 60 per cent more efficient. The project achieved payback in just one year, and the new lighting is being rolled out globally.

We also completed a pilot to assess efficiency improvements to cooling infrastructure across our European data centre operations. To date, we have realised annual savings of US\$100,000 and 67 tonnes of carbon emissions.

To highlight and reward the success of the projects originating from this seed funding, a new category was added to our annual internal Group Chief Operating Officer awards. Our Sustainability Excellence award is for initiatives that trial new technologies and innovation that are scalable across HSBC. In 2013, the award was won by HSBC in Malta for its ‘Simply ELECTRIC’ initiative – photovoltaic panel installations that are large enough to power our ATM network and charge three electric vehicles.

Plans for 2014

We will continue to promote awareness of the Eco-efficiency Fund and encourage employees to develop their own initiatives across all global businesses and functions.

Business owner

Group Chief Operating Officer, HSBC



US\$80,000

monthly saving from energy efficiency in data centres

Energy: reduce annual energy consumption per employee by 1MWh

Progress in 2013

While our energy consumption per employee has not come down since 2011, we reduced our overall energy consumption by a further 7 per cent in 2013 bringing our total reduction since 2011 to 12 per cent. Around 3 per cent of these savings came from energy efficiency projects implemented by our Corporate Real Estate teams, and the remainder was a result of consolidating our real estate portfolio and closing offices as part of restructuring the business. In January 2013, JLL became HSBC's Global Facilities Management provider. This five-year agreement includes a contractual commitment to reduce HSBC's energy consumption each year, which is being achieved by energy champions who closely manage HSBC's property portfolio. We have focused on 'intelligent' lighting, introducing more flexible temperature levels, and improving the efficiency of our heating and cooling systems. We continually assessed the portfolio against our own in-house sustainability guidelines, which are based on internationally recognised standards.

Plans for 2014

We will continue to work with JLL as well as other strategic vendors to achieve efficiencies.

Business owner

Global Head of Corporate Real Estate, HSBC

Waste: use less, and recycle 100 per cent of our office waste and electronic waste

Progress in 2013

In 2013, we achieved a 21 per cent reduction in waste disposed. In addition, we maintain a recycle rate at over 60 per cent of total waste.

Plans for 2014

While options for waste disposal vary across the world, our objective is to avoid sending any waste to landfill. We have commissioned an independent assessment of waste management to help us define a global waste strategy to achieve this. In 2014 we will build the global infrastructure to ensure no electronic waste goes to landfill.

Business owner

Global Head of Corporate Real Estate, HSBC

Assurance of HSBC's total CO₂ emissions

HSBC's statement of total carbon dioxide emissions is included in the Key Facts table on page 34. HSBC's Reporting Guidance for emissions is available at www.hsbc.com/sus-assurance. See PricewaterhouseCoopers LLP assurance report, page 35.

Renewables: increase energy consumption from renewables to 25 per cent from zero

Progress in 2013

In 2012, we developed our renewable energy strategy and, in 2013, initiatives were launched in three markets working with renewable energy generators through power purchase agreements. These renewable energy sources will provide 17 per cent of our renewable target. In 2013, we also reset our baseline to 0 per cent as we will only count newly constructed energy sources which are additional to renewable energy already available. We have reassessed the 2020 goal and amended it to 25 per cent, down from the original target of 40 per cent. We will no longer pursue our previous target to source 5 per cent renewables on site because of difficulties with the urban location and lease arrangements of our sites.

Plans for 2014

We will sign power purchase agreements with renewable energy generators and start construction, and assess other markets for future development.

Business owner

Global Head of Corporate Real Estate, HSBC

Green buildings: design, build and run energy efficient, sustainable buildings to the highest international standards

Progress in 2013

While we recognise the value of external accreditation, we have also developed our own green building standards to ensure sustainability opportunities are exploited and used to create a more productive workplace. Our standards reflect international standards such as LEED and BREEAM.

Plans for 2014

We will build on our knowledge of designing, building and operating LEED accredited buildings and, in 2014, will implement 'OpenWork', an initiative that will provide a more flexible, productive and collaborative office environment. Openwork will allow HSBC staff to work from multiple locations using smart technology. This will also mean we can use less office space per head and introduce sustainably procured fixtures and fittings. We will assess the benefits of 'green lease' arrangements and look for opportunities to introduce them. As most of our portfolio is leased, this is potentially a far-reaching step, and allows us to extend HSBC's sustainability approach across more of our buildings.

Business owner

Global Head of Corporate Real Estate, HSBC

Data centres: achieve an energy efficiency (power usage effectiveness) rating of 1.5

Progress in 2013

We achieved our power usage effectiveness target of 1.75 for 2013, down from 1.79 in 2012 and 1.90 in 2011. This is an industry efficiency standard and 1.5 is a stretching target for the financial services industry. The strategy to reduce energy use in our data centres has resulted in nearly US\$80,000 per month in 2013 in energy savings. This equated to 658,000 kWh of electricity and 250 tonnes of carbon dioxide saved each month. Initiatives included the introduction of 'cold aisle containment', which improves the efficiency of cooling systems; the elevation of data hall temperatures, which reduces the amount of work the cooling systems have to undertake; and the introduction of more energy-efficient lighting.

Plans for 2014

We will aim to achieve a power usage effectiveness of 1.71. To achieve this stretching target we will work with external experts and supply chain partners; progress our global 'quick wins' programme that was piloted and delivered positive reductions in 2013; continue to install variable speed drives; and find more opportunities to elevate control temperatures across our data centres.

Business owner

Global Head of IT Operations, HSBC

Travel: reduce travel emissions per employee

Progress in 2013

In 2013, our travel increased in terms of kilometres travelled. However, HSBC's carbon emissions and carbon emissions per employee from travel remained static compared to 2012 levels. Although air travel rose, this was offset by a reduction in HSBC's car fleet and the move to more efficient vehicles in 2013.

HSBC continues to invest in the technology required to work collaboratively and remotely. In 2013, we used 425 million minutes of audio conferencing, 286 million minutes of webex and 1.2 million more video conferencing minutes each month compared with 2012.

However, we acknowledge that our business travel needs to be managed more efficiently.

Plans for 2014

New technology being rolled out will also enable HSBC to introduce a new voice/video and instant messaging tool, offering more ways to collaborate. HSBC is significantly updating its collaboration technology, including an initiative to enable employees to use their own mobile devices. We will continue to focus on encouraging staff to travel more efficiently.

Business owner

Chief Procurement Officer, HSBC

Paper: paperless banking available for all retail and commercial customers and 100 per cent sustainably sourced paper

Progress in 2013

In 2013, IT Operations signed a global contract with HP to operate more efficient 'managed print' across the whole Group. We achieved a reduction of 9.5 per cent in internal print and the global contract will bring standard devices with secure print together with a common print policy which should reduce internal printing even more. A global customer correspondence project, which started in 2013, aims to halve transactional print volumes by the end of 2016 by offering customers opportunities to move to mobile and internet banking and electronic communications. To date a 6.5 per cent reduction has been achieved in transactional print volumes.

Overall, HSBC reduced paper consumption from 40,000 tonnes in 2012 to 28,000 tonnes in 2013.

Plans for 2014

By the end of 2014, we will have rolled out the first phase of the 'managed print' programme, scheduled to be implemented globally by the end of 2016. As part of the global customer correspondence project, more documents will be converted to electronic format. We will continue to work with our strategic marketing print vendors to reduce the number of suppliers and consolidate management information helping to drive reductions. HSBC will continue to ensure paper and all paper-based products comply with our Paper Sourcing Policy, which requires purchasing to have a chain of custody certificate to either Forest Stewardship Council or Programme for the Endorsement of Forest Certification standards.

Business owner

Global Head of Service Delivery, HSBC

Business contingency

HSBC's Business Contingency team puts processes in place to identify potential risks, and minimise their disruption to our operations. These can be local risks such as flood or fire; regional or national weather events such as hurricanes and natural disasters; or global issues such as a flu pandemic and cyber-crime. We work with geologists to identify buildings vulnerable to earthquakes and volcanic eruptions. Our geopolitical unit is also in contact with governments around the world to monitor emerging political flashpoints and we analyse how long-term trends, such as climate change, may affect our business in the future.

Climatic extremes occurred around the world in 2013. In September, two windstorms simultaneously hit both the Atlantic and Pacific coasts of Mexico. HSBC's contingency team monitored the storms on our tracker system and prepared local operations for landfall, such as protecting buildings. As a result, no staff were injured and damage to our facilities was limited.

Valuing our Employees

Our employees are vital to HSBC's long-term, sustainable success.

To help them deliver the Group's purpose and strategy in line with our values, we support employees in five key ways:

- We aim to attract, retain and motivate the best people and ensure our remuneration policy supports this objective.
- We actively manage succession planning, identifying talented individuals and providing them with opportunities to fulfil their potential.
- We provide training and development opportunities to enable our employees to acquire the technical and leadership skills they need to enhance their careers.
- We are committed to a diverse and inclusive culture that reflects our varied customer base.
- We encourage our employees to get involved in the communities in which they work.

At the end of 2013, HSBC had a total headcount of 263,000 full-time and part-time employees, compared with 270,000 at the end of 2012 and 298,000 at the end of 2011. Our main centres of employment are shown in the chart on the right.

HSBC Values

We require high standards of behaviour from all our employees and expect them to act with courageous integrity in the execution of their duties at every level. HSBC's values of being open, dependable and connected form part of appraisals for every employee, including the most senior managers. In 2013, our values and business principles were instilled through induction and other learning programmes covering Group strategy, leadership and professional skills. Over the year, nearly 135,000 employees received values training, in addition to 103,000 in 2012. Our *Behavioural Guide* outlines what we expect from employees in terms of behaviour and adherence to HSBC's values and business principles. In 2013, a number of employees left the Group for breaching our values.

To achieve a values-led, high performance culture, we introduced a new interactive workshop for senior leaders. They are being coached to listen, be open to other people's views, and engage in honest and meaningful conversations.

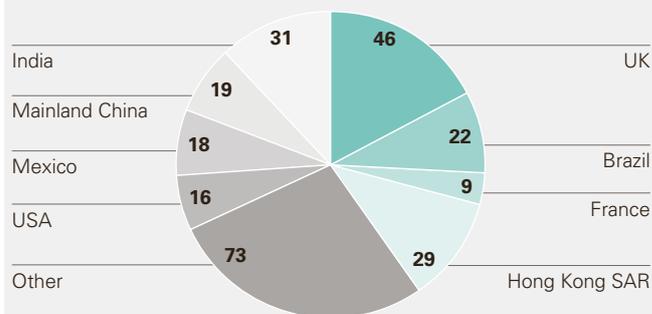


135,000

employees received values training in 2013

Main centres of employment 2013

000s



This encourages co-operation and high performance, as well as building commitment to making sustainable, principled decisions which support HSBC's priorities and values.

In 2013, of the 3,000 employees who attended this workshop, 1,300 were our most senior executives. A further 20,000 middle managers will attend the workshop in 2014.

Whistleblowing

The HSBC Group operates a global Compliance Disclosure Line (telephone and email) which is available to allow employees to make disclosures when the normal channels for airing grievances or concerns are unavailable or inappropriate.

The Compliance Disclosure Line is available to capture employee concerns on a number of matters, including breaches of law or regulation, allegations of bribery and corruption, failure to comply with Group policies, suspicions of money laundering, breaches of internal controls and fraud or deliberate error in the financial records of any Group company. Global Regulatory Compliance is responsible for the operation of the Compliance Disclosure Line and the handling of disclosure cases. Each case is reviewed and referred for appropriate investigation. The disclosure is acknowledged (when contact details are provided) and the employee is advised when the investigation has been concluded. Global Regulatory Compliance may also be made aware of whistleblowing cases made directly to senior executives, line managers, Human Resources and Security and Fraud, and will investigate accordingly.

Additional local whistleblowing lines are in place in several countries, operated by Security and Fraud, Human Resources and Regulatory Compliance. When such lines are established, processes are put in place to escalate relevant disclosures made on the local whistleblowing lines to Global Regulatory Compliance or Financial Crime Compliance. Global Regulatory Compliance also monitors an external email address for complaints regarding accounting and internal financial controls or auditing matters (accountingdisclosures@hsbc.com highlighted under Investor Relations and Governance on www.hsbc.com). Cases received are escalated to the Group Chief Accounting Officer, Group Finance Director and Group Chief Executive as appropriate.

Attracting, retaining and motivating our people

Employee turnover

Overall employee turnover in 2013 was 19 per cent, a decrease of 4.5 percentage points from 2012. This reduction was reflected across all regions and management levels.

Rewarding performance

We base remuneration on the achievement of financial and non-financial objectives. These objectives, which are aligned with the Group's strategy, are detailed in individuals' annual performance objectives. To be considered for a variable pay award, an individual must have fully complied with HSBC's values. If the assessment of performance subsequently proves to be inaccurate or incorrect, then malus can be applied on unvested deferred awards made since 2010 by the Group Remuneration Committee. Malus has been exercised annually since 2011.

For further information on risk and remuneration, see the report of the Group Remuneration Committee on page 360 of the *Annual Report and Accounts 2013*.

Employee engagement

High levels of employee engagement are linked to positive commercial outcomes, improved business performance, increased customer satisfaction, higher productivity, better talent retention and reduced absenteeism.

The HSBC Global People Survey helps us to understand how our employees feel about working at HSBC. The survey covers such key areas as employees' pride in working for the business; their understanding of Group strategy and risk; and how motivated and supported they feel in achieving the Group's purpose. The survey was held annually from 2007 to 2011, and every two years since. The latest survey, in 2013, focused on a values-led, high performance culture by assessing our employees' commitment to the Group's purpose and their ability to deliver on our ambition to become the world's leading international bank.

Attracting new employees

For our business to be sustainable, we need good people to work for HSBC. In 2013, we improved our rankings in some key global employer surveys:

Universum's global top 500 world's most attractive employers for new graduates

(Survey of 200,000 business students across 31 top economies)

HSBC ranked 26th overall in 2013 and 4th in the financial services sector

Universum's Asian top 50 employers

(Survey of 62,000 respondents in Australia, China, Hong Kong, India, Japan and Singapore)

HSBC ranked 6th overall (24th in 2012) and 2nd in the financial services sector

In 2013, 59 per cent of our workforce participated in the survey, 20 percentage points below the average score for the financial services sector. The overall engagement score was 68 per cent, four percentage points ahead of the industry norm, but eight points behind the best-in-class benchmark. Areas with particularly high scores were risk awareness (81 per cent, nine points above best-in-class), leadership capability (67 per cent) and living the HSBC Values (77 per cent). Employee development improved significantly, from six points lower than the best-in-class benchmark in 2011 to three points higher in 2013. However, pride and advocacy were 12 and 13 points below best-in-class norms respectively and had fallen from 2011 levels. To address this, in 2014 we will focus on tangible improvements in areas such as performance management.

HSBC Exchange

In 2011, HSBC embarked on the most significant change programme in its history, unveiling a new business strategy amid unprecedented turmoil in the financial sector. We put values at the centre of our new strategy and decided that all businesses and functions would be managed globally. However, a sense of community to unite employees was needed. A new type of team meeting called 'Exchange' was piloted in the Middle East and North Africa in July 2012, with more than 2,500 employees participating in over 250 meetings. The initiative was then rolled out globally and, in 2013, more than 112,000 people took part in at least one Exchange meeting.

In 2013, Group Chief Executive Stuart Gulliver launched Exchange Online. This gives employees the opportunity to ask questions and vote for the top three, which he answers in a quarterly video. In the first two periods of Exchange Online alone, employees asked 126 questions and cast 14,000 votes. In some cases, important issues highlighted by employees are escalated to the Group Management Board to effect change.

“Rather than second guessing, this is a real example of how communication flows up through the organisation and allows us to understand what everybody in the organisation is thinking and how we can act on that.”

Simon Cooper

Chief Executive, Commercial Banking, HSBC

Succession planning

Our talent strategy aims to ensure that we have high-quality candidates, who understand our Global Standards and exemplify HSBC's values, to fill key positions and meet the Group's business needs. Our succession plan defines the number, distribution and types of roles and capabilities

needed by HSBC and we then match talented individuals to these roles. This defines the individual's career path and development plan. In 2013, we assessed and identified the career development needs of 24,000 senior employees with the potential to become future leaders.

This strategy supports our growth aspirations in emerging markets, where we have increased the proportion of defined talent from 39 per cent in 2012 to 41 per cent in early 2014. 'Defined' talent includes employees in key business areas, such as in emerging markets, current high performers and those identified with future potential. In 2013, 25 per cent of country CEOs in emerging markets were local nationals. We closely monitor local nationals as short-term and medium-term successors to key leadership roles and, in 2012, established baselines of 23 per cent and 19 per cent, respectively, both of which improved to 25 per cent in 2013.

The Group Graduate Development Programme is an intensive leadership development scheme for high-potential employees at a more junior level. In 2013, 278 graduates took part.

Developing and training our people

Developing our employees effectively is essential if our businesses and operations are to prosper. We take a systematic approach to identifying, developing and deploying talented employees to ensure a robust supply of high-calibre individuals with the values, skills and experience required for senior management positions.

We continue to update our approach to training to improve the quality of our curricula and ensure employees are equipped with the technical and leadership skills to operate in a globally aligned matrix environment. We are standardising our training to ensure employees in all our markets have a high-quality and consistent experience.

In 2013, HSBC delivered 988,000 learning days, equivalent to 3.99 days per full-time employee, 59 per cent of which were delivered online. This represents an increase of 3.7 learning hours per employee compared with 2012.

In 2013, 49 of our most senior executives attended the Senior On-Boarding programme. This provides newly recruited senior managers with a broader understanding of HSBC's strategy, key business areas, customers, culture and values, as well as the opportunity to build a global network.

Union recognition

We negotiate and consult with recognised unions as appropriate. The five countries with the highest concentrations of union membership in the Group are Argentina, Brazil, mainland China, Malta and Mexico. Our policy is to maintain well-developed communications and consultation programmes with all employee representative bodies, with the result that there have been no material disruptions to our operations from labour disputes during the past five years. In countries with no formal union recognition, we have other mechanisms to ensure positive two-way communication with our employees, including employee surveys, senior management blogs, face-to-face meetings and elected consultative bodies.

Sustainability Leadership Programme

The Sustainability Leadership Programme celebrated its fifth year in 2013. Since the first programme was launched in North America, this sustainability engagement initiative has trained 627 of HSBC's leaders about the science and implications of climate change, with 255 attending in 2013. It challenges individuals to create a more sustainable business and participants have contributed more than 11,000 hours of original scientific research. Graduates of the programme implement environmental improvements across the organisation to help achieve our operational sustainability strategy. The programme will run a further 17 times in 2014.

Health, welfare and safety

The physical and psychological health, welfare and safety of our people is our legal and moral responsibility. We recently introduced a global occupational health framework, which requires the proactive management of employee welfare and encourages the sharing of best practice across the Group. In 2013, 94 per cent of all HSBC employees and relevant contractors carried out our online health and safety training, up from 93 per cent in 2012. Employees must carry this out during their first 60 days of employment and once every two years thereafter.

We have global policies, standards and guidance for health and safety management and are introducing globally consistent processes to monitor and reduce health and safety risk.

We also run a number of employee assistance programmes tailored to local requirements. Skilled professional counsellors are available on free phone lines 24 hours a day, seven days a week to help employees manage personal or work-related problems that create stress and affect their work. Free face-to-face counselling is also provided, as is support for partners and dependants. Programmes are offered in the UK, Hong Kong, North America and India.

Creating a diverse and inclusive culture

HSBC is committed to a diverse and inclusive culture in which employees' views are encouraged and their concerns are addressed. Bias, discrimination and harassment on any matter, including gender, age, ethnicity, religion, sexuality and disability, are not tolerated; and promotion is based on merit. Our culture helps us respond to our increasingly diverse customer base and to develop and retain a secure supply of skilled, committed employees.

Our employee resource groups are integral to HSBC being a meritocratic and inclusive organisation. We have over 50 groups globally which raise awareness, educate, and address challenges and opportunities in the way we attract, retain and engage under-represented groups. They cover areas such as age, race, sexuality, gender, ethnicity, disability as well as underlying differences such as beliefs, ways of thinking and lifestyles; acting as a resource to help HSBC achieve our inclusion objectives. Over 11,000 employees are members of our employee resource groups, all of which receive support and guidance from executive sponsorship.

Case study: supporting United Arab Emirates nationals in HSBC

Increasing the proportion of local nationals in the workforce is an increasing priority for regulators and governments in the United Arab Emirates (UAE). Currently, only 0.5 per cent of private-sector roles are filled by UAE nationals.

HSBC, which has been in the UAE longer than any other international bank, has developed a plan to develop local nationals as well as a sustainable business.

Achievements in 2013 included:

- The identification of a 'ones to watch' list of UAE nationals in junior career bands in order to develop a talent pool, and the creation of career bands in order to develop a programme to support them. During 2013, 25 per cent of participants achieved a promotion.
- UAE National Graduate Development Programme, a two-year development programme with four six-month structured rotations in different functions within the same business line. To date, 49 graduates have enrolled.
- Launched in 2012, the HSBC Business Academies programme – a one-year development scheme that gives UAE nationals who are new to banking the skills and experience to succeed – has attracted 18 UAE nationals to join the bank, one of whom has been promoted to a senior branch manager.

Gender balance

We continue to focus on the representation of women at HSBC, particularly at senior levels. We are addressing bias in hiring, promotions and talent identification; expanding mentoring and sponsorship; introducing better support for returning parents; and increasing flexible working opportunities and building a strong pipeline of future female employees. Speaking at the Women's Foundation in Hong Kong in 2013, Group Chief Executive Stuart Gulliver made clear his commitment to ensuring that HSBC makes the most of everyone's potential. In 2013, we held a conference in London to give female students a taste for careers in banking, with many attendees subsequently applying for our graduate programme; and two conferences in New York for existing female employees.

Global female representation was 52.3 per cent at 31 December 2013. The representation of women at senior levels rose from 21.4 per cent in 2010 to 22.7 per cent in 2013; our target is to improve this to 25 per cent by 2014-15. The proportion of females in our talent pipeline improved from 25.8 per cent in 2010 to 32.2 per cent in 2013, while female representation on the Group Management Board increased from 10 per cent (one out of 10) to 19 per cent (three out of 16) in December 2013. We have expanded uptake of flexible working, worked closely with employee resource groups and have improved our metrics and monitoring approach.

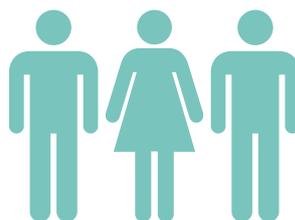
Unconscious bias

Social behaviour may be driven by learned stereotypes that operate unconsciously and can lead to a less inclusive working environment. Since 2011, we have been addressing this through 'unconscious bias' training. This was delivered through e-learning to 8,300 managers and nearly 50,000 employees in 2013, compared with 21,000 managers and 8,000 employees in 2012.

We will continue to tackle unconscious bias in 2014 through targeted education; encouraging the development of a diverse talent pool, with an emphasis on women and local nationals; reinforcing a bias-free approach to performance management; improving internal and external candidate lists; connecting and leveraging our employee resource groups; and maintaining a consistent framework for governance and sponsorship.

Engagement in local communities

We encourage our employees to get involved in their local communities through a wide range of volunteering activities. There is an increasing focus on pro bono activity, through which employees can put their professional skills and knowledge to good use outside the workplace. During 2013, our employees volunteered for 409,911 hours of their own time in activities supported by HSBC, and 255,925 hours of work time. Every HSBC employee is entitled to take at least one day off per year to participate in volunteering activities. For more information, see 'Community Investment', page 25.



32.2%

females in talent pipeline

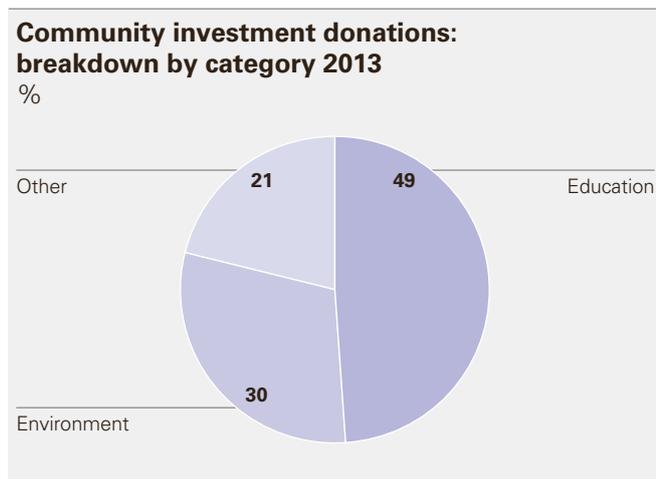
Our Approach to Community Investment

As an international bank, HSBC has a responsibility to invest in the long-term prosperity of the communities we serve.

In 2013, we donated US\$117 million globally to our community investment programmes. These initiatives are run through partnerships with global and local organisations and focus on our two main community investment themes: education and the environment.

HSBC's work on education aims to help young people reach their potential so that they can make a positive contribution to their community and wider society. HSBC invests in environmental programmes because the changing climate and pressure on critical natural resources affect global economic development, particularly in emerging markets. A significant proportion of our support for environmental programmes is invested in the HSBC Water Programme (see page 29). The remainder of our funding is allocated to local priorities, including emergency assistance following natural disasters.

HSBC has formed partnerships with the NGO and charity sectors, some of which have been in place for over a decade. We look for partner organisations that share our vision and values to ensure we are working towards the same goals and have a complementary approach. When forming partnerships with global organisations, a similar geographic footprint is beneficial from a management perspective and to support the communities in our areas of operation. However, we also take into account a consideration of where the need is greatest. All projects must have lasting benefits.



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

Simon Martin

Head, Global Corporate Sustainability, HSBC

When deciding on which projects to invest in, HSBC is guided by four principles.

Programmes should:

- be both globally significant and locally relevant;
- allow us to use our business skills in the way we manage our partnerships: we want to run proactive, long-term projects with defined objectives;
- give us the opportunity to deploy the skills of our employees as well as provide funding; and
- be engaging and inspiring for our people.

Disaster relief

When disasters occur, we check whether our employees and their families are safe and provide help where needed, such as flexible working arrangements, compassionate leave, temporary accommodation and interest-free loans to affected employees. We communicate global updates to colleagues as quickly as possible after a disaster, posting news on our intranet sites and broadcasting follow-up stories through our internal TV channel, HSBC NOW.

As part of our community investment programme, HSBC provides money to support disaster relief based on need. We ensure that we listen to local colleagues and support the best-placed charities on a case-by-case basis.

In 2013, Typhoon Haiyan caused devastation in the Philippines, leading to an extremely testing time for many customers, employees and their relatives. HSBC donated US\$1 million to the Philippine Red Cross to help with the relief effort. Our employees in the Philippines raised money, donated aid, volunteered their time and gave logistical support. HSBC employees from around the world also donated a total of US\$136,058. Customers and employees in the UK donated more than £387,000 (US\$604,000) to the Disasters Emergency Committee Philippines Appeal through our ATMs and online. This was the fastest and most generous response to a crisis appeal that we have seen through our ATM network.

Education

Globally, HSBC invests around US\$50 million a year in charitable education projects and thousands of employees volunteer to take part in them.

Our education programmes focus on six main areas of young people's development: access to education; emotional well-being; employability and entrepreneurship; cultural awareness; financial literacy; and life skills.

HSBC works in partnership – often over many years – with charitable organisations chosen for their expertise and ability to make a difference in our areas of focus. Our contribution includes not just funding but also employee volunteering time.

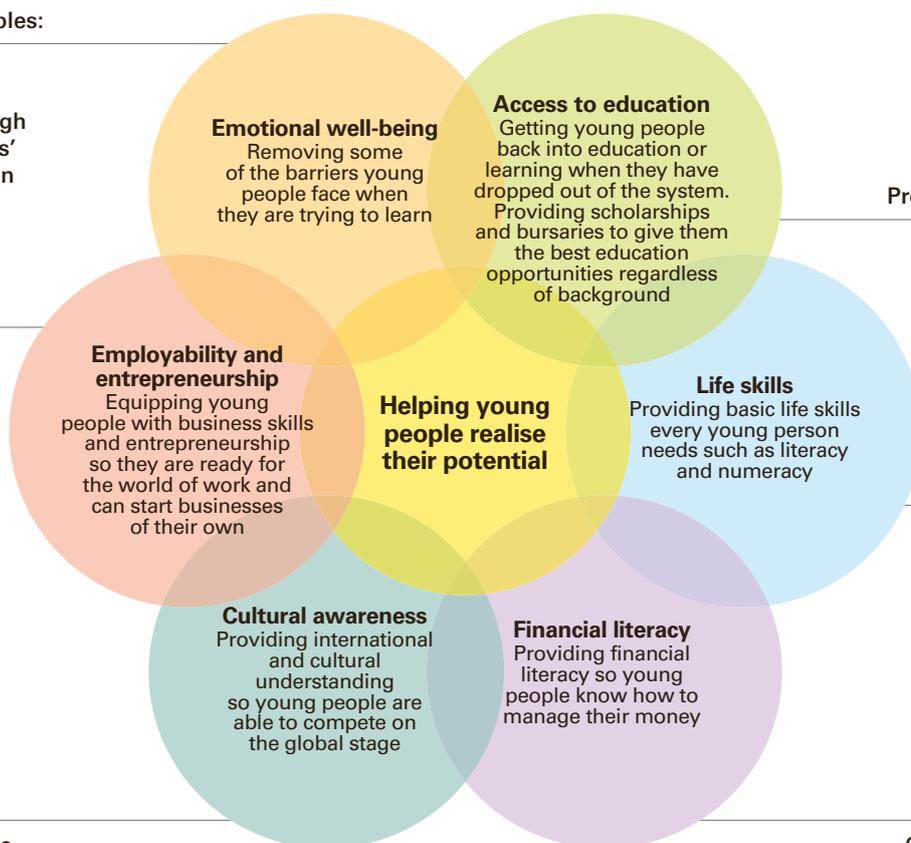
US\$57 million in 2013 to help young people reach their potential: a snapshot

Programme examples:

18,000 children helped to develop coping skills through the 'Zippy's Friends' programme in Latin America in 2013

3,000 young people in the UK secured work, education or training in the first six months of our Opportunity Partnership

2,500 young people have entered the Mandarin Chinese Speaking Competition since 2003



Programme examples:

862,000 children in 60 countries helped by Future First since 2006

'Kids Read' involved 192 schools, 25,000 students and 300 HSBC volunteers

69,000 young people learned about finance through the JA More than Money programme

“Education can make a difference between a lifetime of exclusion or becoming an active citizen. It paves the way to decent jobs, healthy livelihoods and opportunities that go hand in hand with sustainable development.”

Simon Etherington

CEO, SOS Children's Villages, UK

Supporting young people in the UK: employability and entrepreneurship

Every year, HSBC's UK Young People Programme donates £14 million (US\$22 million) to charities working on education, life skills and entrepreneurship. The programme helps more than 41,000 young people each year and provides volunteering opportunities for more than 2,000 employees.

As part of this programme, in April 2013 we launched a three-year, £30 million (US\$47 million) Opportunity Partnership to help 25,000 young people to get into education, work or training. We are working with charity partners Catch22, St Giles Trust, The Prince's Trust and Tomorrow's People, which specialise in the employment, training and education of disadvantaged young people. The partnership targets disadvantaged 16 to 25 year-olds who face difficulty at school, college or work because they lack confidence, skills or the support of a stable home. In the first six months of the partnership, the initiative helped 3,000 young people to secure a place in education, training or work.

In 2014, we are piloting a four-week vocational training course to help disadvantaged young people gain the skills and experience to access entry-level job opportunities, such as cashier or counsellor, at HSBC. Forty-five young people began the scheme in January 2014, with 250 due to take part by December. Our aim is that at least 50 per cent of the young people who complete the course will succeed in joining HSBC's existing apprenticeship programme.



US\$34m

donated to Future First since 2006

Financial literacy

Financial literacy is often a subject that is taught too late in life, or not at all. A core life skill, financial literacy fosters both social and financial inclusion and has been an important focus of HSBC's community investment for many years.

HSBC works with JA Worldwide – the world's largest organisation dedicated to educating young people about financial literacy – on the global financial programme, JA More than Money. We relaunched this initiative with JA in 2014, making a further three-year commitment in 31 countries. It teaches students around the world about earning, spending, sharing and saving money, as well as about entrepreneurship and potential careers. During the first five years of the programme, from 2008 to 2013, more than 5,200 HSBC employees volunteered to teach financial literacy, helping a total of 319,000 students. In the 2012-13 academic year, more than 69,000 students benefited from the programme, with 900 HSBC volunteers taking part. In 2013, the partnership was strengthened when Mayu Avila, HSBC's Head of Corporate Sustainability for Latin America, was appointed Chair of the JA Americas Regional Board. Other senior HSBC employees sit on JA regional and local boards across the world.

Access to education: scholarships

HSBC awarded its first scholarship in 1965. Today, we provide more than 6,000 scholarships globally every year to students with strong academic potential from disadvantaged areas or families, enabling them to attend a school or university supported by the programme.

One example is the Chevening Scholarships, the UK government's global scholarship programme, managed by the Foreign and Commonwealth Office. The programme makes awards to outstanding scholars with leadership potential from around the world to study postgraduate courses at universities in the UK. Since 2000, HSBC has supported 390 Chevening Scholarships. We currently support 40 scholars from 19 countries.

Access to education: Consortium for Street Children

HSBC has been working with the Consortium for Street Children (CSC) since 2011. CSC is a global network that amplifies street children's voices, promotes their rights and improves their lives through advocacy, research and network development.

In January 2013, HSBC supported the first shared learning hub, specific to issues related to street children, to enable organisations to collaborate, address challenges and develop good practices. This virtual hub, together with an Aviva-funded research hub, comprises CSC's Global Resource Centre. Through our global Future First education programme and in partnership with Tesco and Aviva, we supported the 2013 International Day for Street Children.

Access to education: Kids Read

In partnership with the British Council, HSBC's Kids Read education programme began in 2011 to encourage the reading of English for both academic purposes and pleasure among primary school children in the Middle East and North Africa. It is now present in nine countries, encompassing more than 192 schools, 25,000 students and 300 HSBC volunteers. Its success means it will be extended to Asian countries in 2014.

A strong partnership: SOS Children's Villages

Around the world, 68 million children of school age are not getting a primary school education, and many more are receiving a poor one. SOS Children's Villages runs nursery, primary and secondary schools and essential vocational training, making sure young people receive the education and training they need to realise their potential and become active members of society. SOS Children's outreach programmes also ensure that children in the wider community are able to benefit. HSBC has been working with SOS Children since 2004 in a global partnership and has donated at least US\$1 million annually since then.

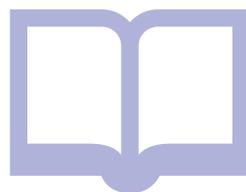
In 2006, HSBC established Future First, our flagship global education programme, which aims to tackle child poverty through education projects. SOS Children is a key partner, alongside other not-for-profit organisations. HSBC has so far donated US\$34.3 million through Future First, helping nearly 862,000 children in 60 countries.

The partnership continues to flourish. HSBC employees are using their professional skills and knowledge to work with their SOS Children counterparts. For example, HSBC employees in London have worked on a project to help identify and target future funding streams for SOS Children. In 2013, we introduced an opportunity to sponsor a child through SOS Children as one of the optional benefits for UK employees. SOS Children has also been selected as the charity to benefit from the 2014 Triathlon, a staff event in the UK.

Cultural awareness: British Council China Programme

HSBC research indicates that China will be the world's largest economy by 2050. Learning the language is critical to understanding the culture of a country. HSBC's China Programme in the UK began in 2000 in partnership with the British Council, with a focus on learning the language and culture of the country. Initially, this involved head teacher study tours to China and 11 Chinese language assistants teaching in UK schools. Since then, the partnership has grown to encompass a wide range of programmes. Our China Programme enables more than 10,000 young people a year to be taught Mandarin Chinese and Chinese culture:

- **Chinese language assistants** are qualified teachers from China who spend one academic year in the UK teaching Mandarin Chinese and Chinese culture. Since 2000, 730 teachers have taken part.
- **The Mandarin Chinese Speaking Competition** aims to encourage greater interest in UK schools about Chinese language and culture by promoting the teaching of Mandarin Chinese as a modern foreign language. More than 2,500 young people have entered the competition since 2003. The winners earn a trip to Beijing to explore Chinese culture further.
- **Mandarin Chinese immersion courses** are held for British primary schoolchildren during their school summer holidays during which language and culture are taught in a fun and engaging way.
- **The Institute of Education Confucius Institute's Mandarin Chinese for Primary Schools Programme** will develop the teaching of Mandarin Chinese in more than 120 schools over the next five years. This involves the establishment of a primary school Chinese network, alongside the Confucius Institute's existing Chinese network for secondary schools.



10,000

young people a year are taught
Mandarin Chinese and Chinese culture

Continued economic development is underpinned by the health of the world's ecosystems and resources. Many of the world's major freshwater systems are under strain from population growth, economic development and climate change.

The global water challenge

With an estimated global population of nine billion by 2050, the pressure on water supplies will continue to grow and, by 2025, 65 per cent of the world's population will live in water-stressed regions. Lack of safe water and sanitation has vast economic, social and humanitarian implications.

Understanding these impacts and putting in place strategies to deal with them, such as HSBC's environmental partnerships, will benefit generations to come.

Our programme

Launched in 2012, the HSBC Water Programme is a five-year, US\$100 million partnership with three global NGOs which rank amongst the world's most respected environmental and development organisations. The partnership between HSBC, Earthwatch, WaterAid and WWF approaches water challenges from important angles: scientific research, safe water and sanitation and freshwater stewardship. Each will help us to understand better the main factors affecting freshwater quality and how to tackle the problem, as well as providing hundreds of thousands of people with access to clean water and sanitation, and protecting the biodiversity of important river systems.

HSBC's employees are involved in the programme by volunteering to become Citizen Science Leaders.

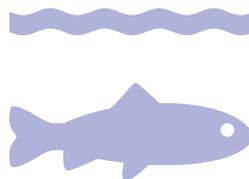
Case study: Citizen Science Leaders in action

Over five years, the HSBC Water Programme will engage 7,500 HSBC employees in freshwater research to become Citizen Science Leaders. The Earthwatch-trained citizen scientists will collect more than 13,000 measurements in over 1,000 aquatic ecosystems in cities around the world, dedicating over 41,000 hours to freshwater research. Currently, these citizen scientists are conducting research in 24 highly populated urban areas across the world. In Brazil, for example, 124 HSBC Citizen Science Leaders have already contributed 227 data sets on urban freshwater quality to assist Earthwatch's research partner, the University of São Paulo. An HSBC citizen scientist recorded a high nitrate reading near a water spout used for drinking, which has brought the problem to the attention of the government authorities.



24

cities have urban freshwater research projects



72

stakeholder groups engaged to conserve the Pantanal in Brazil

HSBC Water Programme targets and 2013 achievements

Five-year targets 2012-16	Achievements to December 2013
<p>Earthwatch</p> <ul style="list-style-type: none"> • Set up freshwater research projects in over 20 cities worldwide, working with local research partners to address specific local issues • Engage 7,500 HSBC employees in these projects to become Citizen Science Leaders, collect data on freshwater quality and biodiversity, and engage a further 100,000 people to learn about water challenges and participate in freshwater monitoring 	<ul style="list-style-type: none"> • Urban freshwater research projects up and running in 24 cities with eight further projects due in early 2014 • Over 1,600 HSBC Citizen Science Leaders trained • Growing number of participants in freshwater research projects – initial focus is the HSBC Citizen Science Leaders, who are being trained to involve others • Over 28,000 employees and non-employees are participating in online learning and discussion forums on thewaterhub.org, a new website for the HSBC Water Programme • A citizen science portal has been set up enabling HSBC employees to upload water quality data and to communicate with their colleagues and water scientists around the world
<p>WaterAid</p> <ul style="list-style-type: none"> • Ensure access to safe water for 1.1 million people and sanitation for 1.9 million in Bangladesh, India, Nepal, Pakistan, Ghana and Nigeria • Work in both urban and rural areas using community-led, sustainable approaches • Support livelihoods by improving the health of communities and reduce time spent on collecting water • Provide water and sanitation facilities in schools and hygiene education, including menstrual hygiene for girls • Influence national and local government to prioritise water and sanitation services 	<ul style="list-style-type: none"> • 416,041 people provided with safe water • 513,344 people provided with sanitation • Water and sanitation committees formed in 1,053 communities globally • Hygiene education sessions have been provided in 1,527 schools • 398,843 people have received hygiene education • 500 people trained as mechanics to maintain new water systems • 57 HSBC employees have been trained as volunteer WaterAid speakers to communicate the NGO's messages
<p>WWF</p> <ul style="list-style-type: none"> • Ensure new practices and policies are implemented to protect rivers and freshwater resources in five regions in Asia, South America and Africa; the Yangtze, Ganges and Mekong river basins; the Pantanal and the African Rift Valley (Mara) • Take practical conservation action for 1,500 kilometres of river and 350,000 hectares of wetland • Help 1,500 small to medium-sized businesses to tackle water risks, including efficiency and pollution • Enable 115,000 people to reduce fishing or farming impacts on water, whilst potentially improving food security and livelihoods 	<p>Ganges and Mekong basins – river flow studies have been finalised which will improve river management</p> <p>Mekong – food security of 5,000 people is supported by the setting up of 15 new fish conservation zones in Thailand</p> <p>Yangtze – a common method has been agreed for monitoring impacts of the Three Gorges dam on spawning patterns of Chinese carp. Pilots under way with a dairy group and textile mills to reduce water pollution and over-consumption</p> <p>Pantanal – 72 stakeholder groups have expressed formal interest in a future 'Pantanal Pact' to conserve wetland headwaters</p> <p>Mara – 12 new Water Resource Users' Associations comprising 4,500 members set up to manage water resources and involve 20,000 local people within the basin</p>

“The provision of safe water has had a very positive impact on health conditions and health expenditure. This is a real transformation in the lives of local people.”

Girish Ghanashyam Sohani

President and Managing Trustee, BAIF Development Research Foundation

Local project funding

In addition to the funding given to Earthwatch, WaterAid and WWF, the HSBC Water Programme is donating to charities which can manage small local water projects. HSBC employees can apply for funding for charities to set up such projects in their local area. We have made a total of US\$35 million available. By the end of 2013, US\$15.5 million had been allocated to 33 projects in 19 countries including Sri Lanka, Malta, India, the UK and Brazil.

Employees in HSBC's Global Banking and Markets business received funding to reduce the consumption of polluted groundwater in the Madhurgiri District of Bangalore in India. Here, the only water source from deep wells contains high levels of fluoride, which can lead to fluorosis – a condition that causes severe tooth decay, bone deformities and debilitating joint problems. Working with a local charity, the BAIF Development Research Foundation, the three-year project will improve water quality in six villages by harvesting rainwater. Local families will be helped to construct 1,000 rain collecting and filtering tanks. Each tank has the capacity to supply clean water to an average household for one year. Global Banking and Markets employees have the opportunity to conduct research, run awareness campaigns and help with project management. In the first year of the project, 190 rainwater structures have been constructed and, as local people now understand the link between their health problems and the groundwater, more of them want to be involved, supporting the long-term sustainability of the project.

Case study: sanitation and entrepreneurship working hand in hand

WaterAid has been working in the small community of Dohani-Yepala in northern Ghana to improve access to safe water and sanitation. Before WaterAid's arrival, residents relied on a large pond for all their water needs. In 2013, with HSBC Water Programme funding, WaterAid's local partners mobilised residents to form a water and sanitation management team and installed a water point, from where community members can collect safe water. WaterAid partners also trained volunteers to build and maintain their own latrines. As a result of this training one resourceful resident, 30-year-old Sulemanna Alhassan, has built over 30 latrines for his community, free of charge, taking only small payments in kind. Word spread and he now has a full-time job constructing latrines in other communities, where he negotiates a fair price. Not only has Sulemanna vastly improved local sanitation facilities, he also earns a steady income for himself and his family.

Case study: healthy rivers, healthy businesses, healthy communities

When local communities and businesses located near rivers are empowered and involved in decisions that affect the health of the river and their livelihoods, a more balanced and positive outcome can be reached for all parties. This is the approach taken by WWF in the Indian city of Moradabad on the Ramganga, a tributary to the Ganges, where the NGO trained local people to assess the health of the river and to communicate the results to help local stakeholders make the case for change. In April 2013, over 2,000 people took part in a WWF Ramganga walkathon to raise awareness of the worsening state of the Ganges. Later in 2013 a visitor centre, Ramganga Choupal, was launched to showcase the importance of conservation and sustainable agricultural practices. The centre is used by schools, businesses, government staff and the general public to provide information on the challenges facing the Ganges, such as pollution by Moradabad's brassware industry. WWF's dialogue with the Export Promotion Council for Handicrafts, a body of 600 brassware exporters, has resulted in the signing of an agreement to undertake water risk assessments in a sample of the businesses.

Key Facts

	Units	2013	2012	2011
Number of countries and territories with HSBC offices		75	81	85
Total number of employees including part-time (at year-end)		263,000	270,000	298,000
Full-time equivalent (FTE) number of employees (at year-end)		254,000	260,591	288,316
Number of customers		54 million	58 million	89 million

Benchmarks

Interbrand top 100 brands position		32nd	33rd	32nd
Brand value: Interbrand	US\$b	12.2	11.4	11.8
Top 500 bank brands: <i>The Banker</i> magazine		4th	3rd	1st
FTSE4Good (since 2001)		member	member	member
Dow Jones Sustainability Index		non-member	member	member
Hang Seng Sustainability Index		1st	4th	1st
CDP (formerly Carbon Disclosure Project)	Performance band	A	B	A-
	Disclosure score	97	86	95

Economic

Total operating income	US\$m	78,337	82,545	83,461
Profit before tax (on reported basis)	US\$m	22,565	20,649	21,872
Distributions to shareholders and minority interests	US\$b	10.2	8.7	8.3
Employee compensation and benefits	US\$b	19.2	20.5	21.2
General administrative expenses including premises and procurement	US\$b	17.1	20.0	17.5

Taxes paid by country in priority growth markets

Total taxes paid	US\$m	8,607	9,349	8,052
Analysed as:				
Hong Kong and Asia-Pacific	US\$m	2,517	2,777	2,386
<i>Priority markets</i>	US\$m	2,210	2,406	2,017
Hong Kong	US\$m	1,249	975	1,031
China	US\$m	205	439	163
India	US\$m	318	354	373
Australia	US\$m	105	209	148
Malaysia	US\$m	106	184	102
Indonesia	US\$m	68	106	59
Singapore	US\$m	86	86	80
Vietnam	US\$m	34	32	39
Taiwan	US\$m	39	21	22
<i>Other markets</i>	US\$m	307	371	369
Europe	US\$m	3,724	2,852	2,850
<i>Priority markets</i>	US\$m	3,570	2,700	2,627
UK	US\$m	2,332	1,566	1,464
France	US\$m	842	679	619
Germany	US\$m	152	200	234
Switzerland	US\$m	142	161	235
Turkey	US\$m	102	94	75
<i>Other markets</i>	US\$m	154	152	223
Middle East and North Africa	US\$m	249	481	238
<i>Priority markets</i>	US\$m	213	443	202
Saudi Arabia	US\$m	0	209	41
United Arab Emirates	US\$m	98	120	71
Egypt	US\$m	115	114	90
<i>Other markets</i>	US\$m	36	38	36
North America	US\$m	412	1,247	604
<i>Priority markets</i>	US\$m	412	1,247	604
USA	US\$m	127	803	276
Canada	US\$m	285	444	328
Latin America	US\$m	1,684	1,979	1,942
<i>Priority markets</i>	US\$m	1,645	1,874	1,887
Brazil	US\$m	1,003	1,213	1,239
Argentina	US\$m	317	391	267
Mexico	US\$m	325	270	381
<i>Other markets</i>	US\$m	39	105	55
Other	US\$m	21	13	32

	Units	2013	2012	2011
Social				
Headcount		263,000	270,000	298,000
By employment type				
Full-time	%	92.0	91.6	91.7
Part-time	%	8.0	8.4	8.3
By employee contract				
Permanent	%	99.0	99.3	99.2
Temporary	%	1.0	0.7	0.8
By region				
Europe	%	27.6	27.6	26.6
Asia-Pacific	%	43.6	42.2	40.6
North America	%	8.5	8.8	11.0
Latin America	%	17.1	18.2	19.0
Middle East	%	3.3	3.2	2.8
Employee turnover by region				
Europe	%	13.6	16.8	15.2
Asia-Pacific	%	20.3	21.3	22.1
North America	%	19.1	46.4	22.6
Latin America	%	24.8	26.8	19.4
Middle East	%	13.1	15.1	16.8
All staff	%	19.0	23.4	19.7
Employee turnover by management type				
Senior managers	%	9.8	14.2	14.8
Middle managers	%	15.5	20.6	16.4
Junior staff	%	22.5	26.1	22.6
Employee turnover by age				
Born 1 Jan 1925 - 31 Dec 1945	%	69.8	58.1	46.5
Born 1 Jan 1946 - 31 Dec 1954	%	30.7	31.9	22.7
Born 1 Jan 1955 - 31 Dec 1963	%	12.0	17.2	11.6
Born 1 Jan 1964 - 31 Dec 1978	%	13.6	18.8	14.6
Born 1 Jan 1979 - 31 Dec 1994	%	23.7	27.9	25.5
Born 1 Jan 1995 - present	%	65.3	44.5	N/A
Unassigned (age undisclosed)	%	8.6	7.2	10.4
Gender				
By management type				
Senior managers: male/female	%	77/23	78/22	78/22
Middle managers: male/female	%	55/45	55/45	54/46
Junior staff: male/female	%	39/60	39/61	39/61
All staff: male/female	%	48/52	47/53	47/53
By region				
Europe: male/female	%	45/55	45/55	45/55
Asia-Pacific: male/female	%	49/51	49/51	49/51
North America: male/female	%	45/55	44/56	41/59
Latin America: male/female	%	47/53	47/53	47/53
Middle East: male/female	%	58/42	59/41	59/41
Health and safety				
Number of employee workplace fatalities		0	0	0
Accidents involving more than 3 days' absence per 100,000 employees		40	58	51
All accident rate per 100,000 employees		356	375	386

	Units	2013	2012	2011
Community investment				
Cash charitable donations ¹	US\$m	117.4	119.0	94.5
Europe ²	US\$m	64.4	60.9	51.3
Asia-Pacific (including Middle East)	US\$m	29.3	33.4	16.3
North America	US\$m	11.3	12.9	16.7
Latin America	US\$m	12.4	11.8	10.2
Employee volunteering in own time	hrs	409,911	461,196	464,869
Employee volunteering in work time	hrs	255,925	262,867	271,611
Europe	hrs	87,963	89,342	95,654
Asia-Pacific (including Middle East and Africa)	hrs	102,267	103,948	97,723
North America	hrs	24,505	31,343	50,220
Latin America	hrs	41,190	38,233	28,015
Value of employee volunteering hours in work time	US\$m	7.3	7.9	8.5
Management costs associated with community investment	US\$m	12.2	11.5	11.1
Total value of community investment	US\$m	136.9	138.4	114.1
Allocation of cash donations				
Education	%	49	48	54
Environment	%	30	23	28
Other	%	21	29	18
Environment				
Reporting coverage as % of Group	%	92	92	95
Carbon dioxide emissions (after uplift and scale up) ³				
Total CO ₂ emissions (assured by PwC)*	tonnes	889,000	963,000	991,000
CO ₂ emissions from energy (assured by PwC)*	tonnes	753,000	825,000	833,000
CO ₂ emissions from business travel (assured by PwC)*	tonnes	136,000	138,000	158,000
Total CO ₂ emissions per FTE	tonnes	3.43	3.61	3.44
CO ₂ emissions per FTE from energy	tonnes	2.90	3.09	2.89
CO ₂ emissions per FTE from business travel	tonnes	0.52	0.52	0.55
CO ₂ emissions per m ²	tonnes	0.19	0.19	0.17
Carbon dioxide emissions per FTE by region (before uplift and scale up)				
Total CO ₂ emissions per FTE				
Europe	tonnes	3.86	3.88	3.76
Asia-Pacific	tonnes	3.11	3.13	3.01
North America	tonnes	4.31	5.63	4.6
Latin America	tonnes	2.14	2.25	2.24
Middle East	tonnes	4.29	5.08	5.83
Environmental resource efficiency (before uplift and scale up)				
Total energy consumption	gigawatt hours	1,480	1,588	1,690
Energy consumption per FTE	kWh/FTE	6,202	6,481	6,184
Energy consumption per m ²	kWh/m ²	308	311	294
Total electricity consumption	gigawatt hours	1,309	1,408	1,476
Primary fuel sources (gas, oil, diesel, etc)	gigawatt hours	170	180	214
Total waste produced	kilotonnes	39	53	61
Waste disposed to landfill	kilotonnes	15	19	22
Waste disposed per FTE to landfill	tonnes/FTE	0.06	0.08	0.08
Waste recycled	kilotonnes	24	34	39
% waste recycled	%	61	63	64
Total water consumption	thousand m ³	3,437	3,977	4,773
Water consumption per FTE	m ³ /FTE	14.4	16.2	17.5
Business travel (before uplift and scale up)				
Total business travel	million km	904	856	1,002
Business travel per FTE	km/FTE	3,791	3,493	3,668
Air travel	million km	744	656	749
Domestic air travel	million km	185	237	71
International air travel	million km	559	419	678
Rail travel	million km	42	39	42
Road travel	million km	93	126	148
Other travel	million km	26	36	63

1 For comparison purposes, currency values have been restated to reflect the position had foreign currency rates remained constant.

2 2013 and 2012 figures include donations for Bermuda and South Africa, which were previously reported in other regions. The amounts are small and therefore there is no material change.

3 Our 2013 performance data cover the period October 2012 - September 2013. This enables us to provide data of a higher quality, both quarterly into internal businesses and functions and annually into the *Sustainability Report*.

* See HSBC's Reporting Guidelines and www.hsbc.com/sus-assurance. See PwC's 'Assurance Report', page 35.

Assurance Report

Independent Limited Assurance Report to the Directors of HSBC Holdings plc

The Directors of HSBC Holdings plc (HSBC) engaged us to provide limited assurance on the information described below and set out in HSBC's *Sustainability Report 2013* for the year ended 31 December 2013.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2013 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say below.

Selected Information

The scope of our work was limited to assurance over the information (the 'Selected Information') summarised below:

- Statement on the application of the Equator Principles for the 12 months to 31 December 2013 on page 16 of the *Sustainability Report 2013*; and,
- HSBC's total CO₂ emissions for the 12 months to 30 September 2013 on page 34 of the *Sustainability Report 2013*.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the *Sustainability Report 2013*.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions information, in accordance with the International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' (ISAE 3410), issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our independence and quality control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK&I) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which HSBC is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques. The nature, methods and precision used to determine non-financial information can result in materially different measurements, affecting comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 31 December 2013 (www.hsbc.com/sus-assurance¹).

Work done

Considering the risk of material misstatement of the Selected Information we:

- made enquiries of HSBC's management;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the application of the Equator Principles based on information held at corporate head offices and accessed the records, and discussed with relevant staff 28 transactions to check that data had been appropriately measured, evaluated, recorded, collated and reported;
- performed limited substantive testing on a selective basis of the total CO₂ emissions information at corporate head offices and accessed the records, and discussed with relevant staff of eight reporting locations to check that data had been appropriately measured, recorded, collated and reported; and
- assessed the disclosure and presentation of the Selected Information.

HSBC's responsibilities

The Directors of HSBC are responsible for:

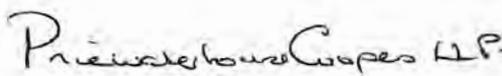
- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the *Sustainability Report 2013*.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of HSBC.

This report, including our conclusions, has been prepared solely for the Board of Directors of HSBC as a body in accordance with the agreement between us, to assist the Directors in reporting HSBC's sustainability performance and activities. We permit this report to be disclosed in the *Sustainability Report 2013* for the year ended 31 December 2013, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors as a body and HSBC for our work or this report except where terms are expressly agreed between us in writing.



PricewaterhouseCoopers LLP

Chartered Accountants
London
9 May 2014

¹ The maintenance and integrity of HSBC's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on HSBC's website.

About this Report

The HSBC Holdings plc *Sustainability Report* is written primarily for institutional investors, customers, non-governmental organisations (NGOs) and others with a particular professional interest in the Group's approach to sustainability. It focuses on the specific environmental and social issues that contribute to the sustainability of HSBC, and are of ongoing interest to our stakeholders.

The six reporting angles in this report were decided by assessing feedback from business and risk colleagues across HSBC and external stakeholders. This helped us to understand which issues are material to HSBC.

We identify priority issues by listening to our key stakeholders and assessing them in light of our strategy, purpose and values. Specifically, we assess feedback and queries globally from our customers, shareholders, regulators and NGOs, as well as media commentary. We gather insight from and engage with major investors, through investor roadshows and by contributing to various indices and surveys. We also gain feedback on our strategy from global benchmarks and through calls with analysts. We review and revise our priority issues throughout the year.

Publications for other audiences, as well as case studies and other material to supplement this report, are available on our website at www.hsbc.com/sustainability.

This report supplements the HSBC Holdings plc *Annual Report and Accounts 2013* and *Strategic Report 2013*. The *Annual Report and Accounts* covers HSBC's full financial performance and corporate governance policies and is available online at www.hsbc.com. The *Strategic Report 2013* is a summary of information in the *Annual Report and Accounts*, and is also available at www.hsbc.com.

This *Sustainability Report* covers the financial year from January to December 2013 (unless otherwise noted). In some cases, information for early 2014 is also included to give an up-to-date picture. Facts and figures refer to the HSBC Group unless indicated otherwise.

We welcome feedback from readers. Contact details can be found opposite.

Reporting standards and assurance

We use a number of external standards and guidelines in the development of this report. To guide our selection of information to report, we have consulted the Global Reporting Initiative's (GRI's) reporting framework and Financial Services Supplement. Our GRI table of contents can be found online at www.hsbc.com/sustainabilityreport. We draw on guidance from the Greenhouse Gas Protocol for our carbon reporting.

For the sixth consecutive year, we have appointed PricewaterhouseCoopers LLP to provide independent assurance on selected information in our *Sustainability Report 2013* covering carbon emissions and our application of the Equator Principles.

Their assurance is performed in accordance with the internationally recognised standards ISAE3000 and 3410, against a clear and public set of criteria which can be found online at www.hsbc.com/sus-assurance. The PricewaterhouseCoopers LLP assurance report is on page 35.

Contact us

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www.hsbc.com/sustainability

The HSBC *Sustainability Report* is published annually.
Our last report was published in May 2013.

Photography

Group Chairman, page 2: George Brooks

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the Forest Stewardship Council®.





The view from HSBC Building, 8 Century Avenue, Pudong, Shanghai



The view from HSBC Main Building, 1 Queen's Road Central, Hong Kong SAR



The view from HSBC Group Head Office, 8 Canada Square, London