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Company report review

HSBC

Corporate Social Responsibility Report 2004

**Presented by: the Ethical Insight team at
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Note

This review is based on information contained in the electronic version of HSBC's Corporate Social Responsibility Report 2004 available at: <http://www.investis.com>. This review is intended as a summary only and does not provide full and complete discussion of all the issues contained in the report.

1 Company background

HSBC is one of the largest banking and financial services organisations in the world. Headquartered in London, HSBC has an international network comprised of over 9,800 offices in 77 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. The bank's 253,000 employees are located mainly in the UK (56,000 employees), the US (43,000), Brazil (28,000), Hong Kong (26,000), Mexico (20,000) and France (14,000). Admirably, HSBC acknowledges that it operates in countries that present a range of social, ethical and environmental challenges.

HSBC is structured according to its consumer groups, providing a comprehensive range of financial services, including: personal financial services; commercial banking; corporate, investment banking and markets; private banking; and other activities.

HSBC clearly identifies its top priority as the financial return to its 200,000 shareholders. However, the bank also states that, 'our goal is not, and has never been, profit at any cost...tomorrow's success depends on the trust we build today.' Thus CSR, defined by HSBC as the management of stakeholder expectations, is considered an important strategic objective to allow the bank to continue to be successful in the long term.

2 Reporting practices

2.1 Materiality

According to HSBC, the views of a wide range of stakeholders were taken into account in compiling the present report, including non-government organisations and, particularly, socially responsible investment (SRI) bodies. HSBC reports to have met with 13 SRI companies in 2004, and hosted a meeting with SRI analysts from six institutional shareholders to seek feedback on the bank's previous CSR report. This form of proactive engagement is an excellent means of ensuring the report is relevant to its stakeholders and covers all material issues. HSBC could be encouraged to broaden the scope of organisations it engages with, in order to ensure specialist input on certain issues. Further details as to the engagement process, topics under discussion and the names of organisations with which HSBC engages on a regular basis would also be of interest. The present report makes substantive advances across a range of issues, notably lending policies, environmental impacts and employee diversity.

It is particular interest that HSBC identifies key ethical, social and environmental issues for each consumer group. In corporate and investment banking, for example, key issues include assessing the social and environmental risks of major capital projects. In consumer finance, they include consumer debt and interest rates on loans. This is extremely helpful in allowing stakeholders to identify whether or not their concerns have been identified by the bank, and enables them to evaluate more easily in subsequent sections whether these concerns are being addressed. Further clarification of the nature and context of these key issues would also add to this section of the report.

2.2 Transparency

The present report is HSBC's fifth annual report and is available in English, French and Chinese. A summary of CSR progress is also included in its Annual Review 2004 which can be seen as a significant indication of the bank's commitment to CSR and transparency.

HSBC is particularly transparent in its reporting of the Equator Principles (EP) – a set of nine voluntary principles to address the environmental and social issues that arise in financing projects. According to a recent review of the reporting practices of EP signatories by BankTrack, a network of fourteen civil society organisations tracking the operations of the private financial sector, 'HSBC provided some of the most comprehensive EP reporting of the banks reviewed'¹. HSBC's website includes a 2004 EP progress update, which goes through each of the nine Principles and provides commentary on steps taken to implement each

¹ BankTrack. 2005. Unproven Principles. <http://www.banktrack.org>

Principle (<http://www.hsbc.com/EP-implementation>). While some of this information reiterates what is already in the principles, most of this is extremely useful in understanding the bank's approach.

Throughout the report, HSBC consistently provides key statistical data or survey findings, even where these highlight particular challenges. The bank discloses, for example, that in an employee survey, only 34% of women at senior grades consider that there are equal opportunities to advancement regardless of gender. The report also addresses compliance issues such as money laundering and terrorist financing, bribery and corruption and other potentially sensitive issues such as political donations and lobbying. HSBC has adopted numerous best practice codes – it is a founding member of the Wolfsberg Group, and Transparency International is currently developing a Group-wide policy to counter bribery and corruption. The report would benefit from more detailed information on the bank's management of these issues, including case-studies of how compliance mechanisms operate in practice and specific challenges.

The external assurers of the report also state that good progress has been made in to disclose greater information in specific areas they highlighted, particularly employee attitudes, project finance and sector lending policies.

2.3 Comparability

HSBC has made extensive use of the guidelines of the Global Reporting Initiative (GRI), which offers a comprehensive framework for reporting a company's impact and activities. A GRI Index is included on the bank's website at (<http://www.hsbc.com/gri>) – it would be useful to have it in the main CSR report also for ease of reference. HSBC reports against many of the GRI's economic, social and environmental indicators, including a few indicators contained in the GRI Financial Services Supplement. However, no explanation is provided where indicators are missing. Use of the GRI guidelines promotes the comparability of the report, and supports benchmarking and assessment of sustainability performance. However, HSBC falls short of reporting 'in accordance with' the GRI guidelines by not reporting against all necessary indicators. Given that HSBC already reports against a large number of the GRI indicators, it would seem that full GRI reporting would require relatively little extra effort and would confer a mark of distinction.

Key performance data is consistently provided throughout the report, including with regards the application of the Equator Principles, employee diversity, employee engagement surveys, global resourcing, environmental management and community donations. In selecting indicators, HSBC has generally achieved a good balance between simplicity and comprehensiveness, although improvements can be expected in the environment area with further development of the new Environment Management System. In most cases, figures are provided over multiple which is very useful for comparative purposes. Targets are included in each section of the report which is extremely important in the assessment of sustainability performance over time, but commitments could, in some cases, be more specific. For example, HSBC states that it aims to 'increase the proportion of women in the talent pool (currently only 17%)', but does not specify by how much. Similarly, HSBC says it aims 'to develop Equator Principles reporting in line with accepted industry standards,' but again does not specify the actions that it is thereby committing itself to.

2.4 Assurance and verification

HSBC commissioned an independent specialist CSR organisation to provide external assurance of its report. This organisation is familiar with HSBC's CSR practices, having provided external insight, assurance and commentary for the bank's CSR reports over the last three years. In general, a rigorous assurance process is vital for the useful critical feedback necessary to systematic target-setting and continuous improvement. The scope of assurance of the present report is quite broad, including 'the availability of information, sufficiency of evidence, underlying systems and processes, internal assurance systems, adequacy of resources allocated and relevant legal and commercial constraints'. A summary assurance statement is provided in the report, with a full statement available on the bank's website.

3 Management structure

Evidence is provided to suggest senior executives are engaged in HSBC's CSR management. In 2003, a Corporate Social Responsibility Committee, one of the five committees of the HSBC Holdings Board, was established to oversee corporate social responsibility policies. The Committee is comprised of three independent non-executives. The present reporting year is therefore the first that HSBC has benefited from the Committee's oversight. The Committee met four times during the year which is relatively standard.

Reporting to the CSR Committee, CSR planning is co-ordinated by the CSR Executive Steering Group comprising Executives at Group head office representing areas of the business with a significant influence on overall CSR performance, including human resources, compliance, credit and risk, purchasing and company secretarial. HSBC's corporate affairs department co-ordinates external and internal communications.

A number of regional working groups have also been formed in France, Brazil, Hong Kong and the Middle East. However, the report offers little sense of how CSR issues are addressed in line management in the business divisions and particularly in major markets and high-risk areas. It is also a pity that the report does not include further discussion of the interaction within the CSR network which can be vital in promoting shared knowledge and experience and for assurance purposes.

HSBC has committed itself to five Core Business Principles,² none of which refer explicitly to its ethical, social or environmental responsibilities. In future reporting, it would therefore be of particular interest to relate the bank's business principles more explicitly to responsible behaviour in its day-to-day operations. HSBC's has committed itself to wide range of key international codes of conduct, including the UN Global Compact, UN Universal Declaration of Human Rights, the Equator Principles, the UN Environment Programme Finance Initiative, the Global Sullivan Principles, Wolfsberg Principles and the OECD Guidelines for Multinational Enterprises. HSBC also participates in the Climate Change Group, the Carbon Disclosure Project, the Extractive Industries Transparency Initiative and the Global Business Coalition on HIV/AIDS.

4 Review of core issues

The main body of the report is falls into two main sections. First, HSBC's management of the impacts of the financial services it provides, relating to issues such as responsible lending practices (both to individuals and for major capital projects), customer awareness and protection and financial inclusion. The second section addresses the impacts of HSBC's own operations, that is with regards its employees, supply chain, the environment and community. This review highlights some of the core issues covered in the report, including responsible project finance, financial inclusion, employees, environment and the community.

4.1 Responsible project finance

4.1.1 Policy

HSBC acknowledges that while the banking industry has vast experience of managing financial risk, managing sustainability-related risks is still relatively new. Nevertheless, HSBC has succeeded in putting some key policies in place. Importantly, in September 2003 HSBC adopted the Equator Principles (EP) – a set of nine voluntary principles to address the environmental and social issues that arise in financing projects. In doing so, HSBC has agreed to conduct an environmental and social impact assessment of potentially damaging projects and the ability of the borrower to manage its sustainability impacts.

4.1.2 Programme

In 2004, HSBC made progress in developing a series of sustainable risk guidelines on sectors that have potentially high environmental or social impacts. The first of these guidelines setting out HSBC's approach to sustainable forestry practices – the Forest Land and Forest Product Sector Guideline (<http://www.hsbc.com/forest-land-and-forest-products-sector-guidelines>) – was published recently. The

² HSBC's five Core Business Principles: outstanding customer service; effective and efficient operations; strong capital and liquidity; prudent lending policy; and strict expense discipline.

guideline is an important step in the management of environmental and social risks inherent in the forestry industry. Evidence is provided here that the approach is being integrated into business operations, for example, a pilot forestry workshop was delivered to staff in Asia, and will be delivered to other regions in 2005.

As previously noted, HSBC demonstrates a commitment to transparency in its EP reporting practices. This information provides evidence of significant progress in applying the Principles. During 2004, the bank trained all its global project finance teams – including 155 managers and 24 senior executives – on applying the Principles. In 2005, HSBC plans to expand this training. It also set up internal procedures for project categorization, and amended its standard project loan documentation to require compliance with an Environmental Management Plan. Further, HSBC is one of the EP signatories to have employed the best practice technique of applying the Principles to projects that fall below the \$50 million minimum threshold. Indeed the size of the investment is not the sole determinant of its potential impacts – even low-finance projects can have be highly damaging. HSBC also applies the EPs to project advisory, and to corporate lending, bonding and guarantees that ultimately support projects.

4.1.3 Performance

HSBC shows further commitment to transparency by providing a chart of EP transactions by category, type of facility, number and deal size. The chart shows that in 2004, a total of 46 transactions in the amount of \$3,528 million were approved, and 12 transactions were declined where non-compliance with the Equator Principles was a 'contributory factor'.

With regards impact, HSBC reports that 'we believe there was an improvement in the environmental and social standards in at least three of the projects we financed during 2004'. However, the report would greatly benefit from a more rigorous attempt to illustrate and quantify the impact of the EPs in terms of project performance, possibly through a series of detailed, anonymous case-studies. The report also does not address the challenges associated with EP implementation which would also be of interest.

4.2 Financial inclusion – microfinance

Financial inclusion is about providing financial services to all those who fall outside the traditional banking models, including those on low incomes and those with disabilities. Microfinance is the provision of financial services in small amounts, such as loans (microcredit), insurance, savings or other. In developing countries especially, microfinance enables very poor people to engage in self-employment projects that generate income. This year is the UN International Year of Microcredit (<http://www.yearofmicrocredit.org>).

4.2.1 Policy

HSBC says it is interested in the potential of microfinance to deliver social benefits from 'a financially sustainable business model', that is, on a profit basis. The bank does not appear to have established any formal policy in this area.

4.2.2 Programme

Recognising its limited experience in the area of microfinance, HSBC launched three six-month pilot projects in Brazil, the Philippines and India in late 2004. HSBC says it will consider developing policies and introducing microfinance into more of the Group's existing businesses at the end of the pilot project.

4.2.3 Performance

HSBC's microfinance initiative is in its early stages, and HSBC does not report on the programme's impacts so far.

4.3 Employees and diversity

With some 253,000 employees in 77 countries, HSBC makes a significant impact. The employee section of the report includes information on diversity, health and safety, learning and development, employee engagement and global resourcing. This review focuses on the key issues of diversity and employee engagement.

4.3.1 Policy

HSBC has developed a group-wide strategic human resources plan – ‘Managing for Growth’ – but many other policies and initiatives relating to issues such as diversity and HIV/AIDS are developed at the local level. It would be of interest in future reports for HSBC to elaborate on this approach.

HSBC has adopted a broader definition of diversity as an issue that is not only about gender, ethnicity, disability or age, but also about ‘open-mindedness, embracing non-conformity and creating balanced teams’. HSBC has developed a Global Diversity Toolkit which is published on the bank’s intranet and provides local managers with ideas that have worked well in other parts of the world. It is unclear, however, whether all areas are required to develop and implement a diversity policy.

4.3.2 Programme

In 2004, HSBC carried out a global survey to identify internal barriers to increasing gender diversity in senior management and possible solutions. HSBC is transparent in disclosing the survey’s key finding that while 70% of male senior managers interviewed thought there were equal opportunities to advance regardless of gender, only 34% of women at senior grades agreed. Further, women account for only 17% of HSBC’s ‘talent pool’ of high-potential employees. Clearly, this shows room for considerable improvement and there are signs of progress, notably the establishment of a senior women’s business forum. HSBC has also committed itself to develop a plan to address perceived and actual pay differentials between men and women.

HSBC conducted an employee satisfaction and engagement survey in 2003/4. Employee engagement is made up of three components: job satisfaction, intention to stay at HSBC and a willingness to recommend HSBC as a great place to work. Some 70,000 employees responded to the survey, with an average level of engagement of 68%. HSBC’s goal of completing a similar survey every two years is excellent but the bank might also be encouraged to expand the survey to gauge employee attitudes in other areas, including the bank’s environment and community initiatives.

4.3.3 Performance

HSBC provides statistics on gender and age for the last two years, and on the ethnic background of its employees across five regions. Figures show the ratio of male to female employees, including at executive level, to be roughly equal. Just under 70% of employees are between 25 and 45 years of age. Employees’ ethnic backgrounds reflect the majority group within that region – white employees make up 88% and 63% of the total in the UK and US respectively, while 96% in Asia-Pacific are Asian, and all employees in Brazil are Latin American. The only diversity target relates to increasing the proportion of women in the bank’s ‘talent pool’. The report offers no indication that steps are being taken to redress other imbalances.

4.4 Environment

According to HSBC, it is the operations of its 9,800 offices around the world that constitute the bank’s main direct impact on the environment (see ‘responsible project finance’ for information relating to the environmental impact of bank-funded projects). More detailed information on the bank’s environmental management and performance is available on the Group website.

4.4.1 Policy

Climate change has captured the attention of senior managers at HSBC. HSBC is a member of the Carbon Disclosure Project (<http://www.cdproject.net>), a UK government funded organisation that asks businesses to disclose investment-relevant information concerning their greenhouse gas emissions. HSBC was also a founding member of the Climate Change Group (<http://www.theclimategroup.org>) launched by UK Prime

Minister Tony Blair in April 2004. Membership requirements include the endorsement of a set of environmental principles and sharing of knowledge and experience with regards environmental management. HSBC's commitment to environmental principles is underscored by its recent decision in December 2004 to become carbon neutral across all its operations by 2006, with an estimated cost of up to \$7 million in the first year. HSBC is to be commended for taking a leading role as the first bank in the world to commit itself to carbon neutrality and it will be interesting to see what influence this has on the rest of the industry.

4.4.2 Programme

In 2004, HSBC developed an Environmental Management System based on ISO140001 and recruited a new environmental and sustainability management team. A Carbon Management Task Force has identified three methods that HSBC will use to offset its direct carbon dioxide emissions, namely energy efficiency, green electricity and carbon allowances and credits. In future reports, HSBC might also consider discussing how it is choosing to balance the various available methods to offset emissions, and any particular challenges.

4.4.3 Performance

HSBC has made good progress on the environment. An adequate range of key environmental indicators in the areas of environmental reporting, resource efficiency and greenhouse gas emissions is presented in the report, with data provided for the last three years which is very useful for comparative purposes. In 2004, the bank made significant progress in extending the coverage of environmental reporting to over 90% of employees (against 68% in 2003), and an internal assessment suggests the quality of data has improved to 7.7 in 2004 (against 5.2 in 2003), on a scale of 1 to 10. It would be interesting to highlight the areas where improvements are needed. Performance is improving on most impact indicators, with the important exception of carbon dioxide emissions which actually increased. According to HSBC, this is largely the result of an increase in the size of its portfolio and improved data capture. However, the report would have benefited from further explanation of the implications of the increase in emissions during the reporting year in terms of meeting the bank's goal of carbon neutrality by 2006.

HSBC has established a clear set of environmental targets which identify financial, energy, waste, water and CO₂ reductions for each intended initiative over the next three years, using 2004 as a benchmark. The targets can be seen on the bank's website (<http://www.hsbc.com/environment>). With the development of the Environmental Management System going forward, the bank might aim to develop a more comprehensive and challenging set of performance targets.

4.5 Community

4.5.1 Policy

HSBC aims to channel 75% of community giving into the areas of education – particularly for disadvantaged young people – and the environment. According to community donations figures provided in the report, just under half of current donations fall outside these two areas. By adopting a more focused approach, HSBC may have a greater impact on the initiatives it supports and a more coherent message to pass on to employees. The report does not disclose how the bank identified the causes of education and the environment, but there does not appear to have been a process of internal stakeholder engagement. HSBC might consider soliciting feedback on its community initiatives into existing employee engagement mechanisms (for example, the employee satisfaction and engagement survey) as a vital way of raising awareness and creating buy-in amongst employees, with positive effects in terms of cross-company unity, motivation and retention.

4.5.2 Programme

HSBC is developing a more centralised and coordinated approach to its community activities which makes sense for an organisation of its size. Notably, the bank established a global donations database in 2004 which is being used by 24 countries and will facilitate better internal and external reporting. The report also lacks a more general discussion of HSBC's attitude and culture with regards employees involvement in community programmes. HSBC states that it 'supports local efforts through schemes such as payroll giving, matched donations and time off for volunteering work' but there is little sense of the degree to which these practices are encouraged or taken up.

Most of the bank's main international community partnerships involve straightforward donations to educational and environmental initiatives. For example, HSBC is funding 27 scholars to attend UK universities and supporting the UK charity Link Community Development to send 47 teachers to Africa for five weeks. In 2002, HSBC also formed a five-year 'Investing in Nature' partnership, providing \$50 million to support programmes run by WWF, Earthwatch and Botanic Gardens Conservation International. Further details of the bank's community projects are provided on the website.

As a leading financial institution, HSBC has a great deal to offer in terms of its core competencies. It is good to see the bank move towards this in a recent partnership with Students in Free Enterprise to provide financial education for young people and female entrepreneurs. However, more could be done in this regard.

4.5.3 Performance

Figures included in the report show HSBC's community donations to have amounted to \$69.2 million in 2004, with a total of 237,000 hours of employee volunteering worth \$7.2 million. This represents a significant increase on donations in the previous two years (\$47.4 and \$34.5 million respectively), in line with the bank's increase in profits over this time period.

Lacking in the present report is a better sense of the impact of HSBC's community programmes. According to HSBC, a new global donations database will assist in this process. External reporting would also be improved by more detailed disclosure with regards payroll giving, matched donations and volunteering.

5 Certification

HSBC has received a number of certifications and awards. A full list is provided on the bank's website at: <http://www.hsbc.com/awards-and-rankings>.

- Ranked 4th in the banking sector of the Dow Jones Sustainability Index, compared to 14th in 2003. The HSBC is also listed on the FTSE4Good Index.
- Ranked 40th by the Fortune 500 'Global Most Admired Companies'.
- Awarded 'Best corporate governance' and 'Best disclosure practice' by IR magazine.
- Named one of the top 50 companies in the Climate Leadership Index at the launch of the Carbon Disclosure Project's (CDP) second report on climate change and shareholder value.

6 Ethical Insight's comment

3½ Star Rating: ★★ ★☆☆

HSBC's Corporate Social Responsibility Report is extremely interesting and well-presented, and scores a 3 ½ star rating according to our criteria. With a presence in 77 countries, HSBC admirably acknowledges that it operates in countries that present a range of social, ethical and environmental challenges. While the report shows that HSBC is making significant progress in putting the necessary structures, policies and programmes in place, it would benefit particularly from more detailed analysis and discussion of challenges currently being faced in high risk countries, and how these challenges are being monitored and addressed by line management in the major divisions. Nevertheless, there are a number of noteworthy highlights this year including the establishment of a CSR Committee, disclosure with regards application of the Equator Principles and the bank's recent commitment to carbon neutrality.

Reporting practices

HSBC reports appropriately on all material issues, particularly responsible lending, employee diversity and environmental impact. There is evidence that proactive steps were taken to engage with relevant stakeholders, particularly in the SRI sector, to seek feedback. HSBC could be encouraged to broaden the scope of organisations it speaks with and the perspectives reflected in the report. HSBC highlights the key issues linked to the description of each main business division which is extremely useful and could be developed further. With regards transparency, HSBC's disclosure regarding application of the Equator Principles is significantly greater than many other signatories. The report also shows that HSBC is willing to disclose information even where it highlights challenges. The report addresses the key compliance issues and in future reports, HSBC might consider adding examples of how compliance mechanisms work in practice and specific challenges. The comparability of the report is good, owing to extensive use of the GRI indicators and the provision of key performance data over multiple years, although targets could be more specific, comprehensive and challenging in some areas.

Management structure

The report shows clearly that a CSR management structure with senior management buy-in has been established, particularly in the form of the CSR Committee and Executive Steering Group. The report suggests that a CSR network has been put in place at the operational level through regional working groups. Unfortunately, there is little sense of how CSR issues are addressed in line management in the business divisions in major markets. This is of particular interest for high-risk areas. The report would also benefit from further discussion of coordination and interaction within the CSR network, and how best practices and experience are shared across the Group. HSBC has committed itself to an impressively wide range of respected international standards and working groups, in many cases as a founding member.

Management systems

This review considers HSBC's policy, programme and performance in five key areas:

- **Responsible project finance:** HSBC is a signatory of the Equator Principles and ahead of the game in terms of its reporting practices in this area. There is also evidence to suggest the bank's approach is being integrated into operations, for example through training the global finance teams. This section of the report would greatly benefit, however, from a more rigorous attempt to illustrate and quantify the impact of the EPs in terms of project performance, possibly through a series of detailed, anonymous case-studies.
- **Financial inclusion:** HSBC is just beginning to explore the potential of microfinance and it will be interesting in future reports to learn more about the findings of HSBC's pilot projects in this area and the development of a sustainable business model. Studies show that microfinance is an effective means to help the world's poorest people to increase their income and living standards. As a major global bank, HSBC could have a significant impact in this area.
- **Employee diversity:** While HSBC employs an even balance of men and women, it is transparent in disclosing perceived opportunity differentials which it is taking positive steps to address. In future reports, a discussion about ethnic diversity in management and disability issues would also be welcome.
- **Environment:** HSBC has made significant progress on the environment in the last year – it is the first bank in the world to have committed itself to carbon neutrality and, to meet this goal, recently developed an Environmental Management System based on ISO140001 and recruited a new environmental and sustainability management team. Performance is improving on most impact indicators but a more comprehensive and challenging performance targets could be set going forward.

• **Community:** Community investment is a strong point for HSBC. The bank is currently developing a more centralised and coordinated approach to its community activities which should enable it to focus on priority issues going forward. It should also seek to extend the assessment of the impact of its initiatives both on the community and the business.

Certification

In 2004, HSBC remained listed on the key sustainability indices, including the FTSE4Good and Dow Jones Sustainability Indices and received numerous awards, including 40th place in Fortune 500's list of 'Global Most Admired Companies'.

7 Appendices

7.1 Maplecroft's Ethical Insight report review criteria

Maplecroft's Ethical Insight report reviews are based on a four-pillar framework, taking into account reporting practices, corporate responsibility management structure, management systems (policy, programme and performance), and certification. The review of management systems considers the company's core issues as identified by the company in its report and by Maplecroft on the basis of the company's industry sector. Maplecroft is currently developing a map of core issues by sector which will be available shortly. The report review criteria are not comprehensive, but are designed to highlight the most significant practices and performance within each company, as well as important omissions and areas for improvement in future reporting.

- **Reporting practices** are reviewed on the basis of four key reporting principles:
 - **Materiality:** Does the report cover all the key issues relevant to the sector? Does the report provide the context and relevance of each issue to the company? Has the company engaged with key stakeholders in identifying and exploring material issues?
 - **Transparency:** Does the report disclose regulatory non-compliance? Does the report make other sensitive or groundbreaking disclosures? Is there public reporting at the local level?
 - **Comparability:** Does the company report in accordance with the GRI guidelines or other external metrics? Have internal metrics and data collection/management systems been developed? Does the report clearly present key indicators and targets?
 - **Assurance and verification:** What type of assurance and verification are provided? What is the scope of assurance and verification? What are the feedback / results of the assurance and verification process?
- **Management structure** is assessed on the basis of three main criteria: Is there a board level CSR Committee (or equivalent) in place? Is there a dedicated CSR network in place? Has the company signed up to any best practice principles or external bodies?
- **Management systems** incorporate principles (governance level), policies (strategic level), procedure and guidance (executive level) and practise (operational level). For each of the company's core issues, Maplecroft reviews policy, programme and performance.
- **Certification** refers to the company's listing on sustainability indices, such as the FTSE4Good and Dow Jones; external certification such as SA8000 and ISO14001; and any external awards received during the reporting year.

7.2 Previous Ethical Insight report reviews

Ethical Insight includes a review of a company sustainability report in each fortnight's edition. These reviews, together with the original report, can be accessed from the Maplecroft website at <http://www.maplecroft.net>.

Previous Maplecroft reviews are as follows:

- Nike Corporate Responsibility Report 2004
- Rio Tinto - 2004 Sustainable Development Review
- Marks & Spencer - Corporate Social Responsibility Report 2005
- Alcatel - Sustainable Development Report 2004
- Shell Foundation 'Enterprise solutions to poverty' Report 2005
- Standard Chartered 2004 Corporate Responsibility Report
- Anglo American Report to Society 2004
- Citigroup Citizenship Report Review 2004
- BP Sustainability Review 2004
- Cadbury Schweppes Corporate and Social Responsibility Report 2004
- TPG Corporate Sustainability Report 2004
- BBC Corporate Sustainability Report 2004
- Westpac Stakeholder Impact Report 2004
- Alcan corporate sustainability report 2004
- TPG annual report 2003
- Co-operative Group corporate responsibility report 2003
- Vodafone corporate social responsibility report 2003/04
- Hydro corporate social responsibility annual report 2003
- BAA annual report 2003/2004
- RWE corporate responsibility report 2003
- BAE Systems corporate responsibility report 2003
- Royal Mail corporate responsibility report 2004
- ABN Amro sustainability report 2003

7.3 Ethical Insight's sustainability reporting services

The Ethical Insight team at Maplecroft works with global organisations across all sectors, providing a range of specialist corporate responsibility advisory services. Further details about the wider range of Maplecroft services and the Maplecroft team are available at <http://www.maplecroft.net>.

In the area of sustainability reporting, we have considerable expertise in the full range of management systems that underlie effective social and environmental reporting, including auditing, indicators, monitoring, impact assessment and performance management. Maplecroft is also experienced in report writing, verification and assurance, having contributed substantively to several award winning reports.

The Ethical Insight team is also able to provide independent assurance and verification services of the highest standard, including in accordance with GRI and AA10000 criteria.

Maplecroft has developed a number of proprietary tools to assist companies in the reporting process. Specifically, we have developed the *Principles-plus multi-audit etool*, a practical and comprehensive auditing method that brings together a host of social and environmental standards, international best practice principles and instruments of corporate citizenship in a set of worksheets. The tool is designed to help companies assess their conformance with best practice requirements and identify the specific areas in which performance can be improved. A corrective action request form assists in the performance management process.

Maplecroft has also developed a *Human rights monitoring mechanism*, a straightforward electronic human rights survey, which can be used and adapted by companies to provide a detailed picture of human rights risk in its operations around the world. The survey assesses the human rights situation and management systems in place at the country level which, together with external country and issue specific human rights research, allow for a detailed analysis of the company's risk of complicity in human rights violations, and specific recommended action points.

The Ethical Insight team comprise fully trained and experienced SA8000 and ISO14001 auditors.

Please call us or email to discuss how our award winning Ethical Insight team might help:

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