

**Corporate, social
and environmental responsibility**

Extract of the Registration document HSBC France 2016



Corporate, social and environmental responsibility

Sustainability

CSR commitments and strategies

The Group's approach

Sustainability underpins our strategic priorities and enables us to fulfil our purpose as an international bank.

At HSBC, how we do business is as important as what we do. For us, sustainability means building our business for the long term by balancing social, environmental and economic considerations in the decisions we make. This enables us to help businesses thrive and contribute to the health and development of communities.

Governance

Corporate Sustainability supports the Group Chairman, Group CEO and Group Management Board in outlining the strategic objectives for all matters relating to HSBC's position on sustainable development. Non-executive oversight of Community Investment is provided by the Philanthropic and Community Investment Oversight Committee (PCIOC) of the HSBC Holdings Board. The remainder of the work of the function is overseen by the Conduct & Values Committee (CVC) of the HSBC Holdings Board. Sustainability priorities are set and programmes are co-ordinated by the Global Corporate Sustainability function. HSBC's country operations, global functions and global businesses work together to ensure sustainability is embedded into the Group's business and operations and effectively implemented. Executives within the Risk and Operational functions hold a specific remit to deliver aspects of the sustainability programme for the Group.

Sustainability focuses on three areas: sustainable finance; sustainable operations; and sustainable communities.

Commitment and recognition

HSBC recognises that reducing global carbon dioxide emissions is a critical challenge for society and that there is the potential for financial services to facilitate investment that can help the world transition to a low-carbon economy.

HSBC is committed to accelerating that shift by supporting customers involved in "climate business" through ongoing efforts to analyse the risks related to climate change and by seeking long-term low-carbon commercial business opportunities.

In 2015, HSBC issued a green bond, a further milestone in its contribution to a low-carbon economy. In that issue, HSBC France raised EUR 500 million to

finance projects related to energy transition, in line with the Green Bond Principles. The first report on the allocation of those funds was published in September 2016 (available at <http://www.hsbc.com/investor-relations/fixed-income-securities/green-bond-reports>).

In March 2016, HSBC was accredited by the United Nations' Green Climate Fund, which invests in projects aiming to reduce carbon emissions and helping developing countries adapt to the consequences of climate change.

Furthermore, the Asset Management business joined the Montreal Carbon Pledge to disclose the carbon intensity of its portfolio in 2015. The first report is available at <http://www.global.assetmanagement.hsbc.com/about-us/governance-structure/responsible-investment>. The one relating to 2016 will be published in April 2017.

HSBC has joined the Catalytic Finance Initiative, aiming to accelerate investment in sustainable infrastructure. Through its involvement, it is contributing its expertise in infrastructure financing, project financing, green bonds and public-private partnerships.

Finally, HSBC's Climate Change Centre of Excellence, created in 2007, provides investors with research into the consequences, risks and opportunities associated with climate change. In 2016, it published around 60 reports on a range of topics, extensively covering the ratification and implications of the Paris Agreement. Reports have covered issues including climate risk assessment, green bonds, China's 13th 5-year plan, adaptation issues, water scarcity around cotton production and G20 climate vulnerability.

HSBC's commitment to sustainability has been recognised for many years, and has once again been confirmed by the Group's presence in the latest rankings:

- CDP - Edition 2016;
- FTSE4Good sustainability index;
- Hang Seng sustainability index;
- Leading company in the Forest 500's Investor category in 2015 and 2016;
- Leading company in the Thomson Reuters Emtel ranking, for the third consecutive year, for analysis work carried out by its Climate Change Centre of Excellence.

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Respecting human rights

HSBC published its Statement of Human Rights in 2015. The document can be accessed via this link: www.hsbc.com/~media/hsbc-com/citizenship/our-values/pdfs/150930-hsbc-statement-on-human-rights

The Group has also published its first statement regarding the provisions of the UK Modern Slavery Act. The report is available on the Group website.

Implementing the strategy in France

HSBC France is fully committed to the action plan adopted by the HSBC Group.

Integrating corporate sustainability issues within the bank's business areas consists of:

- anticipating the impact of climate change from the risk point of view and also in terms of financing a low-carbon economy;
- taking into account the social, environmental and governance issues of companies in our products and services.

HSBC France is also involved in meeting the Group's target of being a leading energy-efficiency bank, which consists primarily in reducing annual CO₂ emissions per employee by one tonne between 2012 and 2020.

Finally, HSBC France supports the communities in which it operates, particularly by supporting social-impact funds as well as corporate sponsorship and volunteering programmes in the fields of education, the environment and health.

Governance

In 2008, in order to deploy and effectively implement this strategy in France, HSBC France created a Sustainability Department, reporting to the Chief Executive Officer and to Global Corporate Sustainability. The department has a seat on the bank's executive committee. Consisting of a team of five, it co-ordinates the definition and implementation of action plans developed in collaboration with representatives of each of the relevant business lines.

A Sustainability Committee meets quarterly, with the main objective of reporting on progress or problems with the deployment of this strategy. It alternately brings together heads of business lines in order to validate the strategic direction, and operational managers in charge of implementing action plans.

Stakeholder consultation and materiality analysis

To help it adapt to current developments and better identify the key issues facing the banking sector,

HSBC France decided to reinforce its analysis and assessment process through a consultation with its main stakeholders. The key steps in the consultation process held in 2014 were:

- a survey carried out among a panel of internal and external stakeholders to perform a materiality analysis of its main sustainability issues;
- a meeting organised between a small expert panel of stakeholders and HSBC France Senior Management to discuss in depth two key issues identified in the first stage of the process.

Like other banks and financial institutions, HSBC France's main responsibility involves governance and risk management issues (see section on "Risk management", page 68). HR/staff themes were considered significantly more important by the internal panel than the external panel (see section "Employee support", page 96).

Aspects related to the bank's role in economic, social and environmental development were clearly identified, especially by the external panel stakeholders, and were the subject of a meeting with the expert panel.

The expert panel explicitly urged HSBC to:

- better promote its research to show that the bank understands and is attentive to the changing world. Year after year, documents such as "Future of Retirement", "Value of Education", "Trade Forecast", "Power of Protection" regarding protection insurance, "Expatriate Explorer", "Essence of Enterprises" on the structure of entrepreneurship around the world, and those published by the Climate Change Centre of Excellence increasingly help to meet those expectations;
- educate its customers on the role and business model of financial institutions to increase their trust and confidence in the sector;
- be a facilitator in the energy transition. HSBC's environmental risk management policy and its role in developing green bonds contribute to this expectation. Our progress to date is presented in the Sustainable Finance section (page 88).

To raise awareness about its commitments in 2016, HSBC France also participates in targeted events in order to convey to a diverse audience, both internal and external, its vision of corporate sustainability, as well as information and data relating to its policy in this area. This approach promotes a rich dialogue with all stakeholders.

In 2016, HSBC France, amongst others, co-sponsored with the *Les Echos* newspaper two conferences on energy transition and sustainable cities, hosted the conference launching *Vivapolis/Institut de la Ville Durable*, and organised a conference presenting the annual report commissioned by HSBC from the Climate Bonds Initiative on green bonds and another focusing on the impact of article 173 of France's energy transition act for investors.

In support of its activities and to help develop climate finance, HSBC France takes part in several initiatives adopted by France's finance industry, examples in 2016 being the Business Dialogue on carbon pricing organised as part of France's presidency of COP 21, and work led by Paris Europlace on climate finance. The bank remains a member of the "finance club" run by ORSE (Observatoire de la Responsabilité Sociale de l'Entreprise). ORSE is an independent organisation that works with member financial institutions in order to fully define the issues and identify best practice in the field of sustainability. Similarly, it takes part in the French Banking Federation's CSR club, whose work in 2016 focused on the banking sector proposal to create a prudential framework favourable to green activities, known as the "green supporting factor". HSBC France also serves on the Collège des Directeurs du Développement Durable (C3D), an independent organisation set up to publicise the opinions of heads of Corporate Sustainability from medium and large sized companies and organisations. Finally, it takes part in the work done by the CSR committee of France's institute of directors (Institut Français des Administrateurs) in order to propose a framework to be used by directors to address sustainability challenges.

HSBC France's role in the economy

HSBC France's presentation

HSBC France is a subsidiary of HSBC, which is one of the world's largest banking groups as confirmed for many years by the league table compiled by *The Banker* (published by the *Financial Times*). In 2016, HSBC ranked ninth in this table. Each year, when presenting its strategy and giving annual updates to the public and investors, HSBC confirms that France is one of its 18 priority markets, among four in Europe.

As of end December 2016, the Liquidity Coverage Ratio is at 122 per cent. The Net Stable Funding Ration (NSFR) is at 120 per cent and the CET1 "transitional" ratio is at 13.2 per cent.

Finally, HSBC France has strong financial ratings from the largest global credit-rating agencies: Standard and Poor's: AA- ; negative outlook, Moody's: A2 ; negative outlook and Fitch: AA- ; stable outlook.

HSBC France's territorial, economic and social impact

Through its activity, HSBC France makes its own contribution to the financing of the economy and the smooth running of society. By ensuring a sound business base and sustainable income, the bank is able to distribute dividends to its shareholders, remunerate its employees, pay its suppliers and cover its tax liabilities. The bank supports the development - in France and internationally - of its retail, corporate, institutional and French regional and local authority customers by granting loans, by providing for their future through investments, and via secure domestic and international transactions.

HSBC France - Breakdown of main operating income items

<i>(in millions of euros)</i>	2016	2015	2014
Levies and taxes	526	554	426
Dividend payment.....	270	280	150
Salaries and employee benefits (net of payroll tax).....	790	742	764

The French mortgage market reached a record high (EUR 253 billion), supported by high levels of renegotiations/acquisitions similar to 2015. Against that background, HSBC France's Retail Banking and Wealth Management business continued to expand its loan book with growth of circa 2 per cent.

Commercial Banking continued to focus on the development of small, medium-sized and large businesses, supporting and financing their projects both in France and abroad. In 2016, Commercial Banking client loans outstanding rose +6 per cent to EUR 10.4 billion.

HSBC Assurances played an active role in rolling out the NOVI investment funds, which aim to foster growth and innovation in small and medium-sized businesses. The funds have a term of 21 years and the initial investment totalled EUR 580 million. HSBC Assurances chairs the Board of Directors of the NOVI 1 fund and also sits on the Board of Directors of the NOVI 2 fund. The NOVI funds exclusively finance investments in growth and innovation by companies with revenue of between EUR 30 million and EUR 200 million and operating in manufacturing and services, including the nine "French industrial

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solutions” sectors. Selected companies receive financing of EUR 3 million to EUR 20 million. The aim is to finance over 50 companies per year.

Support for local authorities and businesses

Since 2011, French local authorities have used the capital markets to diversify and optimise the cost of funding their investments (schools, transport, etc.), thus contributing to the appeal and dynamism of the areas under their responsibility.

In 2016, their use of the bond markets remained at historically high levels with issuance of EUR 2.1 billion, still representing 11-12 per cent of total annual local authority funding. In this market segment, HSBC France is strengthening its leading position, ranking number one among lead managers for French local authority issuances, well ahead of its rivals due to its experience with these clients. It handled ten transactions out of a total 60 in 2016 and has handled 118 out of a total 394 since 2000.

Among these, hospitals and public-sector healthcare establishments are increasingly seeking to diversify and optimise their financing arrangements. HSBC France is working to support the development of this market segment. After acting as joint lead arranger of the “CHU 2015” bond issue (EUR 100 million, 10-year maturity) by healthcare co-operation consortium CHU de France Finance, in 2016 HSBC France innovated by bringing Hôpitaux Universitaires de Strasbourg to the bond market with the first issue of listed, rated bonds by a university hospital in its own name (EUR 27 million, 18-year maturity).

In 2016, HSBC was also the top-ranked arranger of EMTN (Euro Medium Term Note) programmes for French local authorities and has handled 18 out of a total 23 in the market.

Lastly, HSBC France is also directly involved in diversifying the financing of French local authorities in its roles as co-arranger of the EMTN programme and joint-lead manager of the EUR 500 million, 7-year bond issue carried out by its client Agence France Locale (AFL) in 2016. AFL is an online bank owned by French local authorities wanting to combine their financing requirements in order to borrow money directly from the bond market.

Subcontractor and supplier policy

HSBC has updated the Ethical and Environmental Code of Conduct for Suppliers, to take account of revised legislation on Modern Slavery and Human Rights. More than 240 of HSBC’s largest suppliers have already accepted the revised code retrospectively, which can be accessed at the following address: <http://www.hsbc.com/our-approach/supplier-code-of-conduct>.

In addition, in 2016, HSBC France’s main businesses (Commercial Banking, Retail Banking and Wealth Management, Global Banking and Markets) and some global functions (Compliance, Human Resources, Finance, IT and the Operations Department) continued to use HSBC Group Service Centres (GSCs) for their back-office operations. The Krakow, Bangalore, Hyderabad and Cairo centres remain HSBC France’s principal partners. The main tasks allocated to GSCs are payment services and account management operations, along with customer due diligence.

At the end of 2016, the total workforce of HSBC’s GSCs working for France was around 860 on a full-time equivalent basis.

Fair business practices and protecting the client’s interests

Governance

Corporate governance is one of the cornerstones of HSBC France’s strategy. HSBC France refers mainly to the Code of Corporate Governance for HSBC Group companies.

At 31 December 2016, HSBC France’s Board of Directors consisted of 19 Directors: three people who hold positions within HSBC, three members of HSBC France’s Executive Committee, nine independent Directors and four Directors elected by the employees. Excluding the employee elected Directors, the Board consists of five women and ten men. In addition, the Board of Directors is assisted by four committees: a Risk Committee and an Audit Committee, both composed of independent Directors, and a Nomination Committee and a Remuneration Committee, both chaired by an independent Director. The Board of Directors has not set up a dedicated CSR committee and receives regular updates on action taken by HSBC France regarding corporate sustainability, including the way the bank’s business lines manage the social and environmental impact of their activities.

Compliance

The Compliance function, established at HSBC France in 2001, is responsible for ensuring that the company's activities are carried out with integrity and professionalism, complying with laws, regulations and best practices applicable in France.

In Regulatory Compliance, HSBC has continued to roll out its Conduct framework, which formally sets out HSBC's commitments to ensuring the fair and equal treatment of clients and the integrity of the financial markets, including commitments to:

- provide customers with clear, accurate, precise and non-misleading information on pricing, the nature of products and services, and the associated risks;
- design and offer products that are competitive and easily understood, add value for clients, meet their needs and are suited to their risk profiles, in order to avoid mis-selling;
- ensure that products and services are managed in accordance with the most demanding standards, with fair and equal pricing and effective, transparent and client-oriented systems;
- ensure that market integrity rules are observed in the relevant business activities;
- maintain a governance system that allows effective supervision of systems to ensure the fair and equal treatment of clients and market integrity.

In 2016, the programme resulted in new milestones in the Group's policy, including efforts to strengthen dedicated local governance, improvements in monitoring indicators, staff training and assessments of business lines' level of maturity in terms of conduct. Action plans were implemented in 2016, and some of them will continue in 2017.

In Financial Crime Compliance (anti-money laundering efforts and international financial sanctions), the Global Standards programme aims to ensure that each HSBC Group entity around the world adopts these rules in order to prevent the risk of financial crime.

The programme is based on the following principles:

- Work only with well-known and trusted customers;
- Maintain consistently high levels of control in terms of financial crime everywhere HSBC operate;
- Managing financial crime risk must be second nature, in the same way as managing credit risk;

- Each and every employee of HSBC must exercise their judgement. Rules and manuals alone are not enough;
- Teamwork is the way to protect HSBC from financial crime.

After new Group policies and procedures to combat money laundering and regarding international financial sanctions were rolled out in 2015, including classroom-based training for the employees most involved in managing those risks, the programme continued in 2016.

This entailed the operational implementation of new processes and/or tools related to due diligence to be performed on clients, monitoring work on transactions client databases across all HSBC Group entities, and efforts to make governance more robust by collecting and exploiting reported data.

Customer experience and satisfaction/customer relations

Customer experience and satisfaction

HSBC aims to be the first-choice wealth manager for its clients, and strives for excellence in the service it provides. Measuring and constantly improving the customer experience is an ongoing challenge that is becoming greater, particularly as banking relationships become more digital.

Dedicated teams are responsible for monitoring and improving the customer experience.

For Retail Banking and Wealth Management customers, the "customer's voice" system is central to the organisation. For example, a satisfaction survey measures the performance of the bank in terms of customer satisfaction across all points of contact twice a year, and enables a comparison with competitors to be made. Email surveys are also conducted regularly to measure customer satisfaction with branches and the Customer Relations Centre, or after a customer has visited the secure area of the online banking site. All scores and customer comments are reported internally to front and back office teams, in order to motivate them to improve the quality of our service. They are also used to create action plans to improve customers' perceptions and make them ambassadors for HSBC.

In late 2016, 36 per cent of customers said they had recommended HSBC in the two previous years, making the bank number one in its benchmark (average was 20 per cent) (source: HSBC survey carried out by CSA in December 2016). Actual recommendations are a solid indication of trust.

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The Client First programme of measuring satisfaction among corporate clients was initiated in late 2015 and continued throughout 2016. The programme focuses on key moments in a banking relationship such as account opening, requests for assistance and a change in relationship manager, and has given the bank a better understanding of the client experience and the factors that drive satisfaction. The programme has given rise to a quality improvement plan, including an end-to-end review of the process for changing relationship managers and initiatives to make the branches easier to contact, which is currently being implemented.

In the Global Trade and Receivable Finance department, after HSBC Factoring France obtained ISO 9001 certification four years ago, the international trade business also obtained it in July 2016. A survey of HSBC Factoring France clients carried every other year showed an improvement in overall satisfaction from 7.4 in 2013 to 7.7 in 2015.

Customer relations

The overall number of complaints recorded in 2016 by the Retail Banking and Wealth Management network fell by 16 per cent relative to 2015.

The improvement arose mainly from a return to normal in complaints caused in 2015 by exceptional levels of requests to renegotiate mortgages or repay them early, and from the implementation of an action plan to reduce customer dissatisfaction with the pricing of our services and the way we follow up requests.

In 2016, the main area of complaint concerned account operation and pricing, representing 32 per cent of complaints: requests for refunds of various charges or commissions, delays with closing accounts and requests for explanations regarding account statements. Payment methods were the second-largest area of complaint, accounting for 29 per cent of the total: complaints concerning cheques, international and SEPA transfers and delays and errors related to bank cards. Finally, customer service and support complaints accounted for 10 per cent of the total, mainly due to difficulties experienced by customers in contacting their advisors. Complaints regarding mortgages accounted for 6 per cent of the total in 2016, down from 11 per cent in 2015.

The number of complaints sent to HSBC France's ombudsman fell slightly by 3 per cent compared with 2015, and the number of complaints handled directly by the ombudsman through the referral process was stable.

Commercial Banking recorded a 36 per cent decrease in the number of complaints logged in the RSC (Reclamation Service Client) application (5,731 complaints as of 31 December 2016 vs. 8,951 as of 31 December 2015).

12 reasons for complaints account for 72 per cent of the total. Out of this, 47 per cent were about payments, 35 per cent about account management issues and 12 per cent about remote banking services.

After analysing these complaints, the bank has prepared and is implementing action plans to improve procedures and to improve both service quality and customer satisfaction.

Accessibility

The www.hsbc.fr website, like all of HSBC's public websites, complies with the "Web Content Accessibility Guidelines 2.0" (WCAG 2.0) defined by the World Wide Web Consortium (W3C). In addition to these rules, HSBC websites are regularly reviewed by an independent firm. These reviews are defined and conducted directly by the Marketing Department at Group level for public websites.

The inspection company Qualiconsult has been appointed to draw up the "scheduled accessibility timetable" required by new French legislation.

The sites concerned are those classified as being open to the public: 248 sites in the Retail Banking and Wealth Management network and in the Commercial Banking network. Of those 248 sites, three have exemptions, 35 are compliant and the remaining 210 need to be brought up to standard.

As part of the "scheduled accessibility timetable" presented to the government, those 210 sites will be made compliant over a nine-year period, of which 23 were brought up to standard in 2016.

Sustainable Finance

The 2015 Paris agreement emphasised the financial sector's role in combating climate change.

HSBC has undertaken to support the transition to a low-carbon economy and in October published a statement summarising the way in which it is addressing climate change and its main initiatives in that area. The statement can be viewed on the website: [//www.hsbc.com/~media/hsbc-com/our-approach/sustainability/pdf/hsbc-statement-on-climate-change-oct16.pdf](http://www.hsbc.com/~media/hsbc-com/our-approach/sustainability/pdf/hsbc-statement-on-climate-change-oct16.pdf)

HSBC scored the highest mark (A) for its climate strategy and disclosure in the global assessment completed by the Carbon Disclosure Project. The CDP encourages – on behalf of 800 institutional investors – the reduction in greenhouse gases by monitoring and publishing GHG emissions results from 2,000 large companies.

Policy and procedure for managing environmental and social-related risks

HSBC anticipates and manages risks and opportunities associated with a changing climate, environment and

economy. In a rapidly changing world, business must anticipate and prepare for shifts in environmental priorities and societal expectations.

Sustainability risk framework

HSBC manages the risk that the financial services which it provides to customers may have unacceptable impacts on people or the environment. Sustainability risk can also lead to commercial risk for customers, credit risk for the bank and significant reputational risk.

For over 12 years, HSBC has been developing and implementing its own approach to working with business customers to understand and manage environmental and social issues in relation to sensitive sectors and themes.

HSBC's sustainability risk framework is based on robust policies, formal processes and well-trained, empowered people.

Sector policies

HSBC's policies cover agricultural commodities, chemicals, defence, energy, forestry, freshwater infrastructure, mining and metals, World Heritage Sites and Ramsar wetlands. It has applied the Equator Principles since they were first developed in 2003, including the latest version (EP3) since 2014.

Customers are assessed and supported using HSBC's own policies which are regularly reviewed and refined, including through constructive dialogue with NGOs and action groups. Matters of shared interest are regularly discussed with them. After HSBC updated its Forestry policy and introduced new policies (agricultural commodities, World Heritage Sites and Ramsar wetlands) in 2014, the bank reviewed its Mining and Metals policy in 2016. In line with the Paris Agreement of December 2015, it has included standards on lending to new coal mines, in addition to the existing policies on coal-fired power plants and deforestation. HSBC has also added more specific guidance on adverse human rights which could arise in the mining sector. These policies are available at: <http://www.hsbc.com/our-approach/sustainability/finance>

Highly trained staff

HSBC's designated Sustainability Risk Managers regularly provide training to executives from Risk, Global Banking and Markets and Commercial Banking in every geographical region.

Assessment of HSBC France's exposure to physical and transition risks related to climate change

Under article 173 of French act no. 2015-992 of 17 August 2015 on energy transition, HSBC France sent the ACPR (the Banque de France's prudential control and resolution authority) information on how it assesses climate-change risks as set out above, along with data on its exposure to physical risks and transition risks. The exercise showed that, like the French banking sector as a whole, HSBC France is more exposed to transition risks than to physical risks. Its exposure to sectors that are most vulnerable to transition risks represents on average 10.1 per cent of loans outstanding (7.1 per cent of that exposure is located in France). The most exposed sectors are the production of electricity, gas, steam and air conditioning; construction; land-based transport; and oil pipelines.

To supplement that analysis, HSBC France has carried out an initial assessment of how aligned its financing portfolio is with the International Energy Agency's 2°C scenario, initially in the two sectors of energy and transport, which are both key for HSBC France and critical to a less carbon-intensive economy. Those sectors account for 10% of HSBC France's on-balance-sheet assets, and the sample covered 86% of those assets, based on a materiality threshold of EUR 2 million.

The energy mix financed by HSBC France is as follows: 0% coal, 71% oil and gas, 27% electricity and 2% biomass. That is in line with the IEA's 2°C scenario for coal, but not for the other fossil fuels, for which the recommended percentage is 23% in Europe over the 2014-2035 period. The electricity mix financed by HSBC France, with a CO₂ emissions factor of 97g CO₂/kwh, is in line with the IAE's 2°C trajectory, and already below expected levels for 2030-2035.

In the transport sector, the mix financed by HSBC France is as follows: 61% air, 26% marine and rail and 9% road. That gives an emissions factor of 132g CO₂ per passenger-kilometre, bringing the mix into line with the IEA's 2°C trajectory by 2020.

These results give an initial view of how aligned HSBC France's loan book is with a 2°C trajectory, and they will play a valuable part in the Group's low-carbon strategy in France.

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Climate finance

Green bonds

HSBC France is heavily involved in the development of the green bond market, notably by promoting efforts such as the conference organised in partnership with the Climate Bonds Initiative on the state of the market in 2016.

HSBC France was joint lead manager of SNCF Réseau's inaugural green bond issue, which was for EUR 900 million and had a 15-year maturity. The funds raised through that issue will enable SNCF Réseau to finance the upgrade of its rail infrastructure, but also to develop new projects that include a specific method of measuring their impact in terms of greenhouse gas emissions and preservation of resources.

In May 2016, HSBC France was also appointed Active Bookrunner for the inaugural EUR 500 million green bond issue by Foncière des Régions. The proceeds from the issue were used to finance green property development projects, including projects with BREEAM very good and/or LEED gold certification. More than three quarters of the investors had signed the United Nations' Principles for Responsible Investment.

In December 2016, HSBC France conducted the private placement of a EUR 40 million green and social bond structured to finance the creation of a 1,000 bed public hospital in the city of Elazig, in eastern Turkey.

Energy efficiency

In 2016, HSBC Assurances maintained its strong focus on environmental quality in its real-estate policy. That involves acquiring properties that meet the highest environmental standards, retrofitting vacant buildings in order to enhance their quality (particularly by seeking accreditation such as BBC for low energy consumption), and encouraging tenants to use its buildings responsibly by having them sign a "green rider" to the lease including certain undertakings consistent with the policy adopted by HSBC Assurances.

The real-estate department also supports HSBC France's involvement in developing a low-carbon economy. In particular, it helps its largest clients (developers, investment companies, investment funds etc.) with their plans to develop properties that meet the highest energy and environmental standards.

One of the highest-profile projects that HSBC France has helped finance is Quadrans, close to France's new Defence Ministry in the 15th arrondissement of Paris. The development comprises 92,000 m² of commercial floorspace and will have HQE[®], RT 2012, BBC Effinergie and BREEAM Very Good energy certifications.

Since the end of 2015, HSBC France has been offering small and medium-sized businesses "green loan" environmental financing in partnership with Bpifrance. These loans, jointly financed by HSBC, are designed for investments geared towards environmental protection. The green loans are only for small and medium-sized businesses that have been operating for more than three years, and carry a reduced interest rate.

Retail Banking and Wealth Management also offer environmental works loans at attractive interest rates. These loans finance equipment to reduce energy consumption or to make use of renewable energies in renovation projects.

Sustainable cities and infrastructure

In 2016, Global Banking and Markets continued its work aimed at identifying business models, legal frameworks and financing methods that allow technological innovations to be used, particularly in the smart cities field. As part of its collaboration with the *Institut de la Gestion Déléguée* (IGD), the bank has joined the newly created "Financing" committee, whose role is to consider these themes regarding the financing of energy transition.

Also as part of its work with the IGD, HSBC France is continuing to develop concession and public-private partnership arrangements, with the aim of enhancing the viability and financial structuring of various types of project that will be identified in France or abroad, either in Europe under the Juncker plan or in emerging markets.

HSBC France has also joined the Buildinterest initiative, a European project that intends to produce an analysis of the drivers of and obstacles to the development of sustainable construction and energy efficiency, and to devise operational solutions to enhance the appeal of these activities.

In 2016, HSBC France joined the sustainable cities task force set up by Medef International, the aim of which is to put together an integrated pool of French sustainable cities expertise in order to address international development opportunities. HSBC France also continued its partnership with the *Institut de la Ville Durable/Vivapolis* and with the Michelin Challenge Bibendum Community working group, which has published a position paper on the financing of recharging infrastructure.

HSBC France, in partnership with Bpifrance and with the support of Business France, has provided practical, operational support to seven innovative French companies seeking business in the Hong Kong smart cities market. This eight-month programme is intended to help them break into the local market, and then the Chinese market, for which Hong Kong acts as a shop window.

In accordance with its investment policy, HSBC Assurances has sought to increase its infrastructure investments, and in particular has helped finance energy transition by making a long-term commitment to a fund whose investment strategy focuses exclusively on renewable energies.

Growing importance of environmental, social and governance issues when assessing company performance

Article 225 of French law 2010-788 of 12 July 2010 on the national commitment to the environment, known as the “Grenelle 2” act, made social and environmental transparency compulsory for companies with respect to both issuers and asset managers. However, investor involvement was not covered.

Article 173 of the recent French act no. 2015-992 of 17 August 2015 on energy transition in support of green growth fills that gap. It states that investors, insurance companies, mutual insurers, provident institutions, pension funds etc. must mention in their annual report and provide their policyholders with information about the ways in which their investment policies take into account criteria relating to compliance with environmental, social and governance targets and on the resources used in support of energy and environmental transition. This French act forms part of a broader movement requiring ESG criteria, along with the carbon impact of investments, to be taken into account.

HSBC Global Asset Management (France) wants to support these new expectations through its commitments – such as the signature of the Montreal Carbon Pledge on 23 September 2015 – as well as in its products and services.

In 2017, HSBC Global Asset Management (France) will work on gradually adopting enhanced environmental, social and governance reporting for its institutional clients, along with reporting on the carbon footprint of their portfolios, in application of article 173.

Application of ESG criteria in portfolio management

In 2012, to meet obligations as a signatory to the United Nations’ Principles for Responsible Investment (PRI), company/issuer analysis became the responsibility of all equity and credit analysts, instead of a specialist ESG analysis team. HSBC Global Asset Management’s efforts in terms of factoring in ESG criteria are thus assessed every year by the PRI Secretariat which, in 2016, singled out its improved bond investment processes for praise.

Accordingly, ESG criteria are an integral part of the process of analysing and selecting stocks in all actively managed portfolios, not just in SRI funds. Around 6,000 issuers worldwide are covered by ESG analysis, the results of which can be accessed by all Group analysts and asset managers.

Companies and issuers are ranked as low, medium or high risk. High-risk securities undergo in-depth examination. The companies/issuers in that category have breached one or more of the ten United Nations Global Compact principles or, at the end of our proprietary ESG analysis, are ranked in the bottom five per cent in their geographic category (either emerging markets or developed countries). Each security is assigned to one of 30 ESG segments, which have been determined on the basis of the MSCI segmentation to make it easier to integrate them with existing segmentations. Each of these 30 ESG segments represents a homogeneous group of issuers. E, S and G weightings have been determined for each of them based on the in-depth research carried out by Equity/ESG and Credit/ESG analysts, co-ordinated by the global head of ESG research. The issue of whether or not to hold high-risk stocks in portfolios is raised and decisions are made by a special committee. The decisions are recorded and subsequently checked by a Global Committee chaired by the Global Chief Investment Officer. If a security is excluded, it cannot be held in any actively managed portfolio, whether SRI or non-SRI. After that analysis, if the relevant companies/issuers are allowed to remain in portfolios, they are subject to special monitoring. The Group initiates a dialogue with the companies concerned, which may take various forms such as telephone or face-to-face discussions and letters. Special monitoring stops when a company is classified as low-risk based on all our indicators.

Corporate, social and environmental responsibility (continued)

At the global level, HSBC Global Asset Management continued its activities in the following areas in 2016:

ESG (Environment, Social, Governance) integration

Following on from its efforts in 2015, HSBC Global Asset Management actively continued to work on changing the way that ESG issues are factored into the decision-making processes used in our active bond, equity and, by extension, multi-asset investment strategies. ESG integration is now one of the key pillars of our equity investment philosophy, and is also a crucial component of our credit research process.

Development of ESG asset management strategies

To meet increasing demand from institutional investors for asset management strategies that include a specific carbon and/or ESG weighting, our quantitative research team has built a model that factors in these criteria both as a way of measuring and controlling risk, but also of optimising returns and generating outperformance. These strategies are put together using a proprietary model that uses ESG/carbon footprint data from external providers.

Fiduciary responsibility / Shareholder engagement

In 2016, HSBC Global Asset Management strengthened its shareholder engagement team and adopted a strategic action plan. These transformative advances have helped it to strengthen its collaboration with industry initiatives such as the Institutional Investor Group on Climate Change (IIGCC). For the first time, it has publicly pre-announced its support for shareholder resolutions encouraging resilience to climate change, and it intends to be more active in this area in future.

Climate change policy

Asset management teams have supported HSBC's contribution to the Task Force on Climate-related Financial Disclosures (TCFD) initiated by the FSB (Financial Stability Board). HSBC Global Asset Management has also published a Climate Change Policy that sets out its approach regarding climate change, which can be viewed here: http://www.frinfo.assetmanagement.hsbc.com/25189/PDF/Climate_change_policy-2.pdf

Transparency

We have also expanded our list of carbon data and ESG research providers to meet as effectively as possible our reporting commitments under the Montreal Carbon Pledge and, in France, under Article 173-VI of the energy transition act. This will enable us to adopt our new carbon reporting process for our institutional clients.

Update on Socially Responsible Investment Funds (SRI)

The HSBC SRI range has been designed to meet the needs of all HSBC Global Asset Management (France)'s client segments: institutions, asset managers, multi-manager funds, corporates, associations and retail investors.

Assets under management

On 31 december 2016, the HSBC Sustainable Euroland Equity had assets under management of EUR 219.68 million and the HSBC Sustainable Euro Bond fund had assets under management of EUR 103.79 million. Compared with 31 december 2015, HSBC Sustainable Euroland Equity's assets under management rose around 5.02 per cent while HSBC Sustainable Euro Bond's assets under management grew 5.12 per cent. HSBC continued to develop its SRI range by transforming its international equity fund "HSBC Actions Internationales" into "HSBC Sustainable Global Equity" on 16 December 2016. The fund had EUR 163.9 million of assets under management at 31 December 2016. It also has feeder employee savings fund called "HSBC EE Actions Monde Responsables", which has similarly contributed to broadening the SRI offering for employee savings plans.

In the year to end-December 2016, the number of employees investing in SRI funds through employee savings plans rose by 12.27 per cent. The corresponding assets under management rose to EUR 310 million, a 22.71 per cent increase.

Performance

Year-on-year returns at end-December 2016 were satisfactory, and in line with those achieved in traditional asset management. In Morningstar's "Eurozone Large-cap Equity" category, HSBC Sustainable Euroland Equity ranked in the first quartile over one year, in the second quartile over three years and in the second quartile over five years. In Morningstar's "EUR Diversified Bond" category, HSBC Sustainable Euro Bond ranked in the second quartile over one year, in the second quartile over three years and in the first quartile over five years.

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Employee savings

HSBC Global Asset Management (France)'s SRI range, under the HSBC EE Socialement Responsable umbrella employee savings mutual fund, currently comprises four multi-company funds: HSBC EE Actions Responsables, HSBC EE Diversifié Responsable et

Solidaire, HSBC EE Oblig Euro Responsables et Solidaire and HSBC EE Monétaire Etat.

In 2017, this SRI employee savings range will be supplemented with the creation of a diversified balanced SRI fund.

Employee Support

The data below is supplied in accordance with article R. 225-105-1 of the French Commercial Code in application of article L. 225-102-1 paragraph 5 of the same Code.

Workforce at 30 December

Employees - total

	2016	2015	2014	2013 ¹	2012
Total HSBC France group	8,956	9,593	9,793	9,891	9,851
of which HSBC France	8,382	8,979	9,144	9,198	9,424
of which subsidiaries and branches	574	614	649	693	427

Employees - full-time equivalent

	2016	2015	2014	2013 ¹	2012
Total HSBC France group	8,647	9,217	9,402	9,533	9,570
of which HSBC France	8,093	8,621	8,771	8,857	9,152
of which subsidiaries and branches	554	596	631	676	418

* Employees mainly working in France, except for expatriates (47 at end 2016).
1 HSBC Assurances Vie (France) became a subsidiary of HSBC France in 2013.

HSBC France's workforce contracted by 6.6 per cent (596 employees) in 2016.

The reduction was mainly due to the following arrivals and departures:

- 517 new employees were hired in 2016, comprising 332 on permanent contracts and 157 on fixed-term contracts, including 133 youth apprenticeship and work-study contracts.
- 1,113 employees left the company, with retirements making up 19.3 per cent of the total, the end of fixed-term contracts 28.3 per cent and resignations 30 per cent.

Redundancies represent 13 per cent of the permanent contract departures.

The retention rate among the best-performing staff was 95.8 per cent.

The structure of the workforce remained stable, with 70.3 per cent of staff having managerial status, and 50.7 per cent of managers being women.

At end of December 2016, 1,084 employees worked under the voluntary part-time work agreement, equal to 13 per cent of registered employees.

According to DOETH (déclaration obligatoire d'emploi de travailleurs handicapés - mandatory disability employment declaration) 2015 definitions,

disabled people made up 3.5 per cent of the workforce, as opposed to the target of 6 per cent. As a result, HSBC France paid EUR 1.12 million to Agefiph in 2016.

At end of December 2016, HSBC France employed 382 disabled people (including 151 who are no longer working).

Remuneration and incentive plans

Salaries and salary developments

In 2015, in the absence of a collective agreement following the annual pay round, management unilaterally decided to implement a single measure for 2016. This measure involved setting aside a financial package to allow individual pay rises in the following situations:

- to promote professional equality between men and women (pay and career equality), as well as fairness between full-time and part-time employees;
- for employees having taken long-term maternity leave, adoption leave or parental education leave;
- for the assessment and possible revision of remuneration for employees with disabilities;
- for the assessment and possible revision of remuneration for employees over 50 years old who have not received a selective pay rise in the last five years (from 2011 to 2015);

Corporate, social and environmental responsibility (continued)

- for the review and possible revision of the remuneration of staff representatives, in application of the agreement of 30 October 2007 on the exercise of the right to organise within HSBC France.

In addition, in accordance with the remuneration policy, a selective salary revision package and a variable remuneration budget are made available to managers, in order to review individual employee situations and to grant bonuses based on individual performance.

Collective incentive plans

A new group employee profit-sharing and incentive system was renegotiated in 2016. It covers the same scope as previous agreements, i.e. all employees of HSBC France, HSBC Global Asset Management (France) and HSBC Assurances Vie (France), and applies for three years (2016, 2017 and 2018).

The incentive agreement contains the profit-sharing agreement, and the overall distribution limit was again set at 8.75 per cent of the group payroll (excluding bonuses).

Profit-sharing is based on statutory arrangements, while the incentive plan is based on a percentage of restated profit before tax.

The individual distribution method, which is 50 per cent based on hours worked and 50 per cent based on a capped salary, has been maintained and aims to favour those on the lowest salaries.

HSBC France company savings plan

HSBC France has a company savings plan (including an 8-year long-term segment called PERF-Plan d'Épargne Retraite Future) in which staff can invest their profit-sharing or incentive payments or make a voluntary payment, and receive an employer top-up payment capped at EUR 2,424 per year.

The plan includes a range of 12 funds, three of which take into account corporate sustainability criteria in addition to the usual financial criteria.

Collective Retirement Savings Plan (PERCO)

HSBC France has a PERCO to which employees can make voluntary contributions or transfer days saved in their long-term time savings accounts.

No employer contributions are made to the PERCO. It offers a range of 14 “unrestricted management” funds (including three funds that take into account corporate sustainability criteria) along with the “guided management” formula, which aims gradually to reduce risk exposure as the beneficiary approaches his/her investment horizon.

HSBC Holdings plc options and bonus shares

With effect from 2001 and following the integration of CCF (Crédit Commercial de France) within HSBC, CCF decided that it would no longer grant CCF options to its employees, since they could participate in the stock-option plan of HSBC Holdings Group (B shares) through a French sub-plan compliant with French legislation and tax rules.

Accordingly, a number of HSBC France group employees were granted HSBC Holdings plc stock options from 2001 to 2005.

In 2005, HSBC fundamentally revised its employee option and bonus share policy and implemented the HSBC Share Plan, approved by the General Meeting of May 2005. The regulations provide for the establishment of a French sub-plan (Schedule 5 of the general regulations), which complies with French legislation and tax rules.

The regulations were revised in 2011 to take account of amendments to regulations governing the plan and to formalise the rules of the “Group Performance Share Plan” intended for HSBC’s executives. The French sub-plan (Schedule 5 of the new regulations) also underwent a review to ensure its compliance with local social-security and tax rules.

The objective of the HSBC Share Plan is to motivate executives to create shareholder value and to recognise individual performance. Awards may also be made under this plan to attract or retain talented staff. Since 2006, HSBC’s general policy is to no longer grant stock options (except when required by a country’s laws and tax rules) but to give priority to the award of bonus shares.

HSBC now recognises two categories of bonus shares.

- “Group Performance Shares”, which have the following specific conditions:
 - a five year vesting period,
 - a restricted period beyond the vesting period, which runs until retirement,
 - a performance condition measured using eight indicators (four financial and four non-financial) from the performance scorecard of the manager concerned;
 - Group Performance Shares have not been awarded since 2016 performance year.

- “Restricted Shares”, which are not subject to specific performance conditions, but which only vest if the relevant employee is still with HSBC either immediately or at the end of a period of one, two or three years

Capital increase reserved for employees (and retired employees) of HSBC in France

HSBC France’s employees (current and retired) were not offered the opportunity to buy shares as part of a capital increase in 2016.

Staff welfare

The consolidated amount of payments to the Works Committees and the Central Works Council, based on a percentage of the payroll, was EUR 3.2 million in 2016.

HSBC France has also set up an employee healthcare fund, into which it pays an amount equal to 0.02 per cent of its basic payroll. This HSBC employee healthcare fund supplements benefits granted by *Harmonie Santé Service* – the welfare body for *Harmonie Mutuelle* members – to HSBC employees. The HSBC employee healthcare fund aims to provide financial support to employees in difficult personal circumstances. An HSBC Joint Committee in charge of monitoring the fund defines its action policy.

In 2016, HSBC France also made EUR 8.8 million of socially-oriented payments (housing, back-to-school payments, transportation, childcare, parental allowances and HSBC France loyalty and long-service awards).

Work organisation

Organisation of working hours

Pursuant to the agreement on working hours signed in October 2008, the working year totals 1,592 hours, excluding the paid “solidarity day”.

For employees whose working hours are recorded, working time is organised in one of two ways:

- on the basis of 38 hours per week, or 7 hours 36 minutes per day based on a 5-day working week. The number of RTT (reduction in working hours) days in 2016 was 17.5 days for a Monday-to-Friday working week, and 22.5 days for a Tuesday-to-Saturday working week;
- on the basis of 37 hours per week, or 7 hours 24 minutes per day based on a 4.5-day working week. The number of RTT (reduction in working hours) days in 2016 was 12 days for a Monday-to-Friday working week, and 16 days for a Tuesday-to-Saturday working week.

Executives working on the basis of a fixed number of days per year are those who hold a position involving a significant amount of autonomy in their time management, and whose main task is to co-ordinate and lead a team and/or whose duties require a high level of expertise in their profession.

Rights to RTT days for employees working on the basis of a fixed number of days per year, as for executives, vary according to their weekly working pattern.

Overtime

In 2016 HSBC France employees worked 75,159 hours of overtime, down 3 per cent compared with 2015.

Work performed in excess of regulated hours mainly takes place under the exceptional work agreement, which represents 68 per cent of overtime hours worked.

Absenteeism

In 2016, the level of absenteeism due to maternity leave was slightly higher than in the same period of 2015, and total days of absence due to maternity leave rose by 8.2 per cent.

In 2016, absenteeism due to illness was higher than in 2015. Absenteeism due to illness was higher than the previous year, with a rate of 4 per cent compared with 3.65 per cent in 2015.

Staff wellbeing and safety

Health and safety

HSBC France has Health, Safety and Working Conditions Committees (CHSCTs) for all its activities in France.

These CHSCT committees have greater resources than those provided for by law, particularly in relation to site visits and the number of representatives.

Agreements relating to the Works Committee and Employee Representative elections in 2013 have strengthened the resources of the CHSCTs, especially in terms of the number of representatives.

In 2016, the CHSCTs continued their involvement in consultations relating to ongoing renovations and improvements of branches and central buildings – particularly in Cœur Défense building where 4,150 workstations are located – as well as supporting reorganisations relating to employee working conditions.

Corporate, social and environmental responsibility (continued)

In 2016, no specific agreements regarding health and safety at work were signed, although initiatives already underway continued, including:

a) Monitoring stress

Since 2004 for employees in the Paris region and since 2010 for employees outside Paris, HSBC France has provided them with the opportunity to complete the Stress Medical Observatory's questionnaire during their periodic medical examination. An independent firm with IPRP (expert in occupational risk prevention) accreditation is in charge of processing the collected data using a scientific methodology. In 2015, 1,230 employees took part in the Stress Medical Observatory's research.

The results revealed higher levels of stress, anxiety and depression compared with previous years. They also revealed that the average stress level was higher than that of the IPRP firm's own panel.

Groups expressing less favourable psychological experiences were found among business-line technicians processing banking transactions, employees aged 59 years and over and those aged under 30.

These surveys have helped HSBC France to identify factual elements and then implement action plans to heighten awareness about stress factors and to reduce them through targeted action, particularly in terms of workload, work organisation, ergonomics, special support during organisational changes and suitable training that takes into account developments in the business and support for young people when joining the company.

b) Framework for preventing work-related stress

A joint Steering Committee involving management, unions, CHSCT representatives, the Occupational Health Department and the Stress Medical Observatory, supported by the external consulting firm Technologia, continued its work on the working conditions of HSBC France employees in 2016.

Based on the results of the first Quality of Life in the Workplace survey, the Steering Committee continued its work to analyse risk situations, using the results of the fourth survey carried out in November 2015.

Those results showed positive changes for 21 per cent of employees taking part in the survey in Retail Banking and Wealth Management, Commercial Banking and the Operations Department following changes in processes. The indicators remain relatively stable compared with the previous iteration.

The work-related stress mapping initiative carried out in 2012 will be updated following the fifth survey that started in November 2016, involving a sample of 3,500 employees.

These efforts are intended to monitor the effectiveness of initiatives to enhance the wellbeing of HSBC France staff.

Employee consultation

In addition to the stress monitoring process and the system for detecting work-related stress mentioned above, HSBC has an additional employee consultation system.

Every month, HSBC consults its staff all over the world via a brief "Snapshot" survey. Snapshot aims to evaluate understanding of the bank's strategic priorities and measure perception of current changes through various themes: strategy, Global Standards, communication, customer experience, culture and working methods. This global survey is carried out every month among a representative sample of employees. The results are consolidated every quarter by business line, country and region, and then reported. Once a year, the survey is carried out across all employees and covers all key aspects of the business, particularly ownership of Group strategy, understanding of regulations designed to combat financial crime, collaboration and inclusion, commitment and facilitation, behaviour of direct managers, staff development and ethics, performance management, respect and recognition. The large number of responses provides a more detailed analysis by country. In the survey from 23 June to 11 July 2016, 4,400 employees of HSBC France took part. The "positivity" score increased by two points compared with 2015. The regular nature of the survey allows the impact of initiatives to be measured and monitored. Results for the third quarter of 2016 show ongoing improvement in almost all areas, although overall results in France remain well below Group levels.

The survey provides another means for employees to make their voice heard in addition to the "Exchange" system initiated in December 2012, under which managers set up discussion and information meetings with their team members. The team is free to set the agenda for the meetings and the resulting feedback is sent to HSBC. Since the programme was first introduced, it has been clear that employees taking part in an Exchange meeting had a more positive approach to their work and the bank's strategy and a better understanding of the changes that HSBC is going through.

Accidents at work and occupational illnesses

Very few employees are affected by occupational illnesses. They account for an insignificant proportion of total illnesses.

In 2016, the work accident frequency rate (number of lost-time accidents / millions of hours worked) was 9.9 and the injury severity rate for work and travel-related accidents (number of days lost / thousands of hours worked) was 0.3.

Work/life balance

In late 2010, HSBC France introduced a remote working system which enables employees, if their work allows it, to perform part of their activity from home. This is a voluntary arrangement based on the principle of alternating one to three days of remote working with a minimum of two consecutive days of work on company premises in the same week.

By the end of 2016, 840 employees (10 per cent of the total workforce), primarily in support functions, have opted for this solution, which has been widely implemented within HSBC France, and their average level of satisfaction is high.

Remote working significantly reduces weekly travel time, which allows employees to have a better work/life balance and also helps to reduce the company's carbon footprint.

Social relations: social dialogue and summary of collective agreements

Throughout 2016, management presented plans on matters such as reorganisations and process optimisation to HSBC France's various employee representation bodies (Central Works Council, Works Committees and Health, Safety and Working Conditions Committees). These plans mainly related to Retail Banking and Wealth Management, Commercial Banking and the completion of the project to combine teams at the Cœur Défense site.

HSBC France also consulted its Central Works Council on its strategic orientations and consequences on its business. More than 450 meetings were held and more than 3,000 questions were dealt with during 2016 in relation to these plans and other work done in conjunction with these bodies and the Employee Representatives.

Within HSBC France, negotiations with unions resulted in the signing of two agreements and three amendments to existing agreements including:

- Group agreement on incentive plans;
- Agreement on the introduction of CFCS (*Congé de Fin de Carrière et de Solidarité*) early retirement plans.

Within HSBC Global Asset Management (France), negotiations with unions resulted in the signing of two agreements and three amendments to existing agreements:

- Amendments to the collective agreement relating to the Company Savings Plan;
- Amendments 3 and 4 to the Collective Retirement Savings Plan (PERCO);
- Agreement on back-to-school bonuses;
- Agreement relating to mandatory annual wage negotiations for HSBC Global Asset Management (France) employees for 2016.

Training

In 2016, training initiatives focused on supporting and developing employee skills to help HSBC continue implementing its strategy, based on:

- stimulating growth while increasing effectiveness,
- introducing the most demanding standards regarding compliance, particularly as regards efforts to combat money laundering, terrorist financing and corruption, as part of the Global Standards programme.

HSBC France's professional training initiatives are a logical part of that effort.

They are based on managing banking risks, implementing the Global Standards programme (consisting of three parts, i.e. know your customer, improvements to the compliance system regarding financial crime, and the monitoring and identification of new financial crime techniques), increasing managerial expertise, boosting language skills and developing technical expertise.

As part of the Global Standards programme, all employees in Retail Banking and Wealth Management who are particularly exposed to money-laundering risk attended a classroom-based one-day training day on the theme of efforts to combat money laundering and ensure compliance with sanctions, adjusted according to the various business lines.

Corporate, social and environmental responsibility (continued)

Training was also organised for staff on the theme of how to talk to customers about matters regarding compliance and efforts to combat financial crime, in order to engage with them against a background of risk.

Private Banking continued to adapt its systems and processes in line with various regulatory requirements and the Global Standards (KYC/TOMIC). Staff received training appropriate to their duties to help them adopt these new systems and processes.

Commercial Banking continued to roll out training in strategic subjects (development of international connectivity, risk management and client relationship management), by focusing on increasing skills levels in relation to international activities, risk management and client relationships.

In Global Banking and Markets, major initiatives continued, focusing on technical themes relating to products and client relationships.

In 2016, HSBC Operations, Services and Technology (HOST) continued its efforts to develop staff skills in areas including IT and project management. Some staff received training leading to recognised qualifications in project management.

Training for support functions focused on the specific technical requirements of their teams, as well as on improving their English-language skills.

HSBC France also continued to focus on developing the language skills, mainly in English, of staff working regularly with international contacts. As part of that initiative, the Training Department offered a varied set of training sessions responding to different needs (intensive courses, immersive learning, individual telephone-based sessions and individual classroom-based sessions). To complement these efforts, inter-cultural training was arranged to facilitate collaborative work within our international organisation.

Efforts to enhance the business culture intended to provide staff and managers with common, shared tools based on HSBC's values were supported by the introduction of two modules:

- “At our best”, taken by almost 8,000 employees. These sessions are open to all business lines and functions, and aim to enhance interaction and ensure that all staff take ownership of these tools in order to support a change in the Group's culture.
- “Managing at our best”, taken by 1,200 managers in 2015/2016 across all business lines and functions. The aim is to make it easier for managers to take ownership of new management tools and to adopt new practices in their teams.

Mandatory training for all staff was introduced at a rapid pace, including nine e-learning modules in 2016.

HSBC France also continued to support staff choosing to take CPD (Continuing Professional Development) courses leading to banking diplomas. The diplomas available include the “*Brevet Professionnel de Banque*”, a BTS certificate in Retail Banking, a Bachelor's degree in advising small-business clients, the ITB diploma, the CESB Master's degree in Senior Management and the CESB diploma in Wealth Management.

At HSBC Global Asset Management (France) and HSBC Assurance Vie (France), training focused on the following areas:

- Global Standards for Risk and Compliance teams who took part in AML & Sanctions Compliance sessions,
- technical training relating to portfolio management as well as product knowledge and expertise (mutual funds, pension funds),
- professional knowledge of regulations applicable to market participants (AMF certification),
- regulatory news affecting these business lines.

Diversity and equality of treatment

The global corporate agreement on Diversity and Equality signed by unions and management in November 2014 has four themes:

- promotion of a culture of inclusion in the working environment,
- diversity of ethnic and social background,
- gender equality,
- inclusion of disabled people.

In terms of gender equality, the aim is to encourage equal career opportunity, pay, training and work/family life balance for men and women. HSBC therefore continues to improve paternity leave rights and has made quantified undertakings to increase the proportion of women with managerial grade, in areas where they are under-represented.

To better identify and combat gender discrimination in career and pay development, two methods of analysis supported by both unions and management have been renewed.

One concerns careers and monitors promotion indicators for men and women over several years.

The other deals with pay, with a specific focus on wage equality. Since 2004, the bank has spent EUR 8 million in this area. The same wage equality analysis is carried out for staff representative bodies, people with disabilities and employees over 50 years of age.

In 2016, HSBC France also continued to implement its action plan focusing on women's careers, which aims to help women gain access to top-level positions in the company:

- continuing to raise managers' awareness about diversity and gender equality issues and about unconscious bias, via dedicated workshops,
- supporting women with their development using methods such as mentoring and individual and collective coaching. Their aim is to overcome stereotyping and help women colleagues progress to the highest level.

This priority is shared by HSBC, which has deployed it worldwide, particularly through targets relating to gender equality contained in balance scorecards used by the CEO and business-line heads.

In addition, HSBC France has continued to emphasise better detection of women during talent reviews and in succession planning.

At year-end 2016, six women sat on the HSBC France Executive Committee, while women accounted for 50.8 per cent of executives and 42.2 per cent of branch, business banking centre and corporate business centre managers, as opposed to 38 per cent in 2015.

Integrating young people and passing on knowledge

A “*Contrat de Génération*” (generation contract) action plan was adopted by HSBC France, HSBC Global Asset Management (France) and HSBC Assurances Vie (France) in May 2016. It covers the period from 1 January 2016 to 31 December 2018.

It is intended to support the sustainable integration of young people into the workforce and maintain employment among older people, thus making it easier to pass on skills and expertise within the bank. Between 1 January 2013 and 31 May 2015, 373 young people aged 26 or under were hired on permanent contracts at HSBC France and HSBC Asset Management (France).

The “senior career review” for staff aged 55 has been maintained. In December 2016, it was proposed to 227 employees.

Efforts to combat discrimination

HSBC values meritocracy. Given the same level of skills and performance, everyone has the same chances of being hired and of progressing throughout the company, regardless of their ethnic or social origins.

E-learning training for managers on this thematic continued in 2016.

Awareness training for all employees was also maintained. It aims to make them aware of the seriousness of stereotypes and prejudice with which we view others as well as within the context of individual actions and decisions. It focuses on various possible causes of discrimination: ethnic origin, gender, family status, sexual orientation, age, disability and working arrangements (remote working or not).

The career opportunities and development of people with disabilities are monitored separately.

HSBC France also recruited ten people on “summer jobs” campaign, in conjunction with its partner associations that work to promote equal opportunity: *Sciences Po*, *Fondation Egalité des Chances* and *Tremplin*. This initiative is intended to enhance diversity of origin among candidates for summer assistant jobs.

Disabilities

At 31 December 2016, HSBC France had 382 disabled employees, including 151 who are no longer working (second degree disability). In 2016, 32 new employees declared a disability.

As regards keeping disabled people in work, each case is treated separately, in conjunction with the special disability advisor. If a workstation needs to be adjusted, the Disability Advisory Department takes care of it and pays for it. In 2016, 35 workstation adjustments were carried out, including ergonomic chairs, armrests, special mice, keyboards for partially sighted people, ZoomText magnification software, 27-inch screens, headsets and the provision of parking spaces.

In terms of recruitment, HSBC took part in two virtual forums organised by Job In Live and *Talents Handicap*, along with a “*Les Mardis du Handicap*” recruitment day. Those efforts resulted in the hiring of four disabled people.

Corporate, social and environmental responsibility (continued)

To improve day-to-day living standards, 455 disabled employees or employees with a disabled close relative received “CESU” cheques (enabling them to pay for domestic help) financed entirely by HSBC, while eight employees received support for buying individual equipment to alleviate their disability, such as hearing aids and other devices.

Sustainable operations

As part of the REDUCE strategy to reduce annual CO₂ emissions per employee by one tonne between 2012 and 2020, HSBC is reducing its energy consumption and increasing the proportion of energy coming from renewable sources. In 2016, the Group has signed agreements that increase the proportion of energy coming from new wind and solar power sources. In total, the Group has agreements in place to meet 23 per cent of its total energy needs from renewable sources by 2018. HSBC publishes its annual carbon emission results in its annual report available on its website.

To help fulfil HSBC’s strategy, HSBC France focuses its attention on four objectives:

- improving energy efficiency;
- reducing CO₂ emissions, notably those related to business travel;
- reducing paper consumption;
- reducing production of non-recycled waste.

Improving energy efficiency – sustainable use of resources

In 2016, the main areas of action involved renovating buildings, actively seeking to reduce energy consumed in the management of HSBC sites and promoting remote working.

HSBC completed a major real-estate transaction, bringing around 4,300 of its employees together in the *Cœur Défense* building in the heart of *La Défense*, thereby freeing up two other buildings (Crystal in 2015 and Ile de France in 2016) and reducing its real-estate footprint by 11,400 m². Carrying on from the HQE certification it obtained for *Cœur Défense* in 2011, HSBC France in 2016 obtained a new “*NF HQE™ Bâtiments Tertiaires en Exploitation*” energy efficiency certification, achieving an “excellent” rating for 14 new criteria.

Water consumption

In 2016, HSBC France’s water consumption figures continued to decrease, primarily due to better data collection, which has led to more reliable results that are more in line with the water consumption reduction targets.

Reducing CO₂ emissions

Greenhouse gases and carbon footprint

In accordance with French decree no. 2011-829 of 11 July 2011 on greenhouse gas emission footprints and the local climate energy plan, HSBC France has compiled and published reporting documents, showing a reduction in tonnes of CO₂ equivalent produced for the fifth consecutive year.

HSBC France’s main sources of CO₂ emissions stem from energy consumption and transportation.

The company’s 2016 greenhouse gas emission footprint is available on <http://www.about.hsbc.fr/fr-fr/hsbc-in-france/community>.

Reducing CO₂ emissions related to business travel

Since 2014, HSBC France’s CO₂ emissions from business travel have fallen due to the strict application of the travel policy and a fall in kilometres travelled by air, partly due to a shift from air to train travel. Employees are making greater use of alternatives to travel, in line with recommended practice, with the aim of significantly reducing travel and travel-related expenses. For example, use of telephone conference calls, WebEx and above all videoconferencing has become increasingly widespread.

HSBC France is currently reorganising the way it manages its vehicle fleet. An action plan to reduce GHG emissions in the next few years should accompany it.

Circular economy

Reducing paper consumption and improving paper recycling

Paperless projects continued in 2016. Special efforts have been made to rationalise correspondence and documents sent to our customers. Among retail customers, 64 per cent now receive e-statements for their current and savings accounts, as opposed to 55 per cent in 2015.

In the corporate segment, the use of e-signatures for BBC Live clients means that documents do not have to be sent by mail, with transactions being carried out using an electronic signature platform instead. The system saved 3,400 sheets of paper in 2016, and the target is to increase that to 200,000 sheets in 2018.

The Direct to GEODE project adopted in 2016 across the commercial network is intended to help branches become all-digital, allowing all documents received in digital format from our clients to be stored in our archiving system, whereas previously they had to be printed and accompanied by another printed sheet containing the contact details of the client concerned. Naturally, these documents are non-contractual and exclude instructions. There has also been an initiative in our digital archiving system to scan rather than photocopy original documents submitted by clients in branches, such as proofs of identity, tax statements and proofs of address, and to end the current system of storing these documents physically. The initiative was completed in early December, and will avoid the printing and physical storage of almost 1 million pages per year in branches and Business Banking Centres.

In March 2016, HSBC France's HR department set up a digital HR project comprising a new workflow called *e-Demandes RH* involving the electronic signature of documents, an electronic archiving database for staff files and an electronic safe for all employees. This system allows the HR department to adopt paperless documents and to comply fully with HSBC's corporate sustainability policy by reducing paper consumption, while being able to consult and archive documents at any time with no time limit.

Since March 2016, paperless documents comprising 45,425 payslips, 10,352 back-to-school letters, 1,093 letters regarding the investment of 13th month bonuses in time savings accounts, almost 3,000 contracts and amendments, and 1,000 declarations have been sent to employees' individual electronic safes. This has reduced paper use by approximately 61,000 sheets (121 reams of 500 sheets) and the same number of envelopes.

Reducing production of non-recycled waste

All central sites have waste collection points that use a selective sorting system, which was upgraded in 2016. Computing waste is recovered or recycled by a company specialising in computer hardware reconditioning, which employs people with psychological disabilities or on inclusion programmes.

The proportion of recycled waste was 83 per cent in 2016, a 3 points decrease compared with 2015. However, this evolution is related to a change in provider which has involved a change of rules for calculating the recycling rate.

Reducing food waste

At the Cœur Défense site where most of our employees work, our partner Sodexo has adopted a number of initiatives:

- Predicted footfall is managed on a weekly basis, factoring in variables such as the weather forecast, the previous week's figures and other information (conferences, non-business days, mandatory reductions in working time etc.);
- Inventories are checked weekly to identify all items approaching their use-by or best-before dates;
- All production is governed by qualitative and quantitative specification sheets so as to avoid spoilage, incorrect cooking or production errors;
- In terms of service, teams undergo awareness-raising in order to avoid serving excessive portions resulting in uneaten food.

The HSBC France Works Committee canteen has adopted the same initiatives. It also has a desiccation machine to turn organic waste into compost. The compost is removed by a partner and used in agriculture. The canteen managed by the bank itself also favours regional and fresh produce, and is using more organic ingredients to ensure food safety for employees but also environmental responsibility. Fresh ingredients require greater commitment from staff in terms of preparing and researching dishes, but are also more rewarding to work with and serve.

Measures to prevent, reduce or repair emissions into the atmosphere, soil and water that may severely affect the environment – Consideration of noise and any other form of pollution specific to a business – Land use

HSBC France's main environmental and pollution risks stem from the businesses it finances, which are committed to managing environmental impacts as stated in the section on "Sustainability risk management", page 79.

Emissions into the atmosphere, soil and water

The banking activity does not require any industrial process that may affect the atmosphere, water or soil. The only impacts of HSBC France which could affect the environment are related to its waste management, mostly computing and paper waste.

Corporate, social and environmental responsibility (continued)

Valeurs Mobilières Elysées (formerly known as Nobel), a wholly-owned subsidiary of HSBC France acquired in 1986, was initially a manufacturing company that ended its manufacturing activities in 1965. Pursuant to its obligations, Valeurs Mobilières Elysées has, for several years, measured the quality of groundwater in the area in which it conducted its manufacturing activities. The measurements for 2016 show a satisfactory quality of groundwater, with concentrations below maximal guide values for most of the relevant parameters. However, the measurements obtained by two of the piezometers show certain concentration anomalies, although readings were stable compared with previous measurements.

Consideration of noise

Banking is a service activity that does not involve any industrial processes and therefore does not cause any particular noise pollution.

Land use

HSBC France conducts its activity in existing buildings and does not plan any new construction projects that could result in new land uses or require an extension of its existing land use.

HSBC, including HSBC France, contributes to protecting biodiversity through its environmental community investment programmes (see section on “Sustainable Communities”), its compliance with the Equator Principles and the application of environmental and social risk management procedures in its lending and project finance activities (see section on “Sustainable Finance”, page 88).

Financial risk

Given its business sector, HSBC France has no provision or guarantee for environmental risks.

Sustainable communities

Support for social entrepreneurship and a social and solidarity-based economy

A socially responsible company puts people and its social impact at the heart of its business plan. It is therefore at the crossroads of three main movements: the social and solidarity-based economy, the social business concept (understood to be a business that is self-sufficient financially, and indeed profitable, and that aims to address a given social objective) and the adoption of a market-based approach to social action, including the transition from a model based on grants to a model based on requests for proposals. HSBC has a role to play in the development of socially responsible companies, with the objective of creating a fairer society.

As regards microfinance, HSBC France’s partnership with the ADIE (Association pour le droit à l’initiative économique) began in 2007 and continued in 2016 with an annual credit facility of EUR 2.4 million, the same as in 2015. Support was provided to 527 people, including 274 *microentrepreneurs*, to launch businesses and 253 disadvantaged people to return to employment through personal microloans. Among these 527 people supported, 525 have been able to maintain or find job.

HSBC France also owns interests in social-impact venture capital funds: EUR 0.5 million in Business Angels des Cités since 2010 and EUR 1 million in Citizen Capital since 2011.

The solidarity-based investments of the *HSBC EE Diversifié Responsable et Solidaire* fund were allocated as follows in 2016: EUR 0.3 million to SIFA, EUR 3 million to ADIE and EUR 2.15 million to *Habitat et Humanisme*, stable compared to 2015.

In 2016, Private Banking continued its approach – initiated in 2011 – of developing its range of philanthropic services. HSBC provides its Private Banking clients with access to its partners and contacts, its banking network, expertise and the experience and knowledge of its bankers to support them in their philanthropic initiatives and to help them to build or develop their projects. As part of this approach, the bank offers its clients the opportunity to take part in *Rencontres des Philanthropes*, an exclusive and discreet circle that meets quarterly to discuss various issues with a philanthropist and an expert.

Support for education, the environment and healthcare

In 2016, HSBC contributed a total of USD 137 million to charitable programmes and employees volunteered 255,000 hours in community activities during the working day.

The current five-year flagship environmental programme, the HSBC Water Programme closed end of 2016, having exceeded its targets. The next five-year environmental programme will be announced in early 2017.

In 2016, HSBC renewed its commitment to two flagship global education programmes – the “HSBC Youth Opportunities Programme” and “Junior Achievement More than Money” – for a further three years. These programmes help young people to access education and realise their potential.

In 2016, HSBC France donated more than EUR 2.8 million to community investment programmes. 1,375 employees completed over 1,700 voluntary assignments, representing almost 10,600 hours, including 76 per cent during work time. In line with HSBC’s

policy, donations were allocated to projects related to education (23 per cent), the environment (55 per cent) and healthcare (22 per cent).

Education

As regards education, the main initiatives in 2016 were as follows:

- Support provided by the *Fondation HSBC pour l'Éducation* for 43 educational institutions and charities, benefiting almost 10,000 children in deprived areas of mainland France according to the four priorities defined by the Foundation's Executive Committee:
 - preventing children from disengaging at school, working with the *Agir pour l'école* charity and its reading programme in order to bring the dropout rate down to 7 per cent in the relevant classes, as opposed to 15-20 per cent today,
 - facilitating educational success through access to culture, by supporting 13 different initiatives selected following requests for proposals across France,
 - promoting efforts to help children re-engage at school, working particularly with *Réseau des Ecoles de la Deuxième Chance (RE2C)*, by getting employers and/or training organisations to give greater recognition and value to *ACA (Attestation de Compétences Acquises)* statements of acquired skills,
 - supporting equal access to excellence programmes by helping to develop priority education agreements and to give disabled students access to *Sciences Po*;
- support, via the *Fondation HSBC pour l'Éducation*, for 19 projects put forward by the employees in requests for proposals, and selection of the “employees' favourite”, helping to raise awareness among all bank staff about the foundation's work,
- the involvement of more than 300 HSBC staff in the *Fondation HSBC pour l'Éducation*'s initiatives, including 140 people who volunteered to tutor young people from disadvantaged backgrounds,
- the continuation of financial education programmes with:
 - *Entreprendre pour Apprendre* to encourage business start-ups in secondary schools,
 - *CRESUS* to help people who are in financial difficulties, have excessive debts or are excluded from mainstream banking.

Environmental

As regards the environment, 2016 was the final year of the HSBC Water Programme in France:

- a further 36 employees attended training days focusing on water-related issues in 2016, taking the total number in France to 305, and they subsequently helped to collect data on the quality of water in their environment to support Earthwatch's worldwide research;
- the partnership with the ONF (French national forestry office), which contributes to preserving and restoring 50 natural wetland sites, involves HSBC France employees in nature projects across France. In 2016, 34 nature projects were organised with the ONF, enabling almost 646 employees to take part in restoring natural sites in French forests;
- support for the *Surfrider* charity, for a third year of the “*Riverine Input*” pilot project, which aims to identify the origin and volume of aquatic waste in the Adour river basin; the results of that research will be used to raise awareness among local people and the government in order to limit waste volumes in future;
- support for the restoration of canal banks and for the removal and replanting of trees along the *Canal du Midi* in conjunction with *Voies Navigables de France*;
- helping to increasing biodiversity in urban areas with *Noé Conservation*.

Healthcare

In the field of healthcare, HSBC France is supporting two foundations between 2015 and 2018:

- *Fondation pour la Recherche Médicale* (medical research foundation), including support for research relating to old age and associated illnesses;
- *Institut du Cerveau et de la Moelle Epinière* (brain and spine institute, ICM) to help investigate the molecular basis of neurodegenerative diseases, identify progression biomarkers, carry out research into the physiopathological role played by genes and test new therapeutic approaches in pre-clinical and clinical trials, as well as enhancing the hardware within technology platforms.

HSBC in France also maintained its cultural policy in favour of talented young photographers through the 22nd edition of the *Prix HSBC pour la Photographie* and its 11th year of support for young musicians from the Aix academy. Around 100 people who have benefited from *Fondation HSBC pour l'Éducation* programmes took part in concerts and exhibitions through these initiatives.

Corporate, social and environmental responsibility (continued)

Methodological details on corporate, social and environmental information

Scope of reporting

The scope of each indicator is shown in the table of sustainability performance indicators of the HSBC Group in France. The scope may vary depending on the availability of data or type of indicator.

Thus, corporate indicators concern the HSBC France group or HSBC France legal entity, whereas environmental indicators concern the HSBC Group in France or HSBC France excluding the Reims and Ile de France offices, which accounts for less than 1 per cent of our total floorspace.

The social indicator relating to “Investment of the *HSBC EE Diversifié Responsable et Solidaire* company savings fund for the benefit of solidarity-based companies” is communicated within the scope of HSBC Global Asset Management (France), a subsidiary which is in charge of these indicators for HSBC in France.

Change in scope

For environmental indicators, entities consolidated or deconsolidated during the year are accounted for in the data reported on the date they enter the Group and until the date they exit.

Reporting period

The annual reporting period is the calendar year (from 1 January to 31 December). In 2016, for environmental indicators, the reporting period is from 1 October 2015 to 30 September 2016.

Reporting tools and processes

For environmental indicators

The reporting tool is Metrix, developed by Enablon, which is used by the HSBC Group. Its main functions include the collection of data on energy (kWh), CO₂ emissions, water (m³), paper (tonnes), waste (tonnes), km travelled and other data: comments, operational surface areas (m²), number of sites, workforce (FTE), initiatives, dual validation at country level, then at regional and global levels and, finally, dashboards.

For social indicators

The HSBC Group uses the Peoplesoft HR database. Information that appears in reporting documents is the result of querying this database.

The actual number of training hours was not available on the date this document was published. The provisional number of training hours for 2016 is based on actual figures for the period ended 31 October 2016, remaining figures for the last 2 months were estimated from the information system, which are currently being validated.

Details on the definition of certain indicators

Environmental indicators

CO₂ emissions result from the consumption of electricity, gas, fuel oil, urban heating and air conditioning. Transport-related CO₂ emissions correspond to journeys made by train and plane (which are purchased through travel agencies), by taxi, and by hired cars or the group car fleet. Energy consumption is partly estimated as invoicing and reporting periods do not overlap precisely.

Social indicators

The total workforce comprises employees under permanent and fixed-term employment contracts. Internship, temporary and suspended contracts, employees taking early retirement, employees on long-term sick leave, permanently disabled employees and expatriates are included. Holiday auxiliary staff are excluded. Recruitment and redundancy figures include employees under permanent and fixed-term employment contracts. More than one hire will be recorded for a person hired more than once under a fixed-term contract during the reporting period. Likewise, an employee whose contract changes from a fixed-term contract to a permanent contract will be recorded as a hire. Only the reasons for departures representing 20 per cent of departures are detailed. The number of employees who work from home include those having signed an endorsement to their contract enabling them to work from home.

Societal indicators

Concerning the “Investment of the *HSBC EE Diversifié Responsable et Solidaire* company savings fund for the benefit of solidarity-based companies” indicator, the companies considered as solidarity-based are those having received “solidarity-based” approval from the prefecture or those with related solidarity-based status, i.e. those where at least 35 per cent of assets are made up of securities issued by solidarity-based companies.

Table of sustainability performance indicators of the HSBC Group in France

Indicator	Change			Reference document		Principe Pacte Mondial ^c
	2016	2015	2014	GRI 3 ^a	ISO 26000 ^b	
Financial Indicators (Scope HSBC France group*)						
1 Pre-tax earnings (EURm)	432	618	232			
Total shareholders' equity (EURm)	5,842	5,838	5,732			
Cost Efficiency Ratio (%)	78	69	82			
Liquidity Coverage Ratio (%)	122	120	NA			
Net Stable Funding Ratio (%)	120	NA	NA			
Advances to Core Funding (ACF) ratio (%)	NA	98.1	101.0			
Common Equity Tier 1 (CET1) Ratio (%)	13.2	14.9	14.1			
Sustainable Economy (Social indicators) (Scope HSBC in France*)						
2 Number of financing for regional authorities made on the bond market	9	10	30			
Number of financing for AFL	1	1	-			
Number of financing for Public-sector Healthcare Establishments	1	8	1			
3 Equator principles – Category A.	ND ¹	0 et 0	0 et 0	FS 3	6.3.5, 6.6.3	2
- number of projects financed and their value (EURm)						
Equator principles – Category B.	ND ¹	0 et 0	1 et 65			
- number of projects financed and their value (EURm)						
Equator principles – Category C.	ND ¹	0 et 0	0 et 0			
- number of projects financed and their value (EURm)						
Consultancy (Number)	ND ¹	0	0			
4 Lines of credit allocated to Adie (EURm)	2.4	2.4	2			
Amount of microfinance loans made <i>via</i> ADIE partnership (EURm)	2,105	1,830	1,818	FS 7		
Number of microcredits disbursed (Adie)	571	554	723			
5 Company saving plans: total assets of the SRI range (EURm)	310	222	197	FS 10, 11, 12		
6 Investment of the HSBC EE <i>Diversifié Responsable</i> <i>et Solidaire</i> company savings fund for the benefit of solidarity-based companies (EURK)	5,462 3,001 Adie, 311 SIFA, 2,150 Habitat et Humanisme	5,462 3,001 Adie, 311 SIFA, 2,150 Habitat et Humanisme	3,960 1,500 Adie, 310 SIFA, 2,150 Habitat et Humanisme	FS 10, 11, 12		
7 Number of customer complaints submitted to the Ombudsman	723	744	734	PR 8	6.7	
Number of complaints processed and signed by the Ombudsman	190	190	164		6.7	
8 Level of satisfaction of our retail customers: customers claiming to be "very satisfied" (%)	48	47	44			
Customer recommendations during the past two years (%)	36	36	36			
Environmental Footprint² (Scope HSBC in France*)						
9 Energy consumption (GWh)	59	58	59	EN 3, EN 4	6.5.5	
Energy consumption in MWh/FTE ³	6.8	6.32	6.25			
10 Transportation (millions of km)	28.81	34.85	39.33	EN 16	6.5.5	7 & 8
11 Direct CO ₂ emissions (thousands of tonnes equiv. CO ₂).	6.09	6.64	7.50			
- direct CO ₂ emissions (energy)	2.91	2.98	3.24	EN 16	6.5.5	7 & 8
- direct CO ₂ emissions (transportation)	3.18	3.66	4.26			
12 Water consumption (thousands of m ³) ⁴	109	134	152	EN 8	6.5.4	7 & 8
Water consumption per FTE ³ (m ³)	12.55	14.55	16.14			
13 Paper consumption (tonnes)	892	1,146	1,336	EN 1, EN 2, EN 22	6.5.4	
% of FSC paper	96	94	93 ¹⁰			

* HSBC France is a 99.9 per cent-owned subsidiary of HSBC Bank plc. The HSBC France group corresponds to the perimeter of the consolidated financial statements and HSBC France corresponds to the perimeter of the individual financial statements.
HSBC in France's scope of operations comprises the operations of the HSBC Group in France, which includes the HSBC France group and the Paris branch of HSBC Bank plc (excluding intra-group funding costs).

Corporate, social and environmental responsibility (continued)

Indicator	Change			Reference document		Principe Pacte Mondial ^c
	2016	2015	2014	GRI 3 ^a	ISO 26000 ^b	
14 Waste production (tonnes)	1,484	1,489	1,512		6.5.4	7 & 8
Waste production per FTE ³ (kg)	172	162	161	EN 1, EN 2, EN 22		
% of recycled waste/total waste.	83	80	86			
Human resources and security (Scope HSBC France*)						
15 Total workforce ⁵ (number):	4,845 W/	5,169 W /	5,250 W /			6
Women (W) / Men (M)	3,537 M	3,810 M	3,894 M	LA 14	6.3.7	7 & 8
Recruitments	517	953	910			
Dismissals	103	85	73			
16 Organisation of working hours						
Absenteeism ⁶ (%)	4	3.6	3.5			
17 Equal treatment:						
- number of persons with disabilities	382	362	343		6.3.7	6
- number of recruitments via the IMS and Mozaik HR	-	82	101		6.3.7	
- % of employees less than 30 years old	10.62	13.1	13.0			
- % of employees over 50 years old	30.8	29.3	29.0			
- % of women in management	18.8	18.2	18.0			
18 % of non-executive directors at 31/12 (without function in the HSBC Group)	47	37	44		6.2	
19 Number of employees teleworking	840	721	655	LA 7	6.4.6	
20 Health and safety:						
- number of fatal accidents at work	0	0	0	LA 7	6.4.6	
- number of accidents resulting in more than 3 days of work incapacity	123	116	137	LA 7	6.4.6	
- rate of work- and travel-related accidents ⁷	9.9	10.7	10.5			
- severity rate of work-and travel-related accidents ⁸	0.3	0.3	0.3			
21 Workforce split by status, gender and contract of employment (number):						
Total workforce	8,382	8,979	9,144			
- of which unlimited term contracts	8,151	8,586	8,686			
- of which women managers	2,982	3,072	3,061			
- of which men managers	2,899	3,038	3,084			
- of which women clerical staff	1,743	1,893	1,924			
- of which men clerical staff	527	583	617			
- of which fixed term contracts	231	393	458			
- of which women managers	9	9	20			
- of which men managers	4	12	15			
- of which women clerical staff	7	26	54			
- of which men clerical staff	5	9	10			
- of which women in apprenticeship	104	169	191			
- of which men in apprenticeship	102	168	168			
22 Training (total number of hours)	367,000 ⁹	358,095	289,102			6
Sustainable communities (Scope HSBC in France*)						
23 Sponsorship budget (EURm)	2.8	3.2	2.5		6.8	
% of the Community Investment donations / pre-tax earnings	0.65	0.52	1.08		6.8	
% approx. employees involved in volunteer SD activities	15	16	15		6.8	
Number of hours of volunteer work during work hours	8,118	9,577	8,725		6.8	

1 Details on 2016 figures will be published on the HSBC Group's internet site "Citizenship" Section in April 2017.

2 Figures calculated over the period from 1 October 2015 to 30 September 2016.

3 Full-Time Equivalent.

4 100% of water consumption supplied by public network.

5 See also page 82.

6 Number of working days of absences due to sickness / number of total theoretical working days.

7 Rate of work- and travel-related accidents calculated using the following ratio: (number of accidents resulting in lost time/millions of hours worked).

8 Severity rate of work- and travel-related accidents calculated using following ratio: (number of working days lost due to work-and travel-related accidents/ thousands of hours worked).

9 Estimated figure.

a <https://www.globalreporting.org/resource/library/G3-Guidelines-Incl-Technical-Protocol.pdf>

b <http://www.iso.org/iso/home/standards/iso26000.htm>

c <http://www.un.org/fr/globalcompact/principles.shtml>

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Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

For the year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditor of HSBC France (the “Company”), appointed as independent third party and certified by COFRAC under number 3-1060¹, we hereby report to you our report on the consolidated human resources, environmental and social information for the year ended December 31, 2016, included in the management report (hereinafter named “CSR Information”), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company’s responsibility

The Board of Directors is responsible for preparing a company’s management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the “Methodological information, Methodological details on CSR information” procedures used by the Company (hereinafter the “Guidelines”), summarised in the management report and available on request from the company’s head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditor’s responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved five people and was conducted between October 2016 and February 2017 during a 5 week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000² concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company’s sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

¹ Whose scope is available at www.cofrac.fr

² ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Corporate, social and environmental responsibility (continued)

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the “Methodological information, Methodological details on CSR information” section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around 20 interviews with about 30 people responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important³:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us⁴ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 94% of headcount and 99% of quantitative environmental data disclosed.

³ Detailed in appendix.

⁴ Corporate entities located in La Défense and in Paris (Champs-Élysées), concerning HSBC Group in France, HSBC France, HSBC France & Assurances subsidiaries, HSBC Global Asset Management (France).

For the remaining consolidated CSR information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, February 27, 2017

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Nicolas Montillot
Partner

Sylvain Lambert
Partner of “Sustainable Development” Department

Corporate, social and environmental responsibility (continued)**Annexe**

CSR Information that we considered to be the most important

Human resources

- Total workforce and split by gender, age and geographical area;
- Hires and dismissals;
- Compensation and variation;
- Worktime organization;
- Absenteeism;
- Organization of social dialogue;
- Training policy;
- Training hours;
- Implemented policy and measures taken in favor of the equality between the women and the men;
- Implemented policy and measures taken in favor of the employment and of the insertion of the disabled people;
- Policy against discrimination.

Environmental information

- Organization of the company to take into account the questions of environment;
- Measure of prevention, recycling and elimination of waste;
- Water consumption and water supply according to the local constraints;
- Consumption of raw materials and measures taken to improve the efficiency of their use;
- Energy consumption, measures taken to improve the energy efficiency and resort to the renewable energies;
- Significant greenhouse gases emissions contribution generated due to the company activity, including the use of goods and services it products.

Social information

- Territorial, economic and social impact in respect of employment and regional development;
- Territorial, economic and social impact on the waterside and nearby populations;
- Conditions of the dialogue with the stakeholders;
- Actions of partnerships or sponsorship;
- Taken into account the social and environmental issues in the policy purchase;
- Importance of the subcontracting and taken into account in the relations with the suppliers and the subcontractors of their corporate social responsibility;
- Actions committed to prevent the corruption;
- Measures taken in favor of the health and of the security of the consumers.

