

# HSBC France

## **Corporate, social and environmental responsibility**

**Extract of the Registration document and annual financial report 2017**

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## Sustainability

Through its business activities, HSBC aims to support the long-term success of its clients and employees and of the communities in which it operates.

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### Implementing the strategy in France

HSBC France is fully committed to the course of action adopted by the Group and presented in its strategy document (<http://www.hsbc.com/investor-relations/group-results-and-reporting>).

#### 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. Additional governance committees have been set up in certain business lines and functions.

This chapter supplements the extra-financial information presented in the strategy document published by the Group in February 2018 and in its half-yearly ESG reports, the last of which was published in November 2017 and is available on the Group website (<http://www.hsbc.com/our-approach/measuring-our-impact>).

The topics covered in the first part of this chapter correspond to the topics identified as material by the Group's ESG Steering Group and Disclosure Forum: clients, employees, financial crime compliance, HSBC France's local, economic and social impact, and sustainable financing.

This chapter also deals with the regulatory framework introduced by France's 'Grenelle 2' act, and its second section addresses expected requirements not covered in the first section. Finally, the third section provides information about the implementation of France's new act on the duty of care of parent companies and ordering companies.

#### Customers

HSBC aims to be the first-choice wealth manager for its customers, and strives for excellence in the service and customers experience it provides.

HSBC's customers lie at the heart of its approach, and it strives to provide them with a service that is increasingly simple, fast and suited to their needs.

#### Understanding our customers

In its April 2017 ESG report (<http://www.hsbc.com/our-approach/measuring-our-impact>), HSBC has published data on the quality of its customer relationships in its two main business lines, i.e. Retail Banking and Wealth Management and Commercial Banking.

It has implemented policies, processes and a governance system to protect its customers. This framework underpins the way in which the bank does business, develops products and services, trains and rewards its employees and interacts with clients.

Service-quality standards are monitored as closely as possible through indicators that are aligned with performance targets. Those indicators include:

- The customer recommendation rate and
- The speed and quality with which complaints are handled.

#### Monitoring customer recommendation and satisfaction rates

In France, in 2017, the bank surveyed more than 23,000 retail customers: 79 per cent of them would recommend their relationship manager. 86 per cent said that they achieved what they wanted to achieve when visiting a branch. These figures show high levels of customer loyalty and trust and also the commitment of the bank's Relationship and Customer Service teams.

As regards satisfaction levels among business clients, the Client First programme continued in 2017. This programme forms part of a global HSBC Group initiative. It aims to understand the client experience at key moments in the relationship and to identify what drives satisfaction. Action plans are being adopted for the business lines concerned in order to raise satisfaction levels.

In addition, the study carried out with clients in the Corporate segment (covering companies with revenue of more than EUR 50 million and carried out by Kantar TNS between March and May 2017) shows high levels of satisfaction among business clients regarding their interaction with their relationship managers: the average score was 7.3 out of 10, with 32 per cent of clients giving a score of 9 out of 10.

#### Complaint handling

The number of complaints fell 6 per cent year-on-year in 2017 for the Retail Banking and Wealth Management network in France.

The quality and speed with which complaints are handled are closely monitored. In 2017, 50 per cent of complaints received a response within 48 hours and 74 per cent within five days. New quality control methods were also introduced.

The main causes of complaints among retail customers in 2017 were:

- a third of complaints related to account operation and pricing: complaints about charges and commissions, and about delays with closing accounts. It should be noted that in mid-2017, initial problems implementing new French legislation making it easier for customers to switch accounts – experienced by the whole finance industry – promoted numerous complaints;
- payment methods accounted for 28 per cent of the total: complaints concerning international and SEPA transfers, cheque deposits and delays and errors related to bank cards;
- customer service and support accounted for 9 per cent of the total: complaints about difficulties experienced by customers when contacting the bank;
- digital banking (internet and mobile) accounted for 7 per cent of complaints, although the number of complaints fell 22 per cent: there was a big fall in complaints about online banking, although customers still regard the secure login process as too complex.

The number of complaints sent to HSBC France's ombudsman rose by 4 per cent compared with 2016. The number of complaints involving the ombudsman increased 26 per cent, with referrals rising from 187 to 236.

In Commercial Banking in France, the number of complaints fell 31 per cent in 2017 (3,925 complaints up to 31 December 2017 versus 5,726 up to 31 December 2016).

The top 12 reasons for complaints account for 77 per cent of the total. Of these, 51 per cent were about account management issues, 38 per cent about payments and 6 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.

51 per cent of complaints were handled within five business days and 78 per cent in fewer than 15 business days.

## Digital Transformation

Bank customers are increasingly using digital tools in their day-to-day lives. This means that what they expect of HSBC and the way they use banking services are changing.

Retail Banking and Wealth Management offers an online account-opening pathway in French and English. In the French market, HSBC France is the only bank to offer such a pathway in English. The number of accounts opened online increased by a factor of eight in 2017. HSBC France also launched its IOS mobile app, exclusively for Jade customers, providing them with direct access to various concierge services, dedicated content, and offers and discounts with international partners. The number of people using the bank's mobile services grew 18 per cent in 2017.

In the business market, 97 per cent of payments were made electronically. The bank is also setting up a publishing system that will fully digitise its Domestic Guarantee archives within the Global Trade and Receivables Finance department.

## Staff

HSBC is aware that its people are the key to its success. From setting up systems to encourage staff feedback to developing their skills, the bank is focused on helping its employees realise their full potential and reaching their targets. It wants employees to take ownership of the bank's aims by providing them with the means to realise those aims.

## Employee consultation

Employee consultation involves various arrangements, including the HSBC Exchange programme that has been in place at the HSBC Group level since 2012. For managers, this system consists of organising agenda-free consultation meetings, in which managers take part without taking any hierarchical stance. This innovative approach allows staff members to discuss any subject freely, and the resulting feedback is sent to the HSBC Group. Since the programme was first introduced, it has been clear that employees taking part in a HSBC Exchange meeting had a more positive approach to their work and the bank's strategy and a better understanding of the changes affecting HSBC.

Every month, HSBC also consults its staff all over the world via a brief 'Snapshot' survey. The survey aims to assess 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. The results are consolidated every quarter by business line, country and region, and then presented to the Management Committee. The regular nature of the survey allows the impact of initiatives to be measured and monitored. Results for the third quarter of 2017 show a slight improvement, although overall results in France remain well below Group levels.

These Group initiatives are supplemented in France by a stress-monitoring system (since 2004) and a framework for preventing work-related stress (since 2012). For more details, please see page 52.

## Diversity and equality of treatment

HSBC is convinced that diversity and inclusion are vital for the development of a sustainable and prosperous business. The bank's policy consists of encouraging the discussion of various viewpoints in order to stimulate innovation, improve the way in which risks are identified and managed, boost collaboration and help employees to remain agile.

The seven global resource groups play an essential role in this policy and work on the following themes: gender, age, ethnic group, LGBT, religion, work/life balance and disability.

For HSBC France, 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.

For more details on HSBC France's diversity and equal treatment initiatives, please see page 53.

## Equal treatment among executives

In 2017, HSBC France 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; managers have been able to take a half-day classroom-based training course on this topic since April 2017;
- supporting women with their development using methods such as mentoring, individual and collective coaching, and the promotion of role models. The aim is to overcome stereotyping and help women colleagues progress to the highest level.

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

At the end of 2017, six women sat on the HSBC France Executive Committee, while women accounted for 51 per cent of executives and 41 per cent of branch, business banking centre and corporate business centre managers, as opposed to 42 per cent in 2016.

## Training

The common thread in HSBC France's training efforts is the creation of an ecosystem that facilitates lifelong learning in a fast-changing banking industry. In addition to skills-development initiatives based on priority themes such as financial crime compliance, strengthening personal, interpersonal, intercultural and digital skills, leadership and management, HSBC France has also adopted initiatives to make employees more adaptable, resilient and versatile. For more details, see page 52.

## Whistleblowing system

HSBC strives to create a working environment in which all staff members feel able to share their concerns. However, it is aware that certain circumstances require particular discretion, and so it simplified its whistleblowing system in 2015 by setting up HSBC Confidential. This platform enables employees to share any concerns they may have about any incident or breach of legislation, regulations or internal policies or procedures, in cases where the usual channels for expressing concern are unavailable or inappropriate, without fear of reprisal.

HSBC Confidential is supervised by the Conduct and Values Committee and the Audit Committee. In-depth whistleblowing investigations are carried out independently by experts from the various departments including compliance, human resources, legal, fraud, information security and audit.

There were 41 whistleblowing instances in 2017, of which eleven fell outside of the relevant scope and were referred to the appropriate departments. In 2016, there were seven instances of which one fell outside the scope. Of the remaining 30 instances in 2017, 73 per cent had been resolved by 31 December 2017. 14 per cent of instances concerned justified allegations by staff members. Whistleblowing investigations are carried out within three months of the alert being received. Staff behaviour in the working environment was the main theme of whistleblowing instances in 2017.

## Financial crime compliance

As regards financial crime compliance in 2017, the HSBC Group and HSBC France continued to apply the Global Standards programme, which aims to ensure that, everywhere that HSBC operates, there is a consistent system for combating money laundering and terrorist financing, complying with international financial sanctions and fighting corruption. The programme aims to ensure compliance with the following five principles:

- only working with customers we know and trust;
- maintaining consistent financial crime compliance checks;
- ensuring that financial crime compliance is fully integrated into the day-to-day work done by our staff, in the same way that credit risk management is;
- ensuring that all staff exercise their judgement when assessing risks, going above and beyond compliance with rules and guidelines;
- making the system more effective through collaboration between departments and entities.

In 2017, this programme led to the roll-out of common IT solutions to the Group's other entities, in order to fulfil the bank's know-your-customer and transaction surveillance duties. At the same time, staff training initiatives remain ongoing, in order to foster a good financial crime compliance culture, and therefore to help ensure the effectiveness of criminal risk controls as a whole.

## 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

	2017	2016	2015
	€m	€m	€m
Levies and taxes	448	526	554
Dividend payment	412	270	280
Salaries and employee benefits (net of payroll tax)	620	790	742

### Financing the private sector

Commercial Banking continues to focus on the development of small, medium-sized and large businesses, supporting and financing their projects both in France and abroad. In 2017, Commercial Banking client loans outstanding rose 9 per cent to EUR 11.4 billion.

HSBC Assurances in France maintained its commitment to the Novi investment funds, which encourage growth and innovation among small- and medium-sized businesses, and in 2017 made a further maximum commitment of EUR 14.5 million to the Novi 2 fund. The Novi funds provide funding to growing French SMEs with revenue of between EUR 30 million and EUR 200 million.

HSBC France also owns interests in two social-impact venture capital funds: EUR 0.5 million in Impact Partenaires since 2010 and EUR 1 million in Citizen Capital since 2011.

### Financing the public sector

In 2017, French local authorities' use of the bond markets remained at historically high levels with issuance of EUR 2.1 billion, which alone represented 11.5-13 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 21 transactions out of a total 59 in 2017 and has handled 142 out of a total of 478 since 2000.

In 2017, HSBC France remained the top-ranked arranger of EMTN (Euro Medium Term Note) programmes for French local authorities, handling 19 out of a total of 24 in the market, including a new programme for *Grenoble-Alpes Métropole*.

HSBC France is also directly involved in diversifying the financing of French local authorities. For *Agence France Locale (AFL)* – an online bank owned by French local authorities wanting to combine their financing requirements in order to borrow money directly from the bond market – the bank jointly arranged its EMTN programme and jointly led a EUR 250 million tap issue of 0.25 per cent February 2023 bonds.

In addition, hospitals and public-sector healthcare establishments are increasingly seeking to diversify and optimise their financing arrangements. HSBC France is continuing its work to support the development of this market segment. In 2017, HSBC France led a EUR 30 million private placement of 25-year bonds for *Assistance-Publique Hôpitaux de Paris (AP-HP)*. HSBC France is also the arranger of AP-HP's EMTN programme.

HSBC France is involved in developing the Green Bond market among French local authorities. In 2017, HSBC France jointly led the 'green and responsible' bond issues by *Région Ile-de-France* (EUR 500 million, twelve years) and *Ville de Paris* (EUR 320 million, seventeen years). HSBC also worked with other French public-sector issuers, jointly leading *Caisse des Dépôts et Consignations'* inaugural green bond issue (EUR 500 million, five years), RATP's inaugural green bond issue (EUR 500 million, ten years) and *Agence Française de Développement's* second issue of 'climate' bonds (EUR 750 million, six years).

### Supporting communities

In 2017, 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 HSBC Water Programme – a five-year environmental programme due to end in late 2016 – has been extended for a three-year period (2017-2019) with additional funding of USD 50 million, taking HSBC's support to USD 150 million over eight years. HSBC has also renewed its commitment to global educational programmes – the 'HSBC Youth Opportunities Programme' and 'Junior Achievement More than Money' – until 2019. These programmes help young people to access education and realise their potential.

In 2017, HSBC France donated over EUR 2.8 million to community investment programmes. Nearly 1,500 employees completed over 1,800 voluntary assignments, representing more than 10,000 hours, including 79 per cent during work time. In line with HSBC's policy, donations were allocated to projects related to education (26 per cent), the environment (53 per cent) and healthcare (21 per cent).

As regards microfinance, HSBC France's partnership with the *Association pour le droit à l'initiative économique (ADIE)* began in 2007 and continued in 2017 with an annual credit facility of EUR 2.4 million, the same as in 2016. Support was provided to 587 people, including 76 microentrepreneurs, to launch businesses and 511 disadvantaged people to return to employment through personal microloans. Among these 587 people supported, 457 have been able to maintain or find jobs.

### Respecting human rights

HSBC published its Statement of Human Rights in 2015. The statement can be viewed here: [www.hsbc.com/-/media/hsbc-com/citizenship/our-values/pdfs/150930-hsbc-statement-on-human-rights](http://www.hsbc.com/-/media/hsbc-com/citizenship/our-values/pdfs/150930-hsbc-statement-on-human-rights).

In 2017, HSBC France implemented a vigilance plan to meet the requirements of France's new duty of care act. For more details, see page 55.

### Combating corruption and money-laundering

As part of financial crime risk management, HSBC has a global antibribery and corruption policy, which gives practical effect to global initiatives such as the Organisation of Economic Co-operation and Development ('OECD'), Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and Principle 10 of the United Nations Global Compact. HSBC continues to invest in technology and training; in France, in 2017, 7,949 employees trained on financial crime risk via a mandatory e-learning course.

### Sustainable Finance

Developing a sustainable economic system is important for each of us. All members of society have a shared duty to come up with solutions to climate change, technological transformation and globalisation in order to ensure future prosperity.

The Group is aware that governments, companies, the financial system and civil society are all stakeholders in fighting climate change and addressing the challenges of sustainable development.

More than ever, we need to develop the expertise, innovation and low-carbon solutions required to ensure long-term prosperity for all. For HSBC, these are the key elements of sustainable growth that it can influence.

The Bank's network covers the world's largest- and fastest-growing trade corridors and economic zones. This enables the Group to play a unique role in promoting sustainable growth in all of these regions.

HSBC has a long history of supporting the communities and environments in which it operates, and its sustainability strategy is underpinned by that history.

#### HSBC's commitment to sustainable finance.

- USD 100 billion of low-carbon investments by 2025;
- as regards energy consumption, 100 per cent of electricity from renewable sources in 2030; (see page 54 for details on HSBC France's contribution to reducing the Group's environmental footprint);
- withdrawal from investments in coal, and a more comprehensive and transparent assessment of climate risks;
- application of recommendations made by the Task Force on Climate-related Financial Disclosures ('TCFD') regarding reporting on climate-change risks and opportunities;
- finally, a Centre of Sustainable Finance, aiming to develop HSBC's own intellectual resources in order to strengthen its network of influence.

### Green bonds

HSBC France is an established leader in the green bond market, working with its clients as lead manager and advising on the structuring and reporting of Green, Social and Sustainability bonds.

In 2017, on top of issues carried out for French local authorities (see page 47), HSBC France jointly led seven Green Bond issues for Engie (totalling EUR 2.75 billion, with maturities of 6, 7, 11 and 12 years), Icade's Green Bond issue (EUR 600 million, 10 years) and the Green Bonds issues of Bank of Chinas Ltd/Paris in EUR/CNY and USD for a total amount of around EUR 1,25 billion equivalent.

### Energy efficiency

In 2017, HSBC Assurances maintained its strong focus on environmental quality as part of its real-estate policy. That involves acquiring properties that meet the highest environmental standards and retrofitting vacant buildings in order to enhance their quality (particularly by seeking accreditation such as *Bâtiment basse consommation* ('BBC') for low energy consumption). 86 per cent of HSBC Assurances' buildings now have 'green' accreditation or are undergoing works in order to secure such accreditation.

The Real Estate Division 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. In 2017, it arranged loans or completion guarantees concerning almost 280,000 m<sup>2</sup> of floorspace, including 256,800 m<sup>2</sup> of tertiary space (mainly offices) and 23,100 m<sup>2</sup> of residential space. All of those projects were effectively covered by green certifications.

In 2017, the bank analysed the alignment of HSBC France's financing with a 2°C scenario in the real-estate sector, working with the consulting firm Carbone 4. The conclusions are set out on pages 49 and 67.

### Growing importance of environmental, social and governance issues and climate risk in asset management

Investors and asset managers are increasingly factoring environmental, social and governance issues into their financial decisions. HSBC is developing investment products and services to meet increasing client demand in this area and to increase responsible investing flows. HSBC Global Asset Management now integrates environmental, social and governance ('ESG') criteria into all of its investment decisions.

In 2017, ESG integration was applied consistently all over the world, including in emerging-market countries and in most asset classes (equities, corporate bonds, money market and diversified).

### Shareholder engagement

Active shareholder engagement is a vital part of HSBC's approach to responsible investing. It encourages companies to adopt best practice consistently over time, and shareholders to use their voting rights to raise concerns about ESG issues.

In 2017, when holding meetings with companies upstream of investment decisions, HSBC Global Asset Management (France) formally started to raise ESG issues with the management teams of 150 European companies.

In 2017, to meet investor demand on both sides of the English Channel, it defined European voting principles, harmonising the previous French and UK voting policies.

### Managing climate risk

In 2017, HSBC Global Asset Management (France) changed its internal reporting system. The system now includes company carbon data and ESG/carbon reports are systematically published for institutional clients, in line with Article 173 VI of France's Energy Transition Act. The scope of ESG/carbon reports produced and disseminated in 2017 covered French-registered funds with net asset value of more than EUR 500 million at the end of 2016. The scope will be gradually expanded to cover all funds managed by HSBC Global Asset Management (France). In some cases, the asset management business has even produced reports that, as well as including information on the carbon footprint and ESG scores, provide a practical measurement of how investments contribute to a 2°C scenario.

The Investment Risk team is also involved in the general initiative and in setting up processes to identify ESG/carbon issues within investment policies.



## Supporting the transition to a low-carbon economy

In September 2017, HSBC Global Asset Management introduced a low-carbon investment solution, resulting in the HSBC GIF Global Lower Carbon Bond fund for international bonds and the HSBC GIF Global Lower Carbon Equity fund for international equities. The strategies used by these two new funds focus on climate risk and carbon emissions. The aim is to have a carbon footprint that is around half that of their benchmark indexes, by reducing their total exposure to companies and sectors that emit the highest levels of greenhouse gases.

For more information about HSBC Global Asset Management's approach, visit <http://www.global.assetmanagement.hsbc.com/about-us/responsible-investment>

## Managing environmental, social and climate risks in the banking business

### Policy for managing environmental and social risks

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 and significant reputational risk for the bank.

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. For more details, visit the Group website: <http://www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk>

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

In 2017, in accordance with Article 173 of France's act no. 2015-992 of 17 August 2015 on energy transition, HSBC France completed its 2016 assessment of how closely aligned its Energy and Transportation loan book is with the International Energy Agency's 2°C scenario, by evaluating two new sectors, i.e. Real Estate and Industries. As of 31 December 2017, about a third of HSBC France loan book is assessed, on four of the most critical sectors from a climate stake (energy, transportation, real estate, industry). Overall, companies financed by HSBC are climate aligned or even better performers than the sector average. Currently, HSBC customers have limited transition risks. As regards the tertiary real estate sector, the statistical analysis confirmed its materiality in HSBC loan book but could not provide details of its climate performance.

The results shed further light on 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.

## Grenelle 2

The information below complies with Article 225 of French law 2010-788 of 12 July 2010 on the national commitment to the environment, known as the Grenelle 2 act.

## Additional social information

### 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. It can be viewed at the following address: <http://www.hsbc.com/our-approach/supplier-code-of-conduct>.

In 2017, HSBC France mapped its supplier-related risks as part of its work to implement France's new duty of care act (see page 55).

In 2017, 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 and HSBC Group Finance Centers 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 2017, the total workforce of HSBC's Group Service Centres working for HSBC France was 1023 on a full-time equivalent basis. In 2016, at constant perimeter, the headcount represented 914 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 2017, HSBC France's Board of Directors consisted of 18 Directors: three people who hold positions within HSBC, two 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 nine 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 misselling;
- 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;

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- 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.

2017 was a transitional year for the Conduct programme, with preparations being made to adopt the Business as Usual plan. Business lines continued their improvement work organised around five pillars and 15 objectives. Central and HOST functions worked closely with business lines, and are also setting up an organisation that can meet conduct requirements according to the same ethical principles. Communication and training efforts were also maintained in order to enhance the culture and behaviour within the bank in accordance with HSBC's code of conduct.

### Accessibility

As part of the Planned Accessibility Agenda presented to the French government in 2016, 248 sites in the Retail Banking and Wealth Management network and in the Commercial Banking network were classified as being open to the public. Of those 248 sites, three had exemptions, 35 were compliant and the remaining 210 needed to be brought up to standard based on a nine-year programme.

23 sites were dealt with in 2016 and a further 20 were being dealt with at the end of 2017.

### Additional social information

#### Workforce at the end of 2017

	2017	2016	2015
<b>Total Employees HSBC France Group</b>	<b>8,647</b>	8,956	9,593
– of which HSBC France	<b>8,080</b>	8,382	8,979
– of which subsidiaries and branches	<b>567</b>	574	614
<b>Total Full Time Equivalent HSBC France Group</b>	<b>8,337</b>	8,647	9,217
– of which HSBC France	<b>7,792</b>	8,093	8,621
– of which subsidiaries and branches	<b>545</b>	554	596

\* Employees mainly working in France, except for expatriates (34 at the end of 2017).

HSBC France's workforce contracted by 3,4 per cent (302 employees) in 2017.

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

- 782 new employees were hired in 2017, comprising 532 on permanent contracts and 216 on fixed-term contracts, including 187 youth apprenticeship and work-study contracts;
- 1,084 employees left the company, with retirements making up 22 per cent of the total, the end of fixed-term contracts 19 per cent and resignations 30 per cent.

Redundancies represent 14 per cent of the permanent contract departures.

The retention rate among the best-performing staff was 95 per cent.

The structure of the workforce remained stable, with 71 per cent of staff having managerial status, and 51 per cent of managers being women.

At end of 2017, 1,034 employees worked under the voluntary part-time work agreement, equal to 13 per cent of registered employees.

At end of 2017, HSBC France employed 420 disabled people (including 164 who are no longer working).

According to *déclaration obligatoire d'emploi de travailleurs handicapés ('DOETH')* – mandatory disability employment declaration – 2016 definitions, disabled people made up 4 per cent of the workforce, as opposed to the target of 6 per cent. As a result, HSBC France paid EUR 860,000 to Agefiph in 2016.

## Remuneration and incentive plans

### Salaries and salary developments

In 2016, in the absence of a collective agreement following the annual pay round, management unilaterally decided to implement two measures for 2017.

The first measure consists of setting aside a specific amount of money for selective and individually calculated pay rises for employees aged 45 and over who have not received a pay rise for at least three years.

The second measure consists of setting aside an amount of money to allow individual pay rises in the following situations:

- for the promotion of 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 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, still valid for 2017. 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 eight-year future retirement plan called *Plan d'Épargne Retraite Future ('PERF')* 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 2,649 per year for 2017.

The plan includes a range of 16 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 *Credit Commercial de France ('CCF')* 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 the 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 2017.

### 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 2017.

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 2017, HSBC France also made EUR 8.5 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 can be organized in two ways:

- on the basis of 38 hours per week, which corresponds to 7 hours 36 minutes per day based on a 5-day working week. The number of RTT (reduction in working hours) days in 2017 was 15.5 days for a Monday-to-Friday working week, and 20.5 days for a Tuesday-to-Saturday working week;
- on the basis of 37 hours per week, which corresponds to 7 hours 24 minutes per day based on a 4.5-day working week. The number of RTT (reduction in working hours) days in 2017 was 10 days for a Monday-to-Friday working week, and 14 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 jobs.

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

#### Overtime

In 2017, HSBC France employees worked 80,149 hours of overtime, up 7 per cent compared with 2016.

Work performed in excess of regulated hours mainly takes place under the exceptional work agreement, which represents 66 per cent of overtime hours worked.

#### Absenteeism

In 2017, the level of absenteeism due to maternity leave was the same as 2016.

In 2017, the rate of absenteeism due to illness was 3.93 per cent, stable year-on-year.

### Staff wellbeing and safety

#### Health and safety

Since the election in June 2017, HSBC France has seven Health, Safety and Working Conditions Committees (CHSCTs) for all its activities in France.

In 2017, the CHSCTs continued their involvement in consultations relating to ongoing renovations and improvements of branches and central buildings, and continued to deal with the consequences on the working conditions particularly especially regarding the implementation of new reorganization projects launched by the management.

Initiatives already underway continued, including the Stress Medical Observatory.



### Stress Medical Observatory.

Since 2004 for employees in the Paris region and since 2010 for employees from other regions, 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 2016, 2,286 employees took part in the Stress Medical Observatory's research.

The results revealed lower levels of stress and depression compared with previous years, whereas the decrease of anxiety observed in 2015 level is maintained in 2016. They also revealed that the average stress level was lower than the level observed in the other firms of the IPRP's panel. On the other hand, the levels of anxiety and depression are a little bit higher than other firms of the panel.

Groups expressing less favourable psychological experiences were found among business-line technicians processing banking transactions, and among the employees of Retail Banking and Wealth Management.

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 actions, particularly in terms of workload, work organization, ergonomics, special support during organizational changes and suitable training that takes into account developments in the business and support for young people when joining the company.

### Framework for preventing psychosocial risks

The Direction of HSBC France with CHSCT representatives supported by the external consulting firm Technologia, continued its work on the working conditions and quality of life in workplace.

To do so, HSBC France based its work on the results of the 6<sup>th</sup> iteration carried out in November/December 2016. The 7<sup>th</sup> iteration carried out from 9 to 27 October 2017.

The results of the 6<sup>th</sup> iteration showed that the last barometer highlighted that the constraint working factors identified by the employees in Retail Banking and Wealth Management, Commercial Banking and the Operations Department are the time consuming and bureaucratic procedures and the computing tools. The indicators of psychosocial risks remain relatively stable compared with the previous iteration.

The psychosocial risks mapping initiative carried out in 2012 will be updated in early 2018 after the 7<sup>th</sup> iteration launched the 9<sup>th</sup> of October 2017 and ended the 27<sup>th</sup> of October 2017 involving a sample of 3,700 employees.

The initial results of this new iteration showed a trend of reduction of risk factors.

These efforts are intended to monitor the effectiveness of initiatives to enhance the wellbeing of HSBC France staff, particularly by the reduction of bureaucracy and the implementation of a new informatics system.

### Accidents at work and occupational illnesses

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

In 2017, the work accident frequency rate (number of lost-time accidents/millions of hours worked) was 10.9 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 2017, 850 employees (11 per cent of the total workforce), primarily in support functions, had 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 2017, the businesses presented reorganization plans and process' optimization 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 and GBM's Operations Department.

More than 400 meetings were held and more than 3,500 questions were dealt with during 2017 in relation to these plans or to other subjects.

Staff representative elections were held in May and June 2017, and led to the appointment of staff representatives to Staff Delegations, to the Central Works Council, to the three Works Committees and the seven Health, Safety and Working Conditions Committees. After those elections, four unions are representative within HSBC France - CFDT, CFTC, FO and SNB - and are able to negotiate collective agreements.

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

- A majority collective agreement relating to the 2018 plan to modernize HSBC France's support functions, including the reorganization of the Technology Department, the Operations Department, the Finance Department, the Purchasing Department and Commercial Banking's Global Trade Receivables Finance department;
- A collective agreement on maintaining contributions to employees' supplementary pension plans in the context of the Modernization Plan for HSBC France;
- An agreement on the scope of distinct establishments with a view to the renewal of the mandates of HSBC France staff delegation members.

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

- Agreement relating to mandatory annual wage negotiations for 2017 within HSBC Global Asset Management (France);
- Agreement on disability measures within HSBC Global Asset Management (France);
- Group Working Hours Agreement within HSBC Global Asset Management (France).

### Training

#### Developing skills at HSBC

HSBC promotes the '70/20/10' development model.

This model combines the following three complementary learning methods:

- 70 per cent of learning coming from day-to-day job-related experience. In this method, employees seek solutions themselves, on an ongoing basis, according to their needs and the information available to them. This informal method involves employees learning as and when they need to do so, using information available on the bank's intranet, websites and business applications;
- 20 per cent of learning coming from discussions with colleagues, internal and external clients and managers. This method is based on regular feedback regarding which aspects work well and which need improving;
- 10 per cent of learning coming from classroom-based training, e-learning and WebEx sessions. This formal method of training provides a foundation of fundamental theoretical knowledge.

HSBC France's training offering combines global programmes, though HSBC University, and courses designed locally on the basis of priorities and requirements in France.

Strengthening this model is one of the main aspects of HSBC's skills development policy, because it is the only model that maximises impact before, between and after formal training sessions.

#### Priority skills areas

##### *Financial crime compliance and risk management culture*

The staff members most exposed to financial crime risks are able to test their knowledge and take advantage of new development opportunities on these topics via: a dedicated training programme tailored to the various business lines, external ACAMS accreditations, training related to the Global Standards including know-your-customer training, and numerous initiatives co-ordinated by the team in charge of culture change.

On the same topic, employees have received new training relating to new regulatory provisions on granting mortgages.

##### *Strengthening personal, interpersonal and intercultural skills and the digital culture*

HSBC France makes particular efforts to develop its employees' personal and interpersonal skills, and especially critical mindsets, creativity, collaboration and agility. English language-learning remains a priority. In addition to pure language skills, intercultural learning sessions are arranged for the many employees who work on cross-border projects.

Initiatives have also been adopted to strengthen the bank's digital culture with respect to specific business lines and functions.

##### *Leadership & Management*

Enhancing managerial skills is still one of the main aims of the training plan. Training in this area reflects the fact that several generations of people co-exist within the bank, and takes into account new collaboration and management methods. It is delivered partly at the French level and partly at the regional level as part of HSBC University. In addition, HSBC France will continue targeted individual and collective coaching and co-development efforts. HSBC France also provides managers with video tutorials on day-to-day management, particularly on managing staff performance and handling feedback.

##### *Giving employees greater control over their careers*

Several HR initiatives have helped employees gain greater control over their careers by allowing them to review their own professional aspirations, for example through annual career appraisals, 'boost your career' workshops and mentoring.

HSBC France has also started working with OPCA on improving employees' understanding of personal training accounts.

##### *Helping new recruits to integrate and take on their new roles*

HSBC France fills around 1,000 positions each year, with both internal and external candidates, and so it is vital that new recruits integrate and take on their new roles successfully. The bank has adopted several initiatives: giving new arrivals a tour of the bank, setting up an integration programme for young graduates, helping managers get up to speed with a clear training plan (tools, tutorials, classroom-based learning) and mentoring.

##### *Improving the quality of working life and promoting diversity*

At a time of major change and greater uncertainty in the business environment, employers must pay particular attention to the quality of working life and the wellbeing – particularly the mental wellbeing – of their employees.

In 2017, HSBC France continued to roll-out a training programme focusing on improving the quality of working life.

At the same time, as regards diversity, the bank designed and deployed a training programme for managers about understanding unconscious bias.

## Diversity and equality of treatment

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.

### Integrating young people and passing on knowledge

A 'Contrat de Generation' (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. In 2017, 194 young people aged 26 or under were hired on permanent contracts at HSBC France, HSBC Assurances Vie (France) and HSBC Asset Management (France).

### 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 2017.

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 40 people as part of its '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 2017, HSBC France had 420 disabled employees, including 164 who are no longer working (second degree disability). In 2017, 50 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 2017, 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. An ergonomist carried out three workstation reviews.

As regards recruitment, HSBC took part in four virtual forums organised by *Talents Handicap* and *Hello Handicap*, along with a 'Les Mardis du Handicap' recruitment day. In total, HSBC recruited eight new disabled employees on permanent contracts, along with one disabled temporary employee, one disabled intern and four disabled young people on summer assistant contracts.

To improve day-to-day living standards, 498 disabled employees or employees with a disabled close relative received 'CESU' cheques (enabling them to pay for domestic help) financed entirely by HSBC, while nine employees received support for buying individual equipment to alleviate their disability, such as hearing aids and other devices.

### Additional environmental information

As part of the REDUCE strategy to reduce annual CO<sub>2</sub> 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. HSBC publishes its annual carbon emission results in its annual report available on its website (<http://www.hsbc.com/our-approach/measuring-our-impact>).

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

- improving energy efficiency;
- reducing CO<sub>2</sub> emissions, notably those related to business travel;
- reducing paper consumption;
- reducing production of non-recycled waste.

### Improving energy efficiency – sustainable use of resources

#### Energy efficiency in buildings

In 2017, the main areas of action involved renovating buildings, actively seeking to reduce energy consumed in the management of HSBC sites and promoting remote working.

Carrying on from the HQE certification it obtained for *Coeur Défense* in 2011 and the 'NF HQE™ Bâtiments Tertiaires en Exploitation' energy efficiency certification, under which it achieved an 'excellent' rating for 14 new criteria in 2016, HSBC France continued the work needed to maintain these certifications in 2017.

The 2017 annual review not only confirmed the 'excellent' rating in relation to these certifications, but also increased HSBC France's star rating by one star in the comfort category.

#### Water consumption

In 2017, HSBC France's water consumption continued to fall, mainly due to a decrease in the amount of space occupied following the move out of the Ile de France building in 2016. In addition, HSBC France has stepped up its efforts to prevent water leaks, with regular inspections at the *Coeur Défense* building and careful monitoring of any unusual water consumption in the branch network.

### Reducing CO<sub>2</sub> 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 CO<sub>2</sub> equivalent produced for the sixth consecutive year.

HSBC France's main sources of CO<sub>2</sub> emissions stem from energy consumption and transportation.

Information on the company's 2017 greenhouse gas emission footprint will be available on <http://www.about.hsbc.fr/fr-fr/hsbc-in-france/community>.

#### Reducing CO<sub>2</sub> emissions related to business travel

In 2017, business travel increased by 4.9% compared with 2016 in terms of kilometres travelled, while CO<sub>2</sub> emissions caused by business travel increased by 2.8 per cent. This was mainly due to the relocation to France of the Head of International Procurement responsible for some of the Group's markets, coupled with the creation of a number of working groups in preparation for Brexit, and a six-month Group Procurement assignment (one of the two employees selected for the assignment was based in France).

HSBC France reorganised the way it manages its vehicle fleet in 2017. Fleet management was outsourced and the selection of service vehicles and company cars available to employees no longer contains any diesel vehicles. Diesel vehicles will be phased out of the existing fleet as and when they are due for replacement.

#### Mobility plan

The French energy transition act (act no. 2015-992 of 17 August 2015) requires companies with more than 100 employees on a single site located in an 'urban travel plan' area to prepare a mobility plan.

HSBC France has five sites that require a mobility plan, and so has started work to make the sites concerned compliant with the new rules. The plans cover more than 5,600 employees across three sites in the Paris region: *Courbevoie*, *Paris 8th arrondissement* and *Paris 9th arrondissement*, and two sites elsewhere in France: *Lyon* and *Fussy*, near Bourges.

HSBC France decided to implement its first action plan at the Courbevoie site, gaining experience that it will apply across the other sites concerned.

The main stages of the process at HSBC France will be as follows:

- assessing staff journeys, i.e. journeys between home and work (distances and travel time), site accessibility (site surveys) and practices and habits (mobility survey).
- formalising a plan of action based on the issues arising and any identified potential improvements.
- dividing the plan of action between working groups and supporting their deployment.

## Circular economy

### Reducing paper consumption and improving paper recycling

Paperless projects continued in 2017.

For example, the e-signature pilot project for business customers of BBC Live in 2017 prevented the sending of 700 letters comprising a total of 8,000 sheets of paper. The new eDocuments function was launched in 2017 for the two online banking services ElysPC and HSBCnet. This function is reducing the number of letters sent per year by an estimated 900,000, and paper consumption by around 1,800,000 sheets.

Using the 'Direct To Demat' publishing system for domestic guarantees at Global Trade Receivables Finance will enable it to avoid printing more than 60,000 pages per year.

Also in 2017, all of HSBC France's central site teams were equipped with GMPS printers featuring badge readers. Usage reports – showing the number of black-and-white and colour pages printed – are now sent to managers each month, allowing them to monitor and control paper consumption.

### Reducing production of non-recycled waste

Waste production fell by 34% in 2017 compared with 2016, a year in which there were many relocations that generated a lot of waste. In addition, the introduction of a new pull printing solution has led to a reduction in the number of pages printed and therefore the number of ink cartridges used.

### Reducing food waste

At the *Coeur 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. In June 2017, it started using a desiccation machine to turn organic waste into compost. The machine takes around 130kg of organic waste per day and turns it into 20kg of compost, which is taken away by a partner and fed into an anaerobic digester. 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. Efforts are also made to encourage employees to have a balanced diet and eat more plant-based protein.

## Pollution

### 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 'Policy for managing environmental and social risks', page 116.

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.

*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 2017 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.

### Protecting biodiversity

HSBC, including HSBC France, contributes to protecting biodiversity through its environmental community investment programmes (see page 48), 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 116).

### Financial risk

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

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## France 'Duty of Care' act

HSBC France has implemented a vigilance plan in accordance with France's act no. 2017-399 of 27 March 2017 on the duty of care of parent companies and ordering companies.

The plan forms part of a framework established by the HSBC Group which, through its various statements and policies, has already adopted certain rules and procedures seeking to prevent serious infringements of human rights and fundamental freedoms, to safeguard the health and safety of individuals and to protect the environment. This framework therefore applies to HSBC France and to the offshore service centres from which HSBC France outsources certain activities.

These statements and policies are available on the Group website (<http://www.hsbc.com/our-approach/measuring-our-impact>):

- Modern Slavery and Human Trafficking Statement;
- Statement on human rights;
- Health and safety policy;
- Environmental policy;
- Sector policies;
- Whistleblowing statement.

HSBC France has chosen to integrate the duty of care-related risk map into the risk maps of its various business lines and functions. As a result, the related control measures are integrated into its existing risk management and internal control systems.

In 2016, HSBC updated its Ethical and Environmental Code of Conduct for Suppliers of Goods and Services to take account of revised legislation on Modern Slavery and Human Rights (<http://www.hsbc.com/our-approach/risk-and-responsibility/working-with-suppliers>). When forming new contracts or renewing existing ones, HSBC France's suppliers are required to sign this code of conduct. Since the HSBC Group is in the process of introducing a system for regularly assessing its suppliers, HSBC France has prepared a specific monitoring plan for the first year in which the French duty of care act applies.

As regards suppliers, a detailed analysis has already been carried out on those with which HSBC France has an established and significant commercial relationship, i.e. those involving invoices totalling more than EUR 500,000 or more per year in the last three



years. HSBC France has identified eight suppliers located in risky countries (according to the methodology defined by the Group) and/or risky sectors (identified by the HSBC Group as showing the greatest potential sustainability risk (<http://www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk>).

A specific annual monitoring plan is being prepared for this list of suppliers. It will be handled by the Subject Matter Experts in the business lines under the BRCM control.

Regarding the impact of bank financing on potential breaches of human rights and environmental protection, the sustainability risk management policy adopted by the HSBC Group for more than 12 years provides a solid risk management framework. An annual review is carried out regarding Global Banking and Markets and Commercial Banking clients operating in sectors covered by the Group's sector policies, and all transactions in these sectors are also reviewed. HSBC's sector policies cover agricultural commodities, chemicals, defence, energy, forestry, freshwater infrastructure, mining and metals, World Heritage Sites and Ramsar wetlands. HSBC regularly reviews and refines these policies, including through constructive dialogue with NGOs and action groups, alongside which it regularly addresses matters of common interest. The HSBC Group has applied the Equator Principles since they were first developed in 2003, including the latest version (EP3) since 2014.

Regarding whistleblowing, HSBC France already has a system through which employees can report the existence or realisation of risks.

Discussions with unions are underway and should be completed in 2018.

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### 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* office, 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 2017, for environmental indicators, the reporting period is from 1 October 2016 to 30 September 2017.

#### 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), CO<sub>2</sub> emissions, water (m<sup>3</sup>), paper (tonnes), waste (tonnes), km travelled and other data: comments, operational surface areas (m<sup>2</sup>), 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 2017 is based on actual figures for the period ended November 2017, remaining figures for the last month were estimated from the information system, which are currently being validated.

#### Details on the definition of certain indicators

##### Environmental indicators

CO<sub>2</sub> emissions result from the consumption of electricity, gas, fuel oil, urban heating and air conditioning. Transport-related CO<sub>2</sub> 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	2017	Change		
		2016	2015	
<b>Financial Indicators</b> (Scope HSBC France group*)				
1	Pre-tax earnings (EURm)	219	432	618
	Total shareholders' equity (EURm)	5,676	5,842	5,838
	Cost Efficiency Ratio (%)	84	78	69
	Liquidity Coverage Ratio (%)	149	122	120
	Net Stable Funding Ratio (%)	116	120	NA
	Advances to Core Funding ('ACF') ratio (%)	NA	NA	98.1
	Common Equity Tier 1 ('CET1') Ratio (%)	13.1	13.2	14.9
<b>Sustainable Economy</b> (Social indicators) (Scope HSBC in France*)				
2	Number of financing for regional authorities made on the bond market	20	9	10
	Number of financing for AFL	1	1	1
	Number of financing for Public-sector Healthcare Establishments	1	1	8
3	Equator principles – Category A – number of projects financed and their value (EURm)	ND <sup>1</sup>	0 and 0	0 and 0
	Equator principles – Category B – number of projects financed and their value (EURm)	ND <sup>1</sup>	0 and 0	0 and 0
	Equator principles – Category C – number of projects financed and their value (EURm)	ND <sup>1</sup>	0 and 0	0 and 0
	Consultancy (Number)	ND <sup>1</sup>	0	0
4	Lines of credit allocated to Adie (EURm)	2.4	2.4	2.4
	Amount of microfinance loans made via ADIE partnership (EURm)	2,215	2,105	1,830
	Number of microcredits disbursed (Adie)	587	571	554
5	Company saving plans: total assets of the SRI range (EURm)	355	310	222
		6,464	5,462	5,462
6	Investment of the HSBC EE <i>Diversifié Responsable et Solidaire</i> company savings fund for the benefit of solidarity-based companies (EURK)	4,000 Adie, 314 SIFA, 2,150 Habitat et Humanisme	3,001 Adie, 311 SIFA, 2,150 Habitat et Humanisme	3,001 Adie, 311 SIFA, 2,150 Habitat et Humanisme
7	Number of customer complaints submitted to the Ombudsman	751	723	744
	Number of complaints processed and signed by the Ombudsman	236	190	190
8	Level of satisfaction of our retail customers: customers claiming to be 'very satisfied' (%)	47	48	47
	Customer recommendations during the past two years (%)	33	36	36
<b>Environmental Footprint<sup>2</sup></b> (Scope HSBC in France*)				
9	Energy consumption (GWh)	52	59	58
	Energy consumption in MWh/FTE <sup>3</sup>	6.25	6.8	6.32
10	Transportation (millions of km)	30.2	28.81	34.85
11	Direct CO <sub>2</sub> emissions (thousands of tonnes equiv. CO <sub>2</sub> )	6	6.09	6.64
	– direct CO <sub>2</sub> emissions (energy)	2.73	2.91	2.98
	– direct CO <sub>2</sub> emissions (transportation)	3.27	3.18	3.66
12	Water consumption (thousands of m <sup>3</sup> ) <sup>4</sup>	101	109	134
	Water consumption per FTE <sup>3</sup> (m <sup>3</sup> )	12.13	12.55	14.55
13	Paper consumption (tonnes)	833	892	1,146
	% of FSC paper	93	96	94
14	Waste production (tonnes)	973	1,484	1,489
	Waste production per FTE <sup>3</sup> (kg)	117	172	162
	% of recycled waste/total waste	92	83	80
<b>Human resources and security</b> (Scope HSBC France*)				
15	Total workforce <sup>5</sup> (number): Women (W) / Men (M)	4,665 W 3,415 M	4,845 W 3,537 M	5,169 W 3,810 M
	Recruitments	782	517	953
	Dismissals	122	103	85
16	Organisation of working hours Absenteeism <sup>6</sup> (%)	3.9	4	3.6

Table of sustainability performance indicators of the HSBC Group in France (continued)

Indicator	2017	Change	
		2,016	2,015
17 Equal treatment:			
– number of persons with disabilities	420	382	362
– number of recruitments via the IMS and Mozaik HR	–	–	82
– % of employees less than 30 years old	11.4	10.62	13.1
– % of employees over 50 years old	30.4	30.8	29.3
– % of women in management	19.9	18.8	18.2
18 % of non-executive directors at 31/12	50	47	37
19 Number of employees teleworking	850	840	721
20 Health and safety:			
– number of fatal accidents at work	–	–	–
– number of accidents resulting in more than 3 days of work incapacity	105	123	116
– rate of work- and travel-related accidents <sup>7</sup>	10.9	9.9	10.7
– severity rate of work- and travel-related accidents <sup>8</sup>	0.3	0.3	0.3
21 Workforce split by status, gender and contract of employment (number):			
Total workforce	8,080	8,382	8,979
– of which unlimited term contracts	7,838	8,151	8,586
of which men managers	2,819	2,982	3,072
of which women managers	2,922	2,899	3,038
of which women clerical staff	1,623	1,743	1,893
of which men clerical staff	474	527	583
– of which fixed-term contracts	242	231	393
of which men managers	4	9	9
of which women managers	8	4	12
of which women clerical staff	4	7	26
of which men clerical staff	3	5	9
of which women in apprenticeship	108	104	169
of which men in apprenticeship	115	102	168
22 Training (total number of hours)	334,685	367,111	358,095
<b>Sustainable communities (Scope HSBC in France<sup>*</sup>)</b>			
23 Sponsorship budget (EURm)	2.9	2.8	3.2
% of the Community Investment donations/pre-tax earnings	1.32	0.65	0.52
% approx. employees involved in volunteer SD activities	18	15	16
Number of hours of volunteer work during work hours	8,427	8,118	9,577

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 2016 to 30 September 2017.

3 Full-Time Equivalent.

4 100% of water consumption supplied by public network.

5 See also page 50.

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).

\* 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).

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

### For the year ended December 31<sup>st</sup>, 2017

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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 3-1060 (whose scope is available at [www.cofrac.fr](http://www.cofrac.fr)), we hereby report to you our report on human resources, environmental and social information for the year ended 31 December 2017, 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') 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).

However, it is not for us to express an opinion on the compliance with the other legal provisions applicable, in particular those set out by the article L. 225-102-4 of the commercial code (plan of vigilance) and by the law n° 2016-1691 of December 9, 2016 known as Sapin II (fight against corruption).

Our work involved 5 persons and was conducted between November 2017 and February 2018 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 3000 concerning our conclusion on the fairness of CSR Information (Assurance engagements other than audits or reviews of historical financial 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.

#### Conclusion

Based on the work performed, 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 20 interviews with about 20 persons 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.



## Sustainability

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

- 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 of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- 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. This work represents 100% of headcount considered as typical size of the social component, and 100% of environmental data considered as characteristic variables of the environmental component

For the remaining 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 22, 2018

One of the Statutory Auditors

### **PricewaterhouseCoopers Audit**

Nicolas Montillot

Partner

Pascal Baranger

Director in the 'Sustainable Development' Department

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## 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 organisation;
- Absenteeism;
- Organisation of social dialogue;
- Training policy;
- Training hours;
- Implemented policy and measures taken in favour of the equality between the women and the men;
- Implemented policy and measures taken in favour of the employment and of the insertion of the disabled people;
- Policy against discrimination.

### Environmental information

- Organisation 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 favour of the health and of the security of the consumers.