

External Commentary

We believe this fourth report marks a significant step forward in HSBC's engagement on issues of corporate social responsibility in two main respects. First, by extending the breadth and depth of disclosure on specific topics, the company has increased transparency towards its broad range of stakeholders and articulated more explicitly the business case for CSR. Examples include diversity as a customer issue, non-prime lending, outsourcing, employee health and safety, and the process of stakeholder dialogue.

These advances build on strengths we highlighted last year, particularly support for community projects on education and the environment, and what we judge to be an international leadership position on diversity, backed up by a global action plan. We note that some progress was made during 2003 on extending the environmental reporting system beyond the original 10 countries, and look forward to performance targets being set and published.

Second, 2003 saw several measures that increased HSBC's commitment to CSR. Notable among these are the formation of a dedicated committee of the Board, the inclusion of specific commitments in the new five-year strategic plan, 'Managing for Growth', the adoption of the Equator Principles — together with internal training and monitoring systems to give them real effect — and the publication of clear expectations about the standards required from suppliers.

HSBC has included several future commitments in this report, such as more systematic surveys of employee attitudes, greater disclosure of project finance information, and the development of sector-specific lending policies on freshwater and use of forest land. Looking ahead, we believe the process of management and reporting would be strengthened by considering each of the main commitments made in HSBC's statement of business principles and values and in the external standards it has endorsed; then assessing the extent to which these are being

lived out in practice, with an account of progress in next year's report. In doing this, we believe the views of key stakeholders, such as customers, employees and investors, should be taken into account and responded to.

In our view, HSBC's primary responsibility is to continue providing essential financial services as efficiently, reliably and ethically as possible, while at the same time engaging in its local communities and with society as a whole on the economic, social and environmental impacts of these operations. This report helps that process.

The Corporate Citizenship Company
www.corporate-citizenship.co.uk
London, 8 March 2004

Assurance statement

The Corporate Citizenship Company acts as specialist adviser to international corporations seeking to improve their economic, social and environmental performance as good corporate citizens. We have worked with HSBC since 2000.

This statement provides external commentary and assurance on *HSBC in Society: Corporate Social Responsibility Report 2003*, the company's fourth annual report on corporate social responsibility. In our opinion, the report provides a fair representation of progress HSBC has made in living out its commitments on social responsibility. In the absence of statutory guidelines, we have based our judgement on best practice among other companies, key principles underlying various voluntary reporting and assurance standards, views expressed by main stakeholders, and our own experience and expertise. We have checked and are satisfied that the contents of the report are consistent with underlying records, mainly data provided by Group companies and obtained from audited financial statements. We have assessed the correctness of data trends and received satisfactory explanations where appropriate. We have not independently verified otherwise unaudited information.