

Investing in our People

Local, on-the-ground knowledge from people who understand local communities has been fundamental to the success of our business wherever we operate in the world.



In order to deliver a truly world-class brand, we must live HSBC's values throughout the Group and in all aspects of our work. Our people do this by the way they respond to and treat customers, shareholders, colleagues and other stakeholders. We know that committed and engaged employees deliver better customer service and contribute to a higher return for shareholders.

Our employee policies are geared towards attracting, developing and motivating talented people. We demonstrate corporate social responsibility towards our people in a number of ways. Details of how we engage with employees are given in the 'Listening to views' chapter on pages 4-5.

Sharing success

In rewarding people, we aim to provide fair pay for the contributions they make to the business. A significant part of variable pay is based on performance. Competence, performance and adherence to values and ethical standards are the criteria for promotion. We share the benefits of our success through performance-related bonuses and the extension of share ownership: over 40 per cent of employees currently hold HSBC shares or options; 5 per cent

of all issued shares are owned by employees.

The issue of executive pay is discussed under 'Listening to views' on page 6.

Pensions

Pension arrangements, of course, must be appropriate and secure, but we also recognise that great care must be taken to balance the burdens that successive generations will have to bear for those who went before them. As early as 1996, therefore, we took what we believe is a responsible decision to close our UK defined benefit pension scheme to new members. All new employees in the UK have since been offered membership of a defined contribution scheme.

There has been a growing understanding over the last two years of the financial risks inherent in the provision of company pensions. A deficit in our main UK pension scheme was identified by the three-yearly actuarial valuation of the scheme. We put an additional £584 million into the scheme in 2003 to meet our responsibilities and will continue to manage arrangements in a sound and prudent manner.

Global resourcing

We believe it is in the overall interests of all groups of stakeholders to reduce our operating

costs by transferring work from high-cost countries to lower-cost countries where there is a large pool of talented people. At the end of 2003, we employed around 8,000 people in our Group Service Centres, an increase of around 3,600 on 2002. We are in the early stages of this initiative which we expect will expand significantly in the coming years. Natural attrition and redeployment in our more mature markets mean that we have managed largely to avoid compulsory redundancies. We will continue to adopt this approach where possible.

The issue of global resourcing is discussed under 'Listening to views' on page 7.

Health and safety

The safety of our employees, customers and visitors is one of our most important responsibilities. Our health and safety policies are designed to promote a healthy and safe working environment; to ensure employees accept health and safety as a major part of their individual responsibilities; to identify health, safety and fire hazards in advance and control the risks; and to ensure all legal requirements are satisfied. Line managers throughout the Group are responsible for implementing our health and safety policies and procedures.

With some 9,500 offices in 79 countries and territories, we need to manage a wide range of health and safety risks, including the consequences of potential terrorist threats, construction and refurbishment projects, asbestos, fire, legionella, earthquakes and workplace accidents. We have specific action programmes in place for each of these risks.

Statistics on fatalities and accidents are disclosed in the table below. In the UK, we have set the following targets to be achieved by 2006:

- A 5 per cent reduction in reportable injuries (against the 2001 baseline of 191 reportable injuries per 100,000 employees).
- A 15 per cent reduction in the number of working days lost from work-related injury (against the 2003 baseline of 2,393 per 100,000 employees).

A more detailed health and safety report for the UK is available in the online version of this report at www.hsbc.com/society.

Learning and development

The development of all our employees is vitally important to our continued success and, to this

Managing the impact of SARS

Eight HSBC employees in Hong Kong contracted the SARS virus and one of our colleagues, Eva Hui, tragically died as a result. HSBC took a number of measures to protect staff and customers in all the affected areas. For instance, certain functions within the bank were split and staff dispersed to different locations, so the whole team would not be disabled if one member fell ill. The frequency of cleaning in public areas of our branches was increased and one HSBC branch in Hong Kong was closed temporarily because of the high number of SARS cases nearby. We also restricted staff travel to and from the affected areas.

Helping the victims of terror

Three HSBC employees, Yonca Bilgin, Aynur Erkoca and Ethern Dogan, tragically lost their lives, and 43 more were injured when two terrorist bombs exploded in Istanbul in late November 2003.

HSBC set up a counselling service for colleagues in Istanbul and donated US\$1 million to help support staff and families who were bereaved or injured.

Given the enormous size of the bomb used to attack HSBC and the scale of the destruction that resulted, there could have been many more casualties. We believe that safety measures, such as anti-shatter glass and anti-glare film on windows, made a crucial difference by reducing glass splinter. The exemplary way in which our employees implemented their evacuation and business recovery procedures enabled the business to be fully up and running again the next day.

Workplace fatalities and accidents

	2001	2002	2003	2006 target (UK only)
Workplace fatalities (worldwide)	0	0	0	N/A
Accidents involving more than three days' absence (worldwide)	430	386	406	N/A
Reportable injuries per 100,000 employees (UK only)	191	168	163	181
Working days lost from work-related injury (UK only)	N/A	N/A	2,393	2,033

The 2003 reportable injury rate is already below the 2006 target. As we shall endeavour to set a validated downward trend for 2001-2004, this target will be formally reviewed at the end of 2004.

Statistics exclude fatalities or injuries relating to terrorism.

end, we strive to be a learning organisation. In 2003, we invested US\$750 per employee on training, equating to nearly four days of training on average for each person. We employ more than 1,100 training staff worldwide, provide online tuition and make learning materials available to everyone.

Regional Training Centres provide local training, education and guidance for local people in their local language in a way that respects all cultural, religious and ethnic issues and values.

The information we share openly on our intranet is available to an increasing number of our colleagues each month. Our self-development library is one of the largest in the corporate world, providing more than 3,000 books, videos and CD-ROMs for our employees to use at home or in the office. These training and development programmes support our diversity policy. The subject of corporate social responsibility itself is included in induction and leadership training at all levels.

'Together For customers'

In April 2003, HSBC Bank Malaysia Berhad ran a one-day training session for all its 3,000 employees. Known as 'Together for Customers', the course emphasised key work ethics such as providing quality customer service, practising effective work processes, teamwork and striving to meet ever-changing customer demands and expectations.

Recognition and awards

HSBC has won a number of awards around the world for its people management policies. Among these, our US subsidiary, Household, is recognised as one of America's best places to work. In 2003, it received numerous 'employer of choice' awards, including:

- *Training* magazine — 'Training top 100'.
- *Computerworld* magazine — '100 best places to work in IT'.
- *Working Mother* magazine — '100 best companies for working mothers'.

In the UK, First Direct was voted 36th in the *Sunday Times* 'Top 100 companies to work for' in 2003.

Diversity: a report on progress

Employing and managing many different kinds of people contributes to a well-rounded and balanced organisation. It also makes us adaptable to new situations. Diversity is not simply about gender, ethnicity, disability or age; it is also about open-mindedness, embracing non-conformity and creating balanced teams. Respect for individuals of all types inspires loyalty in employees and customers and ultimately plays a big part in the achievement of business goals.

Our commitment to diversity starts at the top. Our Board is one of the most international in the world and has four female Directors, more than most of the world's leading companies. We have an executive Director who is responsible for diversity at a global level, but every one of our 223,000 employees has a part to play. Our workforce is also diverse: more than half are women, one in four is Asian, one in five is Latin American.

HSBC has a long tradition of diversity. It is integral to our organisation and to our brand. However, we want to do better and our new Group strategic plan, 'Managing for Growth', clearly positions diversity as an area for further development during the next five years. The main challenges include:

- The time it takes for changes to occur. For example, we still have relatively few women in senior management positions, a reflection more of past recruitment policies than of present opportunities. Nevertheless, it is a weakness that we want to address. During the next few years, we will manage our people in accordance with the special character of the Group and the HSBC brand in order to achieve a diversity among senior managers that reflects the composition of the Group as a whole and ensures the best possible use of our talent.
- Delivering diversity globally by inspiring employees to learn about others as a key part of business success. At the same time,

we recognise that diversity is itself not an exact science. There are substantial differences in approach, legislation and, indeed, definitions of diversity from country to country. Consequently, there is no single best practice that we can adopt. As the world's local bank, HSBC aims to respect the local position, national framework, and business and social context of each country in which we operate.

- Introduce straightforward measures to monitor our progress.
- Re-examine all our employee processes, such as capabilities assessment, talent pool selection and international secondment selection, so that all employees are represented.
- Deliver further training to reinforce the culture of a diverse organisation.

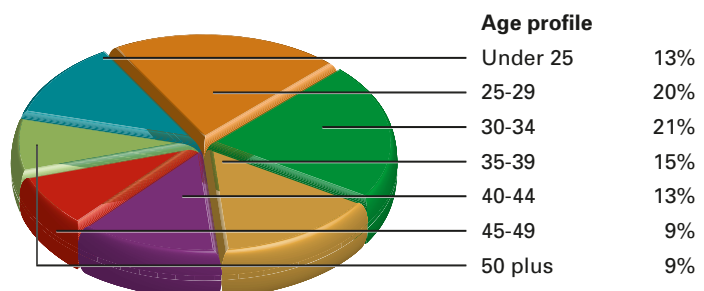
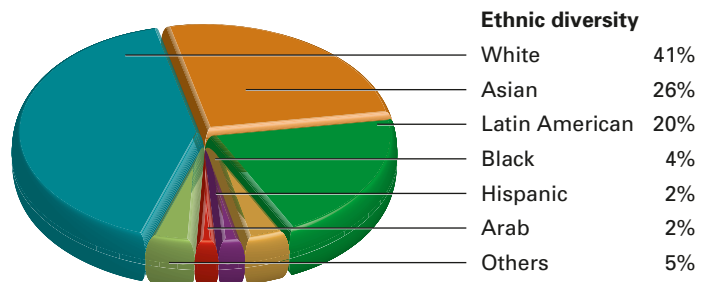
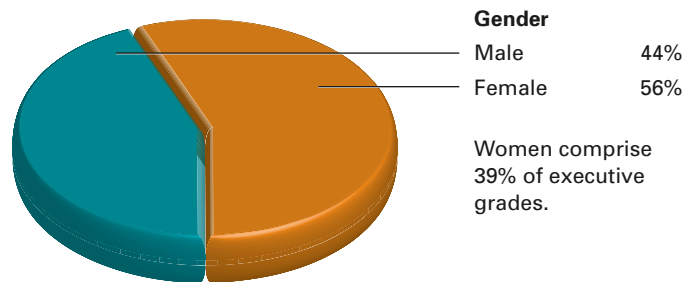
Highlights of 2003

- We were the first bank in the UK to offer *shariah*-compliant mortgages, gaining strong support from Muslim customers — a clear demonstration of how diversity can help build successful business (see also the 'Responsibility to Customers' chapter on pages 20-21).
- We looked specifically at cultural differences within the HSBC Group. This analysis highlighted the need to balance global diversity values with local cultural differences.
- Our training video, 'The Same Difference: Working with Diversity', won the gold award for the best employee relations video at the New York Film Festival. The video challenges perceptions and attitudes.
- We positioned diversity prominently on our hsbc.com web site, especially in the careers area where we want to ensure that we continue to attract a diverse range of candidates.
- We set up a diversity committee for Asia-Pacific involving managers from across the business within the region.

Aims for 2004

- Understand and share best practice on diversity around the world. This will include publishing information on our employee intranet and inviting contributions from around the Group.
- Ensure wide understanding of the brand, the diversity strategy and the action plans in each region.

Profile of HSBC's employees at 31 December 2003



About 1,000 employees work outside their country of origin, including 380 International Managers.