

# Listening to Views

We may not always agree with the views of all our stakeholders, but we do try to understand their expectations and concerns and to address them where we can.

A great deal of dialogue takes place at local level through our business around the world. This chapter describes some of the key ways HSBC communicates with stakeholders and addresses the issues that are raised most frequently.

## Stakeholder engagement

### Investors

HSBC has around 200,000 registered shareholders in some 100 countries and territories worldwide. Since this number includes pension funds, insurance companies and mutual funds, millions of people have an indirect interest in HSBC's business performance and future prospects.

We engage with the investment community through a range of investor relations activities and formal stakeholder reports, including:

- The *Annual Report and Accounts*, *Annual Review*, the *Interim Report* and this *Corporate Social Responsibility Report*.
- The Annual General Meeting and the informal meeting of shareholders held in Hong Kong.
- The recently enhanced Investment Centre section on our web site at [www.hsbc.com](http://www.hsbc.com).
- A number of investor events which are webcast live, including results presentations and the AGM. Recordings are also available on our web site for a period to anyone not able to take part live.
- An extensive programme of institutional investor meetings around the world:

	2001	2002	2003
Number of meetings	122	256	319
Number of countries	10	13	18

- Our Investor Relations teams in London, Hong Kong and North America also address a wide range of investor queries

directly each year, including those sent in by e-mail. Contact details for each team are available in the Investment Centre section of our web site.

This programme provides many opportunities for HSBC to listen to and address investor issues and concerns. Recent examples of actions that have resulted from the input of our stakeholders include: the publishing on our web site of the Group-wide standard on environmental risk lending, and the introduction of quarterly dividend payments, benefiting shareholders who rely heavily on the income they receive from their shares.

### Customers

In most of the countries and territories in which we operate, we conduct regular surveys to monitor customer satisfaction. In our larger businesses, this information is typically one of the elements used for measuring branch performance and determining individual rewards.

Syndicated research used by various Group companies will generally include regular research on issues related to minorities and various customer segments.

### Employees

As at 31 December 2003, we employed some 223,000 people worldwide.

- Between 40 and 50 per cent of our employees are members of a union, while other forums also exist for collective discussion.
- In Europe, an Employee Council with 29 elected or nominated employee representatives from 13 countries meets twice a year with the Group General Manager, Human Resources.
- We welcome debate, feedback and discussion

with our employees, both on an individual basis and in all of these forums.

- We have systems in place to deal with employee grievances and complaints, and promote an open culture of two-way communication.
- We track employee engagement and satisfaction. During 2003, we conducted surveys in North America, Brazil, Argentina, Asia-Pacific and the Middle East.
- We provide opportunities for employee learning and communication.

For further information, see the 'Investing in our People' chapter, pages 44-47.

In 2004, we will undertake an audit to establish a better understanding of union membership, employee representation and consultation forums across the Group. We will also standardise our methods of tracking recruitment and employee satisfaction worldwide through a set of questions that can be used in each country.

### **Suppliers**

We have developed an Ethical Code of Conduct for Suppliers of Goods and Services and a Supplier Registration Form, both of which are posted on our web site. Suppliers are able to sign up to the code and provide us with details of how they are complying with it and what steps they are taking to meet environmental and socially responsible standards. Initially, the registration process will be used to vet prospective suppliers, but we have also started a programme to monitor and assess existing suppliers against the undertakings they have made to comply with the environmental and ethical requirements set out in our code.

### **Non-governmental organisations**

We are in regular contact with a number of groups representing wider society. Among them are the UN's Global Compact body and other leading non-governmental organisations (NGOs), including our Investing in Nature partners (see pages 37-41).



In considering major financing decisions, we take account of the expectations of legitimate interests in society and any concerns expressed about the wider impact of our business.

We are asked by NGOs to report even more detail, for instance, to disclose information on major loans that we have declined for non-financial reasons. We are willing to give such information, provided it does not undermine our competitive position, but we will not — indeed, by law we cannot — compromise customer confidentiality.

### **Governments and regulators**

Public regulators, on behalf of society, issue banking licences only to those organisations in which they have total confidence. Around the world, we are answerable to more than 370 regulators, most of whom we meet on a regular basis.

In addition, we participate in numerous government-led and financial services industry working parties.

### **Political donations**

It is the Group's long-standing policy not to make contributions to political parties. Following its acquisition on 28 March 2003, and until 30 September 2003, Household International, Inc. continued its previous policy of making donations to US political parties. During that period, donations totalling US\$455,270 were made. Since 1 October 2003, Household has adopted HSBC's policy of not

March 2003: shareholders are given an opportunity to voice their opinions about the acquisition of Household International, Inc. at an Extraordinary General Meeting in London.

making contributions to any political party. Save for the donations made by Household before 1 October 2003, no political donations were made by HSBC during the year.

### Key questions

These are some of the questions most commonly asked by our stakeholders in 2003.

#### **Q. How do you justify the salaries paid to senior executives?**

**A.** We recognise that this is a sensitive issue and that is why we are transparent about our remuneration policy. Compared with many people, senior HSBC executives are well paid. However, they are responsible for a multinational organisation, some 223,000 staff and over 110 million customers in 79 countries and territories. High salaries are necessary to compete for the best people in this international market-place. HSBC's eight executive Directors have worked in 17 different countries. Compared with senior executives in other international companies around the world, HSBC's top people remain relatively moderately paid, a fact borne out by survey after survey.

#### **Q. There do not seem to be many women in senior management or on your Board. Why?**

**A.** HSBC believes in diversity based on merit, and we recruit employees solely on merit and suitability. It is true that we have relatively few women in senior managerial positions. This reflects the social and employment practices of the past, because HSBC tends to recruit people for long-term careers. However, we do have more women on our Board than have most of the world's largest companies. We are committed to providing equality of opportunity to all staff, regardless of gender, race, nationality, ethnic origin, age, disability, religion or status. Exactly the same principles apply to senior management and Board appointments. Individuals are promoted or invited to become Directors not because they are men or women, but because they are the best people for the job. (See the 'Investing in our People' chapter, pages 44-47.)

#### **Q. What is HSBC doing to combat money laundering?**

**A.** HSBC has comprehensive anti-money laundering standards and controls that we implement across our business worldwide. We work closely with the appropriate authorities in each of our markets where, in some cases, our controls exceed local



We compete for the best people in an international market-place.

requirements. Our global policies and procedures form our money-laundering deterrence programme. These include careful identification procedures for account opening, close monitoring of transactions and a worldwide network of control officers for tracking and reporting.

In addition, HSBC conducts money-laundering awareness programmes for every new member of staff and comprehensive refresher training for all relevant employees. We are a founding signatory to the Wolfsburg Principles on anti-money laundering for international private banks and a member of the UK group of six banks that have committed to a voluntary exercise to improve their anti-money laundering procedures (see page 12).

**Q. Why are you transferring work from the developed countries to Asia?**

**A.** HSBC is an international company operating in a global economy. We must remain competitive to be successful. We perform different tasks in various locations around the world according to where it is most efficient for us to do so. This means, for example, that in the UK we do work for our offices in the Middle East, in Turkey, in Malta and elsewhere in Europe. Similarly,

we have staff in Canada, the UK, the United States and Hong Kong working on systems used throughout the world. Equally, the UK, the United States, Canada and many other parts of our worldwide operations do part of their work in our new Group Service Centres in India, Malaysia and mainland China. This allows HSBC to remain competitive so we can provide top quality service for our customers, reasonable returns to our shareholders, and job security for our employees. If we did not operate in this way, our competitors would eventually take away our business.

From another perspective, HSBC also has obligations to the communities we serve around the world. We believe creating jobs in emerging markets makes a positive contribution. Our staff working around the world enjoy attractive terms and conditions and a working environment that is of the highest international standard.

**Q. Banks do not have a good reputation when it comes to customer service. What are you doing about that?**

**A.** There is a tendency to see all banks as the same in terms of performance and customer service. Nevertheless, there is good evidence

HSBC's new Group Service Centre in Cyberjaya, Malaysia. The HSBC Group has been operating in Malaysia for 120 years.



from the product and service awards that we win in many parts of the world, and from customer surveys, that HSBC is trying to be different and is succeeding. However, we are not complacent and continue to focus strongly on defining HSBC through the quality of service we give to our customers. We remain strongly committed to putting our customers at the heart of everything we do and, in so doing, create long-term mutual value.

**Q. What are HSBC's views on animal testing?**

A. This is a sensitive subject. Our understanding is that many informed people support the use of animals in scientific research, where no alternative exists, provided that such research is conducted under very strictly observed government regulations, that it is as humane as it can possibly be, and that it manifestly serves the advancement of human and animal welfare.

However, we also recognise that this view is not universally held and that there are still a number of difficult areas, including the use of primates. We also note that many of our individual customers are opposed to animal testing and that some of our major business customers place strict limitations on the sale of animal-tested products. We know that the law in the UK and elsewhere requires drugs to be tested on animals before they can be brought to market, but we share the hope of many in the medical research field that ways can be found of reducing the use of animals in the future.

**Q. Are you financing the export of armaments?**

A. We have always taken a cautious approach to the financing of defence equipment sales by applying strict internal controls and ensuring that all necessary government licences and approvals relating to the transaction were in place. However, we decided some time ago to withdraw from this type of business progressively and in a

manner which recognises our proper responsibilities to our customers. As a result, we have made our customers and potential customers aware that we have no appetite for lending for the manufacture and sale of military hardware.

**Q. Does HSBC have a code of good ethical conduct?**

A. Yes. HSBC has long espoused high ethical standards in the conduct of its business. Honesty, integrity and a strong sense of responsibility have been our hallmarks in dealings with our stakeholders. Our *Group Standards Manual*, an internal document, sets out the company's policies and procedures in this vital area. So ingrained are these standards that for much of our history it was considered unnecessary to articulate them. However, the Group's international expansion and higher profile around the world has coincided with increasing public scrutiny of multinational companies.

We have therefore decided to make explicit what was previously implicit. Although in 1998 we published our statement of *Business Principles and Values*, we consider it to be in the company's best interests to provide additional evidence of our adherence to internationally accepted standards of conduct. That is why we have expressed our support for the Global Sullivan Principles and the United Nations Global Compact. In addition, we are members of the Institute of Business Ethics and of the anti-corruption organisation Transparency International (UK).

**Contact us**

We want to hear your views about HSBC. Please see the inside back cover for details of how to contact us. We also welcome suggestions of other audiences who might be interested to receive this report in future.