

Climate Group Launch

Speech by Sir John Bond
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Minister, Ladies and Gentlemen.

It is a privilege for HSBC to be here to support this vital initiative. We welcome the creation of this new and important organisation. The launch of the Climate Group will, I hope, prove to be a catalytic event for action on climate change.

HSBC may be a relatively new name to some of you. So this is an opportunity for me to describe what lies behind our initials.

A company is an abstract legal concept. But actually people are what bring a company to life.

The values of a company are often the least visible and least understood part of a company. But they are also the most important. It is reasonably easy to find out about a company's numbers. Much harder to see into its character. That may be our fault. We need to be much more explicit about what we stand for.

We start from the premise that HSBC has a wide range of responsibilities. Our first duty is to be successful. Because without success, a business cannot fulfil any of its obligations to shareholders, clients or colleagues.

We cannot record our success purely as an amount of money in our annual report. This is not the whole story. The true story is about how the people of HSBC behave at all levels of the company, so one of my tasks is to set an example.

HSBC's understanding of a broader role in society has been embedded in its values since our inception in 1865. We have always believed that we have a responsibility to the communities in which we operate.

This responsibility lies at the heart of all business, not just HSBC's. While the world understands that the state-planned economies of the last century did not lead to the optimal use of limited resources, the overwhelming challenge of the 21st century is to prove that free markets can benefit broader society and not just the few.

This is what drives HSBC today and will do so for as far as we can see in the future.

We have chosen two principal themes which we believe will help make the world a better place – if that doesn't

sound too grandiose. They are education and the environment.

Inequality is clearly one of the biggest challenges the world faces. We believe we can help address this through education at the primary and secondary level for those children who are disadvantaged.

And we focus on the environment in order to give people a fitting place to live. It is a fact that we have stewardship of this planet for future generations. This is not new thinking for us: we were a founder member of the Hong Kong Business Environment Council – formerly the Private Sector Committee on the Environment – 15 years' ago. We were a founding signatory to the UNEP Financial Institutions Group; we were founding participants in the UN Global Compact.

I would highlight one particular initiative: our US\$50 million, five-year support of Investing in Nature. One facet of this is a project with Earthwatch where

we are committed to sending 2,000 of my colleagues on scientific research projects around the world. I suspect the impact on HSBC of 2,000 environmentally switched-on colleagues will be profound.

I am no scientist. And I am certainly no expert on climate change. However we have a board committee on Corporate Social Responsibility chaired by Lord Butler which examines, among other things, environmental issues. And we are fortunate to have Lord May, President of the Royal Society, as a member of that committee.

We also have Francis Sullivan, the former director of Conservation at WWF, as our Adviser on the Environment. And we listen to what they and others have to say.

And as a result, our judgement at HSBC is that climate change represents the largest single environmental challenge this century. It is all the more dangerous because it is such a slow and hard-to-track phenomenon; it is truly the invisible enemy.

Our response? Well, first we have recognised the problem. And that we have plenty of learning to do. That is a start.

**vital
initiative**

We also recognise that it cannot be solved by any one agent acting unilaterally. We all have a responsibility here. Government must, and in this country is, playing its part. Last week's report on flooding in Britain from the dti is a good example. Business must also play its part. And, of course, we all have responsibility as individuals.

HSBC's first duty is to put our own house in order. And then to work with our customers to help them face the challenges that they face.

Since 2001, we have been building an HSBC environmental reporting system, which we are extending to our operations around the world. And in 2001 we set ourselves the target of reducing our greenhouse gas emissions by 5 per cent over five years. We now find that target not challenging enough.

This year 75 per cent – and next year we are aiming for 100 per cent – of our UK electricity will come from non-fossil fuel sources; green electricity if you like. This represents a saving of 50,000 tonnes a year of carbon dioxide, nearly ten per cent of HSBC's total emissions for the countries we have reported on.

HSBC is, by default, one of the world's largest property companies with close to 11,000 sites around the world comprising more than 65 million square feet. We are in the process of strengthening our environmental planning, management and reporting team in our corporate real estate division.

We are currently piloting eco-branches in the UK – low energy-consuming, with fixtures and fittings sustainably sourced. Our ultimate aim is to incorporate environmental and sustainable construction elements into all future refurbishment and redevelopment of branches and offices around the world.

I have used UK examples because we are standing here in London, but my colleagues around the world are also looking at ways of reducing their energy consumption. In the US and the UK we have installed lighting upgrades and thermostat replacements which will save

320 tonnes of carbon dioxide annually. And in Australia, our operations are looking to source 10 per cent of their energy from renewable sources.

In an organisation with more than 220,000 employees, individual actions add up to meaningful results. When I joined HSBC, I was taught to turn the lights out when I left the office. And we are considering how best we can encourage all our colleagues to switch on to switching off, literally and metaphorically.

We have also taken steps to build sustainable policies into our business. We expect the cost of carbon to increase as a result of regulation and carbon taxes; and we believe financial institutions will play an important role in the shift to cleaner energy.

We have instituted Group-wide policies on environmental protection, with environmental impact assessments where appropriate. We have adopted the Equator Principles for project finance. And we provide environmental analysis for our institutional clients.

Some of these initiatives are straightforward. Of course, using cleaner energy and reducing costs at the same time warms a banker's heart.

But some of the issues are potentially more difficult. One person's dam is a lifesaver providing desperately needed energy; it is another person's environmental disaster. We will have difficult decisions to make in the future. I welcome the opportunity for HSBC to be a founder member of the Bank Working Group of the Climate Group so that we can both learn and help shape the debate.

So where is HSBC today? I would say that our heart is in the right place, but we are in the foothills looking up at the mountains. We have started the long journey and we intend to complete it. And we are delighted that we will have the Climate Group to help us along the way.

Thank you.

build sustainable policies