

REQUEST FOR PROPOSAL (RFP)

PROCUREMENT OF CARBON OFFSETS

RFP REF: 9379

This Request For Proposal (RFP) comprises the following Sections:-		
Section A	Instructions	To be retained
Section B	Specification / Brief	To be retained
Section C	Form of Proposal Schedules	To be <u>returned</u>
Section D	Non-Disclosure Declaration	To be <u>returned</u>
Section E	Supplier Appraisal Questionnaire	To be <u>returned</u>

SECTION A: INSTRUCTIONS

1. Time pressure requires proposals for this RFP to reach HSBC as soon as possible. At the latest we require:
 - A) An electronic copy sent by e-mail by the 16.08.2005, 17.00 GMT time to:
francissullivan@hsbc.com and danielbussin@hsbc.com
 - B) Two hard copies to arrive by 17.00 GMT on the 22.08.2005 at the following address:
Francis Sullivan
Adviser on the Environment
Ref: 9379
Group Corporate Affairs
HSBC Holdings plc
Level 36
8 Canada Square
London
E14 5HQ

Your proposal should include the following:-

- Introduction & Overview outlining your organisation's suitability and experience
 - Completed Form of Proposal schedules (format as per Section C)
 - Signed copy of the Non-Disclosure Declaration (as per Section D)
 - Completed Supplier Appraisal Questionnaire (as per Section E)
 - Your organisation's Terms of Business / Terms & Conditions of Contract
 - Proposed payment terms and payment profile
2. Your proposal should remain open for a period of 60 days from 16 August 2005.
 3. You may be requested to discuss your proposal and HSBC Holdings plc reserves the right to negotiate the terms of your proposal.
 4. You should ensure that sufficient time is allowed for HSBC Holdings plc to respond to your queries without impacting the deadline for responses. On no account should you contact anybody within HSBC Holdings plc other than the person(s) named below in connection with this RFP. Failure to comply could lead to immediate disqualification.
 5. No proposal shall be deemed to have been accepted unless such acceptance has been notified in writing by or on behalf of HSBC Holdings plc.
 6. HSBC Holdings plc shall not be bound to accept the lowest or any proposal and may accept proposals from more than one bidder. In the latter respect you may indicate whether you are willing to propose lower rates for exclusivity.

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7. HSBC Holdings plc will not be responsible for nor pay for any expenses or losses that may be incurred by you in the preparation of your proposal.
 8. Your proposal may be accepted in whole or in part.
 9. You must not make any alteration to the documents comprising this enquiry.
 10. Failure to comply with the provisions of these instructions or to complete the enquiry in full may result in the disqualification of your proposal.
 11. The contents of this RFP are strictly confidential and must be treated with no less care than your own confidential information. The contents may only be disclosed to your own employees on a 'need to know' basis.
 12. Any questions or requests for further information relating to this RFP should be made by 17.00 GMT on 10 August 2005. Requests should be made by email to danielbussin@hsbc.com (and copied to francissullivan@hsbc.com) or by telephone to +44 (0) 20 799 10658. Any questions that HSBC believes may be useful to all potential suppliers will be summarised with the corresponding answers and made available to all potential suppliers by 12 August 2005.

SECTION B: SPECIFICATION / BRIEF

Preamble

HSBC has a long-standing commitment to the environment. Over recent years, this commitment has been translated into actions to limit the Group's direct and indirect impacts on the environment.

The HSBC Group's Environmental Risk Standard was published 2002. Since that time we have implemented a number of actions to reduce our indirect impacts on the environment. In 2003, the Group adopted the Equator Principles. These are voluntary guidelines that direct the bank not to lend to projects where the borrower is unable or unwilling to comply with the Principles or the bank's own internal environmental and social policies, whichever carries the higher standard. HSBC has also developed a number of sector guidelines: *Forest Land and Forest Products* (2004), and *Freshwater Infrastructure and Chemicals Industry* (2005). Summary versions of these documents are available on our website, at www.hsbc.com/responsiblefinance.

The Group has also been working to reduce its direct environmental impacts. In July 2005 Group-wide reduction targets for 2005-2007 were announced. In summary, for the HSBC Group the targets are as follows: energy (7%), waste (8%), water (7%), CO₂ (5%).

More specifically, HSBC has developed its policies and practices to reduce its contribution to global climate change. Last year, Sir John Bond, Group chairman of HSBC Holdings gave two speeches on climate change in which he stated: "*Our judgement at HSBC is that climate change represents the largest single environmental challenge this century*". Also in 2004, HSBC was recognised for leadership on the issue of climate change, achieving membership of the Climate Leadership Index, which is awarded to the 50 companies of the FT500 that are making the most progress in quantifying and reducing their CO₂ emissions.

Later that year, the HSBC Group Management Board approved a *Carbon Management Plan*, which committed the Group to reduce energy consumption, buy renewable electricity (where possible) and to offset the remaining CO₂ emissions. The plan committed HSBC to become a carbon neutral company by 2006. The scope of HSBC's direct emissions measurement, management and reporting system covers electricity, natural gas, fuel oil and business travel.

During 2005 the HSBC Carbon Management Task Force (CMTF), established under the Group Chief Executive has been investigating how best the carbon neutral commitment can be achieved. The CMTF is a cross-functional group. Its members are Project Finance, Credit & Risk, Energy & Utility Sector, Corporate Real Estate and Corporate Affairs. In addition the Climate Group and ICF Consulting are advising the CMTF. The CMTF has been directed to propose offsets, which are credible, genuinely incremental and cost effective.

This RFP is the product of the Task Force. HSBC plans to "dry run" the systems and processes required to become a carbon neutral organisation for the period 1 October – 31 December 2005. Detailed calculations of the Group's carbon dioxide emissions are being carried out, and simultaneously this RFP is being prepared to build an offset portfolio of a size that can offset these emissions. We have calculated that the Group's CO₂ emissions for this 3-month period will be around 161,000 tonnes. Adding a 5% margin of error, we conclude that our emissions may be 170,000 tonnes of CO₂.

1. Background

HSBC Holdings plc is seeking to purchase carbon offsets to assist in fulfilling its goal to become carbon neutral. Eligible carbon offsets include the following:

- i) Gold Standard Clean Development Mechanism (CDM)
- ii) CDM and Joint Implementation (JI) regular
- iii) Voluntary Emission Reductions (VERs)

In order to evaluate the carbon offsets offered, you are required to complete the schedules set out in Section C. A separate schedule should be completed for each category of carbon offset

The credibility of the offsets purchased is of great importance to HSBC. Suppliers offering VERs and other non-Kyoto compliant emission reduction credits should state clearly what processes and systems are employed and what standards are used in order to ensure 'additionality' and non-double counting of the voluntary offset credits.

CDM Projects should indicate at which stage proposed project(s) are at in the accreditation cycle, with an indicative timetable for approval by the CDM Executive Board. Suppliers should submit any documents relating to projects, such as a Project Idea Note (PIN) or Project Design Document (PDD), which are available at this time. However, it is not mandatory that projects should already be at any given point in the CDM cycle.

2. Criteria & Screening Guidelines

HSBC is seeking to purchase 170,000 tonnes of emission reductions from the above stated offset categories.

RFP responses will be evaluated on the basis of the most economically advantageous offer taking into account the following criteria:-

i. Emission Reduction (ER) credits must have:

- Credibility (additionality and non-double counting)
- Delivery guarantee

ii. HSBC has a preference for ER credits with the following characteristics:

- Offset projects from:
 - Small hydro
 - Wind
 - Tidal
 - Wave
 - Solar
 - Wood combustion
 - Biomass

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- Co-firing of biomass
 - Transportation
 - Energy Efficiency
 - Offset projects in China, India, Brazil, Mexico
 - Validated and Verified offset projects
 - Industry Experience and Proven Track Record of the supplier
 - Cost effective ER credits and competitive Payment Terms
 - ER credits from 2005 vintages
 - Sustainable development and social aspects of ER projects offered

iii. HSBC wants to avoid

- Projects from carbon sinks / sequestration offset projects (such as forestry). However, offset projects using biomass for energy production will be considered.
- ER credits issued before 2005

In addition

All guarantees of delivery of ERs will be borne by the supplier. The successful applicant will guarantee the supply of ERs from projects following the specified criteria as laid out above. The successful applicant will make provision for the risk of project(s) or portfolio of projects failing to provide ERs, and will be responsible for fulfilling this obligation should chosen projects under-perform.

SECTION C: FORM OF PROPOSAL SCHEDULES

Gold Standard CDM	
Requirement	Description (example)
Description of scheme	E.g., Clean Development Mechanism
Description of project	Project type
Project location	Country
Project proponent	Private company, organisation, proof of ownership
Letter of Endorsement or Approval from Host Government	Endorsement of project activity by appropriate government body (e.g., DNA, Environmental Ministry)
Social and environmental considerations	What social and environmental considerations have been made in the development / implementation of this project?
Estimate of yearly volume of emission reduction credits that are expected to be generated	Tonnes CO ₂ e per year
Current status of the project	Feasibility stage, development stage, operational
Commencement of project operation	What year will the project commence operation
Project quality standard	Has the project received 'Gold Standard' certified If not certified demonstrate that it meets the additional Gold Standard requirements
Vintage	Year that they are produced
Vintage availability	What proportion of the credits are available; other purchasers
Issue date	Earliest year that they may be issued to HSBC
Indicative Cost (cost / tonne CO ₂ e)	State currency in all recognised mayor currencies / tonne CO ₂ e

CDM and JI Regular	
Requirement	Description (example)
Description of scheme	E.g., Clean Development Mechanism. Joint Implementation
Description of project	Project type
Project location	Country
Project proponent	Private company, organisation, proof of ownership
Letter of Endorsement or Approval from Host Government	Endorsement of project activity by appropriate government body (e.g., DNA, Environmental Ministry)
Social and environmental considerations	What social and environmental considerations have been made in the development / implementation of this project?
Estimate of yearly volume of emission reduction credits that are expected to be generated	Tonnes CO ₂ e per year
Current status of the project	Feasibility stage, development stage, operational
Commencement of project operation	What year will the project commence operation
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Vintage availability	What proportion of the credits are available; other purchasers
Issue date	Earliest year that they may be issued to HSBC
Indicative Cost (cost / tonne CO ₂ e)	State currency in all recognised mayor currencies / tonne CO ₂ e

Voluntary Emission Reductions (VER's)	
Requirement	Description (example)
Description of compliance scheme	E.g., UK ETS, CCX, Native Energy,
Source	Where appropriate, what actions or activities led to the generation of the credits
Level of verification	To what level are emission reductions verified
Country of origin	Country
Vintage	Year that available credits are produced
Issue date	Earliest year that they may be issued to HSBC
Indicative Cost (cost / tonne CO ₂ e)	State currency in all recognised mayor currencies / tonne CO ₂ e

DECLARATION

Having read the Holdings' Request for Proposal dated 4 August 2005, we offer to supply the Carbon Offsets specified therein fully in conformity with the Holdings' RFP at the rates and prices listed in the RFP Section C.

Signed:	
Date:	
Position:	
For and on behalf of (company):	
Address:	
Telephone Number:	
Fax Number:	
Email:	

SECTION D : NON-DISCLOSURE DECLARATION

THIS DECLARATION is made this _____ day of _____ 2005

BY

_____ whose registered office is at _____ (“the Company”)

WHEREAS, the Company and HSBC Holdings (referred to herein as “HSBC Holdings”) are currently engaged in discussions with respect to the provision of Carbon Offsets which may become the subject of a contract to be entered into between them;

AND WHEREAS such discussions will involve the written or oral disclosure and communication to the Company by HSBC Holdings which may include but is not limited to financial data, business plans, personal information, drawings, samples, devices, demonstrations, trade secrets, technical information relating to computer systems and software and related documentation, results of research and other data and code concerning or being the property of HSBC Holdings and its subsidiaries, their customers and other matters relating to HSBC Holdings’ business (collectively and individually referred to as the “Information”);

AND WHEREAS, the Company and HSBC Holdings wish to define their rights with respect to the Information, and to protect the rights of HSBC Holdings;

AND WHEREAS, the Company shall recognise that the Information is provided by HSBC Holdings “as is” with no guarantee as to its fitness for any purpose intended by the Company;

AND WHEREAS, HSBC Holdings makes no warranty whatsoever in respect of the Information save that it has the right to disclose the Information;

AND WHEREAS, HSBC Holdings shall not be liable in any way for any actions or claims arising out of the Company’s use of the Information.

AND THEREFORE, in consideration of the above premises and promises herein, the Company declares the following to HSBC Holdings:-

- 1 The Company guarantees that it will maintain strict security over the Information to include confidentiality and integrity of the Information.
- 2 The Company confirms that adequate security measures and precautions are in place to protect the Information in accordance with the Data Protection Act 1984 and 1998.
- 3 The Company shall disclose the Information only to those of its employees, agents and consultants who shall have a need-to-know the Information for the purposes described herein. The Company shall, prior to disclosing the Information or any portion thereof to such employees, agents and consultants, issue appropriate instructions to them to comply with the Company’s obligations herein to receive and treat the Information as confidential and subject to non-disclosure on the same conditions as contained herein.
- 4 The Information shall not be mechanically copied or otherwise reproduced by the Company and shall not be altered or supplemented with other data without the express written permission of HSBC Holdings.
- 5 The Company shall observe these conditions except when required to disclose the Information by an authorised employee of HSBC Holdings, or by law.
- 6 The Company shall, upon request of HSBC Holdings, return the Information and copies thereof under the Company’s power or control or shall destroy and furnish proof of their destruction.
- 7 The Company’s obligations hereunder shall not apply to information which the Company can show i) is or comes into the public domain through no fault of the Company, ii) is independently developed by the Company, iii) is lawfully received from a third party without a duty of non-disclosure.
- 8 This Agreement shall be construed in accordance with and governed by the laws of England.

SIGNED BY:

NAME:

Duly authorised to sign for and on behalf of

DATE:

SECTION E : SUPPLIER APPRAISAL QUESTIONNAIRE

1. INTRODUCTION

The purpose of this questionnaire is to assist HSBC in the evaluation of potential Suppliers to provide goods and/or services.

2. COMPLETION INSTRUCTIONS

The questionnaire must be completed in the format given. Any additional information you may wish to provide should bear a clear cross reference to the section/question the information supports.

All questions must be addressed. Please do not leave blanks. You may use NONE, NOT APPLICABLE, N/A where appropriate.

Unless otherwise instructed, answers must relate specifically to the Company named in Section 3

Your response will be treated in strict confidence but may be disclosed to other companies within the HSBC Group for the purposes of supplier evaluation.

3. GENERAL DETAILS

a) Name of Company b) Address											
City											
Post Code											
Country											
c) Telephone Number											
d) Fax Number											
e) Company web site address	www.										
f) Registered address											
g) Company Registration Number:											
h) Contact name											
i) Contact e-mail address											
j) Description of the Company's core business											
k) Please list any other operating divisions or other group companies and state scope of business	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Company name</th> <th style="width: 50%;">Scope of Business</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table>	Company name	Scope of Business								
Company name	Scope of Business										

4. COMPANY FORMATION

a) Company classification (please tick)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Public Limited Company</td> <td style="width: 20%;"></td> </tr> <tr> <td>Private Limited Company</td> <td></td> </tr> <tr> <td>Sole Trader</td> <td></td> </tr> <tr> <td>Partnership</td> <td></td> </tr> <tr> <td>Other (Please specify)</td> <td></td> </tr> </table>	Public Limited Company		Private Limited Company		Sole Trader		Partnership		Other (Please specify)	
Public Limited Company											
Private Limited Company											
Sole Trader											
Partnership											
Other (Please specify)											
b) Date of formation of the Company											
c) Name of Parent Company or Group											

5. FINANCIAL INFORMATION

a) Annual turnover; last three years	Financial Year 2002	£
	Financial Year 2003	£
	Financial Year 2004	£
b) Name and address of Bankers		
c) VAT Registration number (if applicable)		
d) Insurance details	Employers Liability	Limit £
	Public Liability	Limit £
	Professional Indemnity	Limit £
	Other (Please state)	Limit £

6. EMPLOYEES / HR RESOURCES

a) Total number of permanent staff	(average during 2004)	
b) Number of staff by skill sets	Management/Supervision	
	Clerical/Support	
	Operational	
	Sales/Marketing	
c) Staff turnover per annum as a percentage of total workforce	%	

