

Launch of HSBC Sustainability Leaders Fund

Speech by Stephen Green
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Good evening ladies and gentlemen, and welcome to St James's Street. It's a great pleasure also to introduce Lord Holme, Chairman of LEAD and Penny Shepherd, Chief Executive of the UK Social Investment Forum, both of whom will say a few words later.

We've invited you here this evening to mark the launch of the HSBC Sustainability Leaders Fund, an innovative fund that will invest only in companies that demonstrate a real commitment to sustainability. More of that in a moment.

First, I'd like to say a few words about our wider aspirations to develop a sustainable business, of which this fund launch forms a part.

The questions of corporate responsibility and sustainability have come to public prominence in the last few years and much of the debate assumes that the role of companies and the quest for sustainability are diametrically opposed.

I disagree. If we stop a moment to consider the origins of the two words 'economy' and 'ecology'. Both words share the same root – *oikos* – the ancient Greek word for a dwelling place or house. Delve a little deeper and you find that ecology is the *study* of this dwelling place; while economy is the *management* of it.

Not only are ecology and economy *not* the awkward bedfellows some people consider them, they in fact carry complex implications for how we look after both the world that human beings have constructed, and the natural world we have inherited.

I think we all cross our own particular rubicon in this respect. Mine was seeing dramatic satellite images of the decimation of rainforests in Borneo over the last 50 years. This demonstrated in stark images what I had learnt from WWF's Living Planet report, which argues that we are living off the natural capital of the earth, rather than the interest. We need to reverse that trend.

There is much debate about where the duty of a company to conduct its business in a responsible and sustainable fashion begins; and where it ends. Because the parties to the debate are so diverse and their objectives wide ranging, it has often proved difficult to pin down a universally agreed definition of those responsibilities.

The Brundtland report to the UN World Commission on the Environment and Development in the late 80s provides as good a starting point as any. It defined sustainable development as that which "enables present generations to satisfy their needs without threatening the ability of future generations to satisfy theirs."

But from there on in, it is up to companies themselves to assess the sustainability of their own business and the measures they need to take in response.

At HSBC, our response is inevitably shaped by the views of our shareholders, our customers, our colleagues and the wider community; and sustainability is clearly a theme of growing importance to all of these constituencies. If our owners, customers and staff consider these issues to be important, this clearly means that our social responsibilities and sustainability must be at the very core of our business; not just an add-on to it.

This is why, our primary objective in our strategic plan states that we aspire to be one of the world's leading brands for customer experience and corporate social responsibility.

Of course, this is easier to say than to do, but we are seeking to turn words into actions by putting that aspiration at the heart of our business. We do this in three principal ways.

First, we are seeking to minimise our own impacts on the environment, direct and indirect.

Our direct impacts are relatively easy to measure and our environmental action plan tasks all our operations with reducing the amount of energy and water we use, and the waste and carbon dioxide we produce.

In October last year, we became carbon neutral, offsetting those emissions that, inevitably, we cannot eliminate. Our Canary Wharf HQ has been recognised for its green credentials. We are also delighted that our new Mexico HQ was the first building in Latin America to be accredited by the US Green Building Council for its environmentally friendly construction.

As a bank, we are fortunate to be in an industry that is not itself a major polluter. However, banks fund all sorts of businesses, including those in environmentally sensitive sectors such as energy, water and forestry. So indirectly, our business is inextricably linked to industries that *do* have a much larger direct impact.

We have adopted a number of international codes guiding the conduct of our business; most recently, the UN's Principles of Responsible Investment. By signing up to international standards, such as the Equator Principles and the UN Global Compact, we signal our aspirations for sustainable development.

But in some particularly environmentally-sensitive sectors, we think it appropriate to be more explicit about how we will – and won't – do business. So we have formulated policies governing our involvement in the forestry, water and chemicals sectors; we issued an energy policy earlier this week and a metals and mining policy will follow later this year.

The purpose of these policies is twofold: to define the parameters of how we will do business with companies in each of these sectors, and to work with clients to develop a more sustainable approach to development. We do reserve the right to withdraw our support from companies who flagrantly ignore the environmental impact of their business but it is our overwhelming preference, and the overwhelming preference of our customers, to work together to improve their and our sustainability.

The work we have done to reduce our direct and indirect impacts could not have been achieved without the help of many outside parties, some of whom are here this evening.

It is as much a credit to them as to us that HSBC was named 'Sustainable Bank of the Year' in the first *Financial Times* Sustainable Banking Awards, in recognition of our success in integrating social, environmental and business objectives in our operations. I'd like to thank all of our partners for their support and guidance, without which I very much doubt we would have received this accolade.

The second way we are exercising our responsibilities is in seeking new business opportunities that embrace the concept of sustainable development. We consider that our responsibility to fund projects with a positive environmental impact is as important as not funding

those with a negative one. So we are looking at a carbon, water and forestry finance strategies, among others.

And of course, today's launch of the HSBC Sustainability Leaders Fund forms a part of this. We have worked with LEAD to develop a new type of financial product, and we are very grateful to them for their support.

The fund will give investors the opportunity to obtain meaningful returns through investing in companies which actively seek to promote sustainable development. These will include not only major European multinationals, but also smaller firms which are developing new technologies to promote sustainable development. Companies involved in the weapons and tobacco industries are systematically excluded.

HSBC will also donate a portion of the fund management fee to finance LEAD's excellent work in training and leadership development.

The final strand in our approach is philanthropic. In fact, this brings us full circle to where we started. Our *Investing in Nature* partnership with three major environmental charities, which is funding major conservation projects around the world, was the catalyst that set us looking at our sustainability in the round. Philanthropy remains an important part of our sustainability strategy; but I hope our partners will be pleased rather than dismayed that we no longer consider a purely philanthropic approach to be enough.

Ladies and gentlemen, I have briefly outlined HSBC's thinking on an issue that will only continue to grow in importance.

Human development has achieved tremendous advances in the last 200 years, but it has come at a price to our environment. To return to the analogy that we bankers understand very well, we have started to eat into the natural capital of our world; now we must rebuild that capital. It is an investment in our children's and grandchildren's futures, that we cannot afford not to make. Thank you.