

A call for collective action on climate change

Speech by Stephen Green
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Good afternoon. May I start by saying what a great pleasure it is to be in Delhi today, and to thank TERI for inviting me to speak at this event. We are delighted that TERI is a research partner in the HSBC Climate Change Centre of Excellence – more of that later – and as I'm sure many of you will know, TERI's Director, Dr Rajendar Pachauri has chaired the scientific panel of the Intergovernmental Panel on Climate Change, whose work won a Nobel Prize last year. So it is great privilege to be invited to participate in this event.

As the global economic downturn has taken hold, there have been understandable fears that climate change might slip down the policy agenda as governments and businesses have, quite reasonably, focussed on the more immediately pressing issues of turmoil in financial markets and sharp economic contraction.

It is pleasing to find that those fears have so far proved largely unfounded. While the economic slowdown is clearly the primary concern of policymakers, climate change has still remained on the agenda – witness the green element to the fiscal stimulus packages that governments have unveiled.

Our research estimates that 'green' stimulus funds committed by the world's largest economies now total some 446 billion US dollars. This represents about 15 per cent of their total stimulus packages of almost 3 trillion dollars, with the United States and China dominating this 'green' dimension.

However, Lord Stern, who wrote an influential report on climate change for the UK government in 2006, and who is also HSBC's adviser on climate change, estimates that the green element to the stimulus packages needs to reach around 20 per cent, if it is to fill the gap caused by a slump in private sector investment following the global economic upheaval.

In the same way that policymakers have managed to retain a focus on climate change through these difficult economic times, it is also important that businesses do likewise. Mitigating the effects of climate change is not a 'nice to have' element of corporate planning. If dealing with the economic crisis is a short-term imperative, dealing with climate change is a long-term one.

The environment provides humanity with its habitat and the resources upon which our economies, and thus our prosperity, are built. The increasing pressures on the world's resources are therefore a threat not only to the natural environment, but to our future prosperity. For example, the Stern report forecasts that by the middle of the century some 200 million people might be permanently displaced 'climate migrants'.

Forecasts like this, should they prove true, threaten the trend towards increasing prosperity that has in the last few decades succeeded in lifting hundreds of millions of people from poverty. India has of course been one of the major beneficiaries of this trend.

As in the financial crisis, dealing with climate change must be an exercise in collective action. No one country, no one company, no one person can change this on their own. We are all in this together. It is only by concerted action that we can make a difference.

Climate change will show no respect for national boundaries, so that concerted action needs to begin at government level, to establish a policy framework within which the business community can work and contribute to finding climate change solutions. Thus, the Copenhagen negotiations are extremely important.

At the same time, I don't believe it is enough for businesses to sit back and wait for the protocols to be agreed.

Anyone running a business, however small or large, is surely looking to create a business that is

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successful in the long-term. And long-term success is fundamentally about the sustainability of your business model. Even in the current, difficult market environment, sustainability issues matter and are still important to customers, colleagues and investors, so they also make sound business sense.

Let me explain what I mean by sustainability.

First, and crucially, a company must achieve sustainable profit growth for its owners. Profits allow a company to reward its shareholders for trusting their capital to it, and to invest in the business for future growth.

And the sustainability of those profits will to a very large extent depend upon the sustainability of your customer and employee relationships. If you do not satisfy your customers and engage your employees, you cannot succeed in the long term.

And of course, a company's commitment to society, its approach to managing its social and environmental responsibilities, also underpins each of these aspects. Because the attitudes of investors, consumers, and employees are all moving in the same direction – towards greater support for sustainable business practice.

People increasingly want to be associated – as customers, as employees, as investors – with companies they feel are making a contribution to society.

This means that sustainability needs to be at the heart of every corporate agenda. There the certainty ends, and the question about what individual businesses can and should do begins.

So let me say a few words about HSBC's approach. This seminar is titled "The Journey Ahead", and a journey is a good way of describing HSBC's progress to becoming a more sustainable company. We started our journey probably where everyone does. Looking at how to manage and reduce our direct impact on the environment.

Of course, as a bank we are clearly not in an environmentally sensitive sector in the same way as, say, an oil or gas company, so we appreciate the challenge was easier for us than for others.

First, we began to monitor our energy and water usage and waste produced. Then we introduced a programme to reduce waste, and water and energy consumption. Those carbon dioxide emissions from the use of electricity, gas and business travel that we cannot eliminate, we offset by buying

emissions reductions from projects such as wind farms, including, incidentally, several here in India. As a result, since 2005, we have been carbon neutral.

The second phase of our journey was to recognise that, while our direct impact was relatively modest, we also have a responsibility for understanding and managing our indirect impact – the sustainability of the business we fund. This is a difficult and sensitive area to deal in, because it requires us to make judgements on how our customers do business.

We have approached this by establishing guidelines centrally, which are applied wherever we do business. These guidelines outline how we will, and will not, do business in environmentally sensitive sectors, such as forestry, water, energy, mining, and so on.

Where customers are not compliant with our internal guidelines, our aim is always to work with them to help them move towards more sustainable practices. But we of course retain, and occasionally use, our right to withdraw our support.

We are also active participants in a number of organisations that promote sustainability. For example, we were a founding signatory of the Climate Principles for the Finance Sector that were launched late last year.

The next phase of the journey has been to recognise that climate change is not simply a business risk to be managed, but a business opportunity to be developed.

We can use our competitive strengths to address the challenge of climate change – and write new business. And this is true for many businesses, although the opportunities will be different.

For banks, it means looking at how we use our expertise in financial markets to create new business opportunities. At HSBC, for example, that means we are financing renewable energy; backing microfinance initiatives, including here in India; and we've launched a Climate Change Centre of Excellence, with research teams in London and in Bangalore, which is producing, among other things, significant research on India's low carbon potential.

Underpinning all these, is a 5-year project, the HSBC Climate Partnership, which aims to combat

opportunities as well as risks

the threat of climate change by inspiring action by individuals, businesses and governments worldwide. We do this because we believe that dealing with climate change is a pre-requisite for the continued prosperity of the planet and the Partnership funds projects with four major NGOs, with a focus on key issues of people, forests, cities and water.

These are major projects – we have committed over 100 million US dollars over five years – and we are working with three of our four partners on projects in India. If I may, I will say a few words about these to try and bring the partnership to life.

One partner, Earthwatch, specialises in placing people on environmental field projects, and colleagues at HSBC work at a specially-established field centre in Western Ghats. There are two aims: to get the vital conservation work done; and to create environmental ‘champions’ who can help spread the green message internally.

Another partner, WWF, is working to assess the impact of climate change on the Ganges, and to find ways to reduce the pollution of this river which is a lifeline for many, many millions of people.

Third, we are working with the Climate Group, here in India as elsewhere, to promote the processes and mechanisms that are necessary to achieve a low-carbon economy.

Ladies and gentlemen, that is something of a whistle-stop tour of HSBC’s approach to the climate crisis. It is a journey, for businesses such as HSBC, and for governments, NGOs and individuals.

Tackling the crisis requires multilateral cooperation – something we sincerely hope will be forthcoming in Copenhagen at the end of the year. In the meantime, there is much that businesses can do to minimise risks in their business, and maximise opportunities.

Thank you.