

Putting sustainability to work  
for your business



**HSBC**  
Bank



What is sustainability? And what impact does it have on your business? Here we answer the questions that matter for U.S. mid-size businesses.

### **What is sustainability?**

The UN World Commission on Environment and Development defines sustainable development as something “that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The idea of sustainability has gained traction over the years and now dominates the business agenda with many corporations assessing their impact on the global or local environment.

Sustainability-related risks, according to experts, are one of the biggest threats facing businesses today. From material cost increases to regulatory measures introduced to combat environmental disruption, all have the potential to severely disrupt the way we work.

And while sustainability tends to be used to talk about the environment, it also covers the well-being and prosperity of the planet’s population. That includes human capital such as local traditions and communities, international agreements and social and economic advances that give everyone an equal chance to succeed.

### **Why does my organization need to be sustainable?**

Simply put, sustainability in business matters. From greater employee satisfaction to higher operating efficiencies, having a focus on sustainability is changing the way that organizations work, and succeed.

The evidence is clear. Those organizations that put sustainability at the heart of their business outperform those who don’t by 16%.<sup>1</sup>

As resources become harder to obtain, businesses must work harder at becoming more efficient. This has a knock-on effect on a business’ environmental impact which in turn has a huge influence on a corporation’s reputation – both from an employee point of view and a customer one.

Many large companies have therefore had to become more selective about who’s involved in their supply chain, and will only work with partners who can prove they’re prioritizing sustainability.

Examples, and promises made by businesses, include Walmart installing LED lights across all its stores with an aim to reduce energy use by 40%<sup>2</sup> and Pepsi Co investing in electric trucks.<sup>3</sup>

### What are the benefits and opportunities for my business?

Sustainability, for the most part, is a matter of being more efficient. Naturally, that means lower costs in the long run. The University of California saved US\$91 m in under a decade through more sustainable energy use.<sup>4</sup>

Taking measures like waste reduction, lower emissions, less water use and working with more local partners, means you're likely to enjoy a better relationship with the communities around you.

Being an industry leader on climate change management has led to 18% higher profitability for Standard & Poor's 500<sup>5</sup> – it can also have a similar effect for mid-size companies.



“There is no ‘Plan B’ because we do not have a ‘Planet B.’ We have to work and galvanize our action.”

– Ban-Ki Moon, UN Secretary-General

### But aren't sustainable practices expensive?

Not necessarily. For example, cutting down on flights and having more long-distance meetings both cuts down on travel budgets and reduces your carbon footprint.

It's true that many sustainability measures do come with some upfront costs. Replacing machinery, building new infrastructure, updating equipment and training staff – these are all significant investments. And that's the best way to think about them. Like any other investment, they will prove their worth through savings and new opportunities.

Beyond the immediate business benefits and a better public reputation, it's also a form of insurance against sustainability-related threats in the future, such as disrupted supply, resource shortages and sudden surges in price due to social factors. We've already seen examples of how these can have a business impact with water restrictions in California, having hit local agriculture and other manufacturing organizations.

There might be a premium to pay, but being sustainable helps ensure a healthy future for your business and the communities it operates within.

As with any financial investment, there is an element of risk involved in green finance. However, considering what's potentially at stake, it's got plenty of support from governments, corporations, institutions, organizations and individuals across the world. It's also growing at a very healthy rate. The total amount of green bonds issued in 2017 was US\$155bn<sup>6</sup>, compared to US\$82bn in 2016<sup>7</sup> and only US\$4bn in 2010<sup>8</sup>.





### How can my business approach sustainability?

The first place to start is your supply chain. Even if you're sure that you're doing everything right within your company, you might not be aware of the harm being done by your partners both upstream and downstream. Investigating how your raw materials are produced, auditing your providers and their practices, and doing your due diligence ensures you're upholding high standards throughout. It also makes it easier to show larger corporations who you want to work with that you're serious about sustainability.

Many companies find working with local and regional partners highly useful in building better, more sustainable supply chains. They find that they can build healthier, long-term relationships with people who understand the market and share the same interests. It can also reduce transportation costs and long delays. And according to Greiner, a global plastics company that works with HSBC in the US, it helps ensure the standards of quality they expect from their products.<sup>9</sup>

Find out more about Greiner's sustainable approach to gaining an advantage in US packaging market.<sup>10</sup>

### What is sustainable financing, and how can it help me?

Sustainable financing covers any form of financial service that brings environmental and social considerations into investment decisions. The goal is to do what's good for business as well as what's good for society. And there are a wide variety of opportunities for businesses who show that they're invested in making a positive impact on the future.

Green bonds are a well-known form of sustainable financing, raising capital for projects that have specific environmental benefits.<sup>10</sup>



Since 2003, HSBC has applied the Equator Principles to nearly 900 transactions, including finance for 697 loans totaling approximately US\$67.6bn

It's estimated that an investment of US\$57tn will be needed between now and 2030 to help cities go ahead with low-carbon transport, energy, water, waste, telecommunications and infrastructure projects.<sup>11</sup> HSBC itself is committed to provide US\$100bn to finance clean energy, low-carbon technologies and projects.

If your company is involved in any of these areas, being sustainable can put you on the radar of those looking for partners, providers, suppliers and contractors for their next big undertaking.

On the investor side, it can make your business more attractive. Benchmarks like the Dow Jones Sustainability Indices (DJSI) keep track of the environmental and social aspect of companies and assess what that means for their success.

Sustainable financing can also come in the form of initiatives geared toward making sustainability an attractive proposition. There are over 400 state-level policies and incentives in the Midwest alone offering tax exemptions, rebates, corporate tax credits, rebates, loans and more.

Sources: <sup>9</sup>Tim Greiner on the Transformational Role of Chemical Footprinting, 2017 <sup>10</sup>Tim Greiner on the Transformational Role of Chemical Footprinting, 2017 <sup>11</sup>International Institute for Sustainable Development, 2015 <sup>12</sup>Global Trade Review, 2017



## Digital Sustainability

When we think of environmental impact, we tend to picture something physical, like a landfill, a congested city or a polluted plant. But our data and digital presence also leaves a carbon footprint. While estimates vary, an online search can cause somewhere between 0.2 and 2 grams of CO<sub>2</sub> emissions.<sup>13</sup> For comparison, a car in the US emits 360.7 grams per mile.<sup>14</sup>

Tech giants like Google, Facebook and Apple have ramped up their efforts, building greener facilities and constantly improving efficiency in their data centers. On the other side, the digital era has also helped, with many corporations opting for more and more paperless communications.

It all goes to show that what happens online has a real world impact, and that we should also consider digital behavior when thinking about sustainability

### Is there anything specific I need to look for in my own industry?

Each business has its own sets of challenges and opportunities. For a retail company, it might come in the form of emissions generated by their transport fleet, or auditing suppliers to see if their goods have a negative impact on the communities they're made in. For a manufacturer, it might be water waste or ethical sourcing of natural resources. And even companies that only provide services have to consider things like data efficiency and office energy usage. There's a lot you can do in terms of sustainability, but it's best to apply your expert perspective to see where in the business you can get the most impact.

Industry-specific standards and certifications that can help you show partners and consumers that you value sustainability. Examples include the CRI Green Label from the Carpet and Rug Institute, or the EPA SmartWay designation for the automotive industry.

### How can I prove my business is sustainable?

In today's environment, many see complying with federal and state legislation as the bare minimum. That's why getting recognized by respected sources has become crucial to encourage partners to work with you and customers to buy from you. While there are dozens to choose from, some are more universal, such as the ISO 14000 standards for environmental management or Fairtrade certification. Some companies also have their own standards, such as Procter & Gamble's Future Friendly, or Starbucks' C.A.F.E Principles.

The process of getting certified can be complicated, especially for smaller companies who just don't have the resources to focus on it. That's why it makes sense to concentrate your energy on what brings you a competitive advantage in your field and reflects your values. Regardless of how you choose to proceed, we can use our experience to help you avoid common friction points and minimize effort.



### How do I get started?

You could have the perfect plan on paper, but it won't turn into results until everyone's on board. That's why educating everyone across the business is key. Sustainability is not a one-and-done project. It's hard work, and an ongoing process. Showing your people why they need to change how they work and making it easier is going to lead to better results.

Our teams are well-versed in sustainability and finance, and can discuss ways you can bring about change in your business. That might mean finding the right initiatives and incentives, discussing green bonds or simply sharing expertise. We've helped many 'high-carbon' clients make the transition to a low-carbon economy.

We've also got the global connections and knowledge that your business might need. HSBC has helped governments and corporations from Mexico to China issue their first green bonds. That, plus our close ties to various non-profits and high rankings, means we're the right partner to help grow your business, both at home and abroad.

Sources: <sup>15</sup>Transforming our world: the 2030 Agenda for Sustainable Development, 2015

## Jargon buster

### SDG

As in, Sustainability Development Goals. Agreed by the UN, together with governments, businesses and civil society, they cover 17 goals and 169 targets to be achieved by 2030.<sup>15</sup>

### Equator Principles

A risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects. HSBC is one of the original members.

### Carbon neutral

The term for reducing greenhouse gas emissions to net zero. Methods to achieve this status include reducing emissions, or financial instruments like CO2 certificates that contribute to green projects.

### ESG

The abbreviation for environmental, social and governance. Stakeholders can use these non-financial factors to evaluate the impact a business is having on the world.

### UN Global Compact

A global initiative encouraging companies to align themselves with principles on environment, human rights, labor and anti-corruption and work toward common sustainability goals.

### CDP

A not-for-profit organization that rates companies on their work to mitigate climate change.

### DJSI

The Dow Jones Sustainability Indices evaluate publicly traded companies according to issues like corporate governance, risk management, environmental impact. These highly respected benchmarks are also the longest running worldwide.



## Selected sources

<http://www.ecolabelindex.com/ecolabels/?st=country,us>

<https://www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk/equator-principles>

<https://www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk>

<https://www.coca-colacompany.com/stories/setting-a-new-goal-for-water-efficiency>

<https://www.theguardian.com/sustainable-business/2015/feb/09/corporate-ngo-campaign-environment-climate-change>

<https://www.npr.org/sections/thetwo-way/2017/06/01/531048986/so-what-exactly-is-in-the-paris-climate-accord>

[https://www.defense.gov/Portals/1/features/defenseReviews/QDR/QDR\\_as\\_of\\_29JAN10\\_1600.pdf](https://www.defense.gov/Portals/1/features/defenseReviews/QDR/QDR_as_of_29JAN10_1600.pdf)

<https://www.theatlantic.com/magazine/archive/2018/07/when-the-next-plague-hits/561734/>

[http://www.sustainablefinance.ch/en/glossary-\\_content--1--3077.html](http://www.sustainablefinance.ch/en/glossary-_content--1--3077.html)

<https://www.ft.com/content/8b095f56-04c7-11e3-9e71-00144feab7de>

<https://qz.com/1267709/every-google-search-results-in-co2-emissions-this-real-time-dataviz-shows-how-much/>

<https://www.google.com/about/datacenters/efficiency/internal/>

<https://www.theguardian.com/sustainable-business/2015/may/05/millennials-employment-employers-values-ethics-jobs>

<https://sustainabledevelopment.un.org/post2015/transformingourworld>

<https://thesustainabilityalliance.us/clean-air-act-related-statutes/>

<http://programs.dsireusa.org/system/program?fromSir=0&state=CA>

<https://www.theguardian.com/sustainable-business/2015/feb/09/corporate-ngo-campaign-environment-climate-change>

<https://www.iso.org/iso-14001-environmental-management.html>

<https://shop.bsigroup.com/Browse-By-Subject/Environmental-Management-and-Sustainability/Sustainability/?t=r>

<https://www.ft.com/content/b9bac89a-4a49-11e8-8ee8-cae73aab7ccb>