

**The 8<sup>th</sup> Annual BCF CSR Lecture**  
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**CSR AND COMPANIES:  
A LOT MORE THAN CHARITY**

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**HSBC**  
**The World's Local Bank**

## The 8<sup>th</sup> Annual BCF CSR Lecture

Ladies, gentlemen, friends, good evening.

Let me begin by expressing my gratitude to Business & Community Foundation and India International Centre for inviting me to deliver today's lecture.

I propose to speak on the emerging & changing role of corporate social responsibility in today's world and the relevance and importance it holds for businesses, governments and communities. In doing so, I hope that I am able to position a perspective which allows CSR to gain better traction among all stakeholders.

Through my lecture today, I will also be sharing with you examples from HSBC and our evolutionary journey across the CSR Spectrum, lessons we have learned, insights we have gained and how we are shaping our CSR future. In doing so, I would like to table a CSR paradigm shift which allows us to find creative and innovative solutions to a number of problems we face as a nation today and many a global problems which find their presence amidst us and our economy.

I hope these learning's will help CSR professionals, non-profits, governments and citizens alike to gain from our experience.

I also hope that the interaction which follows the lecture today will help us create much enrichment in our respective lives as we deliberate on the manner in which CSR success can be defined and failures removed to better the lives of communities around us.

### **Let me begin with the framework, as I see it.....**

Today, CSR has become a popular initiative for corporates. Some practice it through charity, others through volunteering, yet others through charity events and many through market processes and dynamics.

The moot question, which has now been asked for many years, still remains: how ingrained and embedded is CSR in the business of the corporate entity? Many years ago Tata's vision was to build a world class city to house their workers even as they built the first Indian owned steel plant in the middle of nowhere. And so Jamshedpur was born and continues to run as a model city, sustainable because it is embedded in the business.

Over the last few years, corporate social responsibility (CSR) has become centre stage with an increasing focus by a number of companies and is also helping to enhance their image as credible corporate citizens. This was relatively easy prior to the financial crisis when companies were making record profits, and needed to show a humane side.

The real challenge, however, lies now when the going is tough and profits need to be ploughed back into business. It is in times like these, when every penny is being watched, when businesses are required to re-invest every rupee back in the business that the management, board of directors and investors are likely to question the reason behind spends that they term unnecessary. So how important is CSR?

In his book “Capitalism and Freedom”, Milton Friedman wrote that “a corporation makes a contribution; it prevents the individual stockholders from deciding how they should dispose of funds.”

He argued that if charitable contributions have to be made, they should be made by individual stockholders or by extension, individual employees-and not by the corporation .He Stressed that the only social Responsibility of business is to increase profits.

Warren Buffet tried to emulate this thought when he decided that individual stockholders could decide where Berkshire Hathaway would donate money for an amount in proportion to the number of shares held by them. This was disconnected because of the conflicting causes that the donations were made to and the lawsuits or customer complaints/boycotts that the company had to face for aligning with certain causes.

But there is a way out. For corporate philanthropy to be effective in the best interests of the company it needs to have a long term focus, with this culture permeating right through the company. The company has to believe it is an integral part of its business, and it has to build a contingency pool for the bad times. Companies must address their CSR activity with the same focus they apply to their business. They decide what is in their best interest, and approach it with the same focus they apply to their business objectives.

Unfortunately this is where they run into criticism from the public as they do not support diverse programmes like sports, art, music, culture, aids, cancer, spastics, old age initiatives or for that matter sponsorship of club activities.

Companies in such a scenario have to, rightly, focus on some Key areas and organizations. What they do is decide their sphere of activity, and do a good job of that. The problem arises when the rejected party feels that such large companies make such huge profits, and are not willing to spend a few thousands on such a good cause. The expectation is almost as if they want companies to work like government supporting every good cause forgetting the good work they do in their focus areas. Resultantly many proposals –no matter how noble the intention, how needy the cause-have to be turned down.

Over time, corporate philanthropy has evolved – from supporting a cause that was close to the Managing Director /CEO’s heart to strategic corporate philanthropy where businesses typically support causes that are aligned to their business objectives. For example, IT Companies donate computers to Schools so that the kids get comfortable

using their operating system and opt for the same when they are ready to work, or support secondary and higher education as they hire from those pools.

Strategic philanthropy also manifests itself through cause-related marketing where both the brand and the cause receive visibility and mutual benefit: consumer preference for the brand and funding for the cause. I see no harm in this as it allows the company to justify the spend to its stakeholders.

In the recent past, many companies have evolved from corporate philanthropy to corporate sustainability where it is not just a corporate trying to be a good corporate citizen but investing in the future by creating a sustainable environment in which they can grow their businesses and include all sections of society while doing so.

Those which stand out are FMCG companies who, in their desire to reach the bottom of the pyramid markets, have evolved innovative cause and rural marketing strategies, (Hindustan Unilever's Shakti programme, or ITC's e-chaupal initiatives) or those of food majors sourcing their raw material directly from farmers thus giving them better prices and providing consumers with better quality of product. (Nestles Moga milk programme).

There is a growing realization amongst corporates that an emotional and enduring connect with sustainability can only materialize if there is a strong linkage with the business

In this movement to support sustainability even media houses and communication agencies are not far behind we have seen how brands can be marketed around a cause, bit communal harmony, children's education, hygiene or sanitation or an appeal to vote as seen in the The "Jaago re" campaign of Tata Tea was timely and a very successful and meaningful initiative. A win-win for the company and society.

The growing practice of the head of sustainability/ CSR being part of the top team is another measure of the recognition of the importance of embedding CSR in the business rather than sitting in a silo. We are seeing a growing number of businesses publishing their stringently benchmarked sustainability reports along with their financial reports, possibly born out of shareholder activism. That shareholders now demand to see a company's CSR track record is itself a measure of how shareholders sentiment has changed over time.

The NDTV programmes on the environment, or CNBC'S airing of successful social initiatives are some other examples of meaningful application of CSR. Various sting operations of the media have also played a large role in bringing about a modicum of consciousness to address corruption, a major menace in our society.

This trend is not without reason and logic. Corporates along with governments can play a significant role in pooling resources for larger national good. And if this can take the shape of corporate engagement while improving their business performance, the

economic gains ensure inclusive growth and this leads to the progress of the country and the company.

**Let me now share with you HSBC India's journey and CSR structure** and manner in which we have ingrained the sustainability principle in our business.

As a bank, our core competencies lie in the area of finance and financial services. Indeed a robust banking industry is a measure of stability of the economy and contributes to the country's prosperity. The resultant well being and quality of life can only be meaningful if communities in the country are part of the progress and growth agenda and indeed benefit from it. Thus financial inclusion is of high significance to HSBC. It is also a well known fact that no business can survive without paying due attention to environment and how we manage our natural resources. Markets ultimately draw on business enterprises which source their raw materials and inputs from nature and the sustainability of businesses and economy will only materialize if we practice sustainable development across the business value chain. HSBC thus assigns huge importance to environment and in the next few minutes I will share with you how we have taken steps to converge the twin goals of financial inclusion and environment to create a sustainability strategy.

Financial inclusion goes beyond just access to formal financial services. It encompasses the complete process of seeing communities through the upward journey from chronic poverty to economic independence. A sizeable proportion of India's population continues to be chronically poor because they lack resources, capabilities and access to opportunities. For this population, (commonly referred to as "Bottom-of-the-Pyramid" (BOP) access to education, employment and entrepreneurship opportunities are indispensable to their advancement.

This realization has led us to target the poor at three different life stages – underprivileged children, unemployed youth and disadvantaged rural women. In this manner, our initiatives facilitate access to education, employment and entrepreneurship opportunities that empower BOP communities to break out of poverty, participate in the economy and thereby create wealth and well-being for their families and communities.

To achieve inclusion, HSBC works in partnership with local charitable organizations, government, development agencies and the private sector. Our financial inclusion framework targets the most economically backward sections of society, a large proportion of which belong to Scheduled Castes and Scheduled Tribes (SCs and STs).

Through our portfolio of projects in **Education and life skills for underprivileged children**, we support street children, orphans and children from underprivileged communities to pursue an education and break the cycle of poverty over time. Education has been globally identified by HSBC as one of its two areas of focus for sustainability (the latter being environment). In India, HSBC promotes education that is holistic, ensuring not just basic literacy but a much wider range of skills and capabilities that enable an individual to become economically independent and participate successfully in the economy. Thus a diverse range of education initiatives are in place, ranging from

projects sponsoring basic formal education, to computer and vocational education, rehabilitation of out - of - school street and drug using children, financial literacy, sports, library and language projects.

Our global education platform, **Future First** is a first - of - its - kind five - year programme of the HSBC Global education Trust, designed and led out of HSBC in India. Future First currently supports 177 education and life skills projects for street children, orphans and children in care in 42 countries where HSBC has a presence. In India, Future First has supported over 88,000 underprivileged children through education projects in 8 cities - Kolkata, Patna, Mumbai, Delhi, Gurgaon, Vadodara, Bangalore and Indore.

**Affirmative action** forms an integral part of HSBC's work in corporate sustainability, catering to both socially and economically disadvantaged sections of society. HSBC is signatory to the **Confederation of Indian Industry (CII) Code of Conduct for Affirmative Action** and has instituted 10 scholarships that enable SC and ST communities in seven cities to attain university education. And we continue to offer the HSBC Scholarships Programme that provides students scholarship support to pursue higher education in Oxford, London and Cambridge Universities.

Through our **Employment and livelihoods projects** for disadvantaged youth, we work with young adults to provide vocational training and life skills so that they are able to help themselves lead an economically productive life. Two projects will illustrate this approach.

HSBC supports the Kherwadi Social Welfare Association's programme 'Yuva Parivartan' in Mumbai which trains youth in skills needed by the job market. Young people who come to Yuva Parivartan are from extremely poor families residing in slums in Mumbai. Economic empowerment not only improves their own confidence and well-being, but also has implications on overall well - being and social development of their communities. This initiative is reaching out to 600 young people.

In a unique tripartite partnership, HSBC India, Government of West Bengal, Bandhan (a leading microfinance institution), and Tally Solutions Private Limited (a business solutions software major) have partnered to empower unemployed youth of West Bengal through a skill - based learning programme. Under this partnership, Tally will provide skill - based learning to unemployed candidates, while HSBC and Bandhan will offer finance with affordable repayment options to candidates with the government too contributing funds for the project. The initiative has been launched in Raigarh and Malda districts of West Bengal in the first phase.

Understanding that **Entrepreneurship and employability are also important for women from marginalized communities** in rural India, we build their capacities through financial literacy programmes and help them gain business understanding and entrepreneurial skills to achieve economic self - sufficiency. As a business extension, our Microfinance function offers loans to microfinance institutions, who in turn on lend to women's self help groups (SHGs).

Starting its **Microfinance activities** as a pilot and primarily as an experiment to understand the microfinance space in 2005, HSBC India has come a long way in expanding its microfinance services. After establishing a team for Microfinance under Commercial banking in December 2007, we have put in place a clear Microfinance strategy.

As on 30 June 2009, HSBC India had partnered with some of the best managed 12 Microfinance Institutions (MFIs) in India; disbursing in excess of INR 3 billion, serving more than 3 lac borrowers in 16 states. One of the learnings from our exposure to these MFIs is that tier – 2 MFIs require much more support , both in terms of debt and capital. Hence, we have developed a special lending programme for the tier – 2 (mid-sized and next generation MFIs) this year to support them at an early stage to facilitate their growth; thereby further reaching out to the marginalized and under banked. HSBC reaches out to 137,265 SC/ ST/OBC beneficiaries through its Microfinance portfolio.

**Priority Sector Lending (PSL):** In addition to meeting the Reserve Bank of India's statutory targets for lending in the priority sector, HSBC has widened its scope in this space by setting up a separate department within the bank called 'Priority Initiatives' that aims to develop the rural and agribusiness strategy for the bank. Initiatives' undertaken till date have included providing e-card solutions for under-banked women in Maharashtra and developing integrated agri – business supply – chain models in Punjab, Haryana, Himachal Pradesh and Uttar Pradesh.

HSBC supports partnerships specifically to build capacities of rural women, which together cover two large Indian states of Maharashtra and Gujarat. By facilitating microfinance – oriented capacity building support to entrepreneurial activities in a cost effective way, these partnerships are helping thousands of rural women become sustained and successful entrepreneurs. The benefits accruing to society because of such economic and social stability will indeed be many.

**The Water – based livelihood model** in rural Maharashtra began as a water – harvesting project in seven drought- prone villages of Raigad district where women were worst affected and had to walk long distances to collect water. After having achieved self-sufficiency in water in the villages, women had spare time for other income generating activities, therefore with HSBC's support, the project evolved into a micro-saving and entrepreneurship development programme. As a result, 5000 women and their families have now gained financial independence and broken out of poverty.

HSBC has partnered with **Jai Bhagirathi Foundation** to provide an enabling environment in five villages of Marwar region in Rajasthan to access adequate drinking water within the constraints of environment equilibrium by leveraging traditional knowledge and appropriate technology; facilitating village institutions of collective wisdom and building local capacities for community mobilization in an atmosphere of transparency, participation and accountability.

**Mannodeshi Business School** (in collaboration with the Mannodeshi Bank) in rural Maharashtra is a flagship HSBC association and was initiated in 2006 in the remote district of Satara to train young girls who have dropped out of school and women with limited or no formal education, to prepare them to be successful entrepreneurs. Women receive training in a range of skills in financial literacy, marketing, negotiation and confidence building. In three years since its inception, this project has produced over **24,000 graduates and created over 14,000 successful women entrepreneurs and 6800 new businesses in the region.**

**The Rural Urban Development Institute (RUDI) Manager's School** in 9 districts in the state of Gujarat is supported by HSBC and run by SEWA Gram Mahila Heat. It imparts On-going managerial and leadership inputs to rural producer groups who are poor, self-employed women workers in the informal economy and members of SEWA (self-employed women's association), India's largest movement of over 600,000 self-employed women in urban and rural Gujarat. The objective of HSBC RUDI MANAGER's School is to enhance skills of women so as to improve marketability of their products by educating them on advanced production techniques and introducing them to economic concepts such as supply-and-demand prediction. More than 1000 women have benefited from this initiative so far.

**Climate Change and rural livelihoods** are intrinsically linked. Bearing this in mind, we have made efforts to ensure that we work on these themes and help communities with adaptation strategies. The first casualty of rising temperatures is indeed the reduction in the ability of rural communities to cope with climatic and livelihood stress. We have initiated a pilot project in partnership with the **N M Sadguru Foundation** in five villages in Dahod, Gujarat. This innovative model links livelihoods and climate change by bringing about dual output – carbon sequestration and income generation for the rural poor. A total of 500 households are directly benefiting through projects in agro-forestry, floriculture, rain – water harvesting and vermi-composting. The agro-forestry and fruit orchards will produce a steady annual income for farmers, estimated to increase every year, and simultaneously help sequester carbon in the region. In this way, the project is not only generating a measurable and sustainable income for farmer but also helping them do this in a carbon-friendly manner.

HSBC is also supporting **WOTR** in field areas near Ahmednager and Nasik to undertake holistic and integrated developmental activities for poverty reduction in resource-fragile and rain-fed areas in India. Through the project, WOTR will focus on empowering women by organising them into solidarity groups (SHGs), providing them and their children with health services and personal care advisories, literacy, numeracy and personality development training. It will also actively engage the men in assisting women to secure their entitlements as well as effective representation in the decision-making bodies of the village. Additionally, associated institutions of WOTR will help them acquire livelihood and life skills, provide them with financial and business development support to start and successfully manage micro-enterprises, provide them access to micro-insurance and efficient 'green' cooking and home lighting systems.

I mentioned the connection between **climate change and rural livelihoods**. This also manifests itself in one more way: creating opportunity for rural communities to meet their energy needs by providing access to clean energy sources. In partnership with Spandana, a microfinance institution and MicroEnergy Credit (MEC), we are implementing a clean energy programme wherein Spandana and its micro-finance clients will be trained to develop and market clean, cost-effective and energy efficient products development and tested by MEC. The first phase will explore the development of two products - solar lanterns and cooking stoves. The project is estimated to impact 250,000 households near Nagpur in rural Maharashtra in the short-term (2-5 years) and scale up to one million households (Spandana's entire client base) in the long term.

**Climate change** represents the single largest environmental, social and economic challenge this century and will impact HSBC's customers, employees, and shareholders. It is, therefore, a key focus of HSBC's sustainability strategy. We manage our impact on the environment by operating as efficiently as possible and by making wise lending decisions. We also invest in projects that advance the transition towards a low-carbon economy. We regard active engagement of our stakeholders government, businesses, employees, customers and civil society as an important driver of success in all our initiatives in this space.

HSBC **responsible lending guidelines** ensure that we do not invest in projects that harm the environment. HSBC manages the indirect environmental impacts of business by implementing various sector policies laid down by the Group in the areas of, for instance, forestry, energy, chemicals, fresh water, and mining and metals. We have adopted a number of international codes guiding the conduct of our business such as the UN's Principles of Responsible Investment and the UN Global Compact. The Equator Principles are applied to project finance to ensure that projects are developed in a manner that reflects sound social and environmental management practices. An example of 'green project' financed by HSBC is the Roaring 40s wind farm project at Khandke, near Pune in rural Maharashtra.

Globally, HSBC has been the first bank to go **carbon neutral** in 2005. We manage the direct environmental impacts of our business by working to reduce energy and water use. Waste and carbon dioxide emissions. In India, a range of initiatives have been implemented to reduce consumption of energy and water and manage waste effectively at our offices. These include vermiculture initiative to disintegrate waste, installation of sensor taps. Waterless urinals, dual mode cisterns and water harvesting projects to conserve water and installing energy saving devices such as low energy light bulbs, intelligent controls, automatic power factor panels and air-conditioning controls. For those emissions which are not feasible or impossible to control owing to local conditions or impracticalities, HSBC invests in carbon offsetting energy efficiency projects globally on the voluntary carbon market thus making the net equation carbon neutral.

Sustainability is intrinsically linked to how organisation can help **supply chains** build social and environmental considerations into their business operations. With this objective and with view a view to initiating a comprehensive process of supply chain engagement

on sustainability issue, HSBC India works with vendors through knowledge forums and facilitating ethical sourcing practices. HSBC Supplier's Day is an annual event organized with objective to understand critical environment issues, build awareness and initiate discussion on how working together and enabling strategic planning can ensure a green supply chain.

I strongly believe that issues such as climate change require participation from multiple stakeholders. Including government. With this in mind we established the **Earth Sciences Forum**, the country's first public-private partnership on climate change with the Ministry of Science and Technology and Ministry of Earth Sciences, Government of India. Launched on 21 st April 2008.(On the eve Earth Day), the forum aims to find solution to climate change by engaging government and business in devising adaption and mitigation strategies, recommending policy change and showcasing innovative research and industry best practices. In time, we hope to make Earth Science Forum a unique platform which encourages clean technology adaption and finance across large and small business and their supply chains with a strong focus on SMEs

We have taken our engagement with the climate change issue further by focusing on research and engaging our employees, through the local implementation of **HSBC Climate Partnership**, a USD 100 million five-year global partnership with The Climate Group, Earthwatch Institute, Smithsonian Tropical Research Institute and Worldwide Fund for Nature (WWF) that aims to combat climate change by inspiring action by individuals, business and governments.

Our support has helped **WWF** lunched the 'Living Ganga Programme' which is assessing impacts of climate change on the Ganga river in order to advocate and implement strategies with local government and industry to reduce /mitigate negative environmental impacts. **Earthwatch** Institue has been organising scientific field research projects for HSBC employees (HSBC Climate Champions) to study impacts of climate change. The aim is to equip them with skills and knowledge to play an active role in their workplace and local environment. Till date, 57 **HSBC Climate Champions** form India have completed the field research projects. The Climate Group is engaged in obtaining new government and business memberships in India and in helping them to adopt policies for reduce greenhouse gas emissions.

The **India Regional Climate Centre (RCC)**, local in the Sirsi Forest Division of Uttara Kannada district, Karnataka, opened on 16 February 2009. Under the HSBC Climate partnership, HSBC and Earthwatch are working with the centre for Sustainable Technology of the Indian Institute of Sciences at the RCC, where HSBC employees from India, the Middle East, Sri Lanka, Mauritius, Maldives and Bangladesh will undergo training in climate change over the next four years.

**SMEs** are the engine of growth for India contributing a lion's share to the economy. Looking at the urgent need to ingrain Sustainability thinking in SMEs, HSBC has instituted the HSBC India Living Business Award in collaboration with The Energy and Resources Institute (TERI). To stimulate academic rigour and research in climate change,

we have also created the HSBC Climate Scholarships for PhD students in partnership with TERI University for five years (starting 2009) that offers two scholarships per year to students undertaking advanced research on climate change in adaptation and adaptation financing, and low carbon growth. Our collaboration with TERI also extends to our partnership and support of the Delhi Sustainable Development Summit annually.

Closer home, we are also working the children to instill environment sensitivities at a young age and have created the HSBC Young Rangers Programme to promote awareness and education on climate change among school children. A total of 75 schools in Pune and 100 schools in Mumbai covering some 175,000 children (including children from municipal schools) have benefited from the programme.

And in Mumbai, the Mangrove Wetland Centre is the country's first mangrove Conservation park being developed in partnership with the Conservation Action Trust and the Forest Department of Maharashtra. HSBC is the founding sponsor of this project.

### **Our People, Volunteering**

HSBC is an **equal opportunities employer**. We do not discriminate on ground of age, gender, colour, race, ethnicity, language, caste, creed, economic or social status or disability. Being the world's local bank, we value the diversity of the markets in which we operate. Diversity is central to HSBC's brand image and is an integral part of our "managing for growth" and people strategies. We recognize that having a workforce that broadly reflects the composition of the local communities in which we operate places us in a unique position to understand and respond to the needs of our customer. We thus use diversity as a competitive differentiator, both in employment and in customer markets.

Yes, our employees are a crucial and integral part of all our park in the community. It's by now a given that employees are proud of belonging to organizations that are good corporate citizens. It also helps in attracting the best of talent, which is very important for the long term sustainability of the company. We have seen this play out in practice and encourage employee volunteering across the country and our group businesses in the country.

Over time, we hope to measure volunteering and its impact in driving corporate vision and brand values, development of enhanced business judgment abilities in employees, leading performance, customer drive, team work, overall drive, commitment and personality development.

**A Volunteering programme** in a corporate entity is an intensive activity which caters to all age group and culturally diverse view points. Thus there is an imminent need to create wide ranging platforms which appeal to a larger audience, resulting in higher engagement and impact. We also realize that our employees will not always be in a heightened state of engagement when it comes to volunteering initiatives. Thus, we have structured our programme in such a way that we have opportunities in place for beginners, advanced

learners and finally community and reflect the HSBC sustainability brand strongly on ground. Allow me to mention a few of our volunteering platforms.

**SIFE (Student in Free Enterprise):** SIFE is active in more than 40 countries and establishes student teams on university campuses to develop economically viable projects in the community. It works in partnership with corporate and higher education schools/collages. Several teams that participate in the SIFE competition from India apply for the HSBC Financial Literacy Grant, which gives them the opportunity to work with financial literacy projects in communities across the country. HSBC employees in India participate in judging events and mentoring college teams.

**Junior Achievement (JA):** HSBC in partnership JA has embarked on JA More than Money – a three- year, global programme to teach basic financial skills to school children. Through this programme, students are encouraged to use innovative thinking to learn money-management skills that support positive attitudes as they explore and enhance their career aspiration. Students also develop a better understanding of the relationship between what they learn at school and their successful participation in the economy.

**HSBC India Bird Races** is an annual dawn to dusk event involving assessing bird biodiversity and reporting findings. The event sees active participation from over 3500 individual, a large number of whom are HSBC employees and customer in eleven cities across India.

An example of project ownership is HSBC's Kolkata branch whose employees participate actively in conserving the endangered **Olive Ridley turtles** when they come to nest on Orissa's coastlines. In an association which has evolved and strengthened over the years, HSBC employees ensure that local villager are educated on the importance of conserving turtles and also patrol the beaches to ensure that turtles are safely guided to sea after the hatching.

Our human resources policies have also evolved to include employee volunteering as a key employee benefit and proposition. I would like to mention a specific case of the linkage between our flexible work policy and volunteering. We have actively encouraged one of our colleagues in the credit risk management team in his mission to combine long-term volunteering and work. With the bank's support, he is devoting time to restoring his ancestral lands in Udaipur to their former glory by initiating projects in afforestation, water harvesting and community welfare.

**And finally,** let me say a few words about how we also encourage sustainable business development as part of our overall sustainability strategy. I have already mentioned how our work in microfinance reaches out to the bottom of the pyramid, creating both business and community gains. As a carbon neutral bank, we also do see intensive potential in helping our clients benefit from business potential in a low carbon economy. Thus, over the past few years, and specifically through the **HSBC Climate Change Centre of Excellence**, located out of London and Bangalore we have been creating

knowledge and outreach platforms to help business understand climate change, ways and means to tackle the same, and business opportunities therein. We have analyzed the Prime Minister's National Action Plan on Climate Change (NAPCC) and also gauged and forecasted the investment and returns potential under its various missions. Globally, the HSBC Climate Change Indices and fund continues to perform in a stable manner and we hope we are soon able to explore its adaption to the India context.

You would notice, from all that I have said so far, that working on CSR in today's age and time has seen a massive transformation from the time when CSR meant only contributing to charity after creating profits. Today's paradigm shift sees CSR as an integral part of an inclusive business strategy which contributes to business bottom line and community good.

HSBC is not alone in this journey and we do see many examples of businesses houses implementing CSR in a proactive rather than reactive manner. In doing so, they help create better access to a good quality of life and opportunity for communities to create a successful economic future.

**So what does it take to practice good CSR?** Are there any models, best practice? Surely one size would not fit all and what I have said today may not be so new, but there are a few pointers (in no particular order) without which the practice of corporate social responsibility or sustainability can't be deemed successful.

### **Choose the Cause Well**

Firstly, corporate have to identify their cause and constituency. There are many causes and many solutions. Yet there will be one singular cause which will echo corporate values, ethnic and wisdom and connect beautifully with core competencies. Since we can't work on all causes at all times, such a focus will enable larger impact.

### **Communicate CSR and sustainability strategy**

A company's CSR strategy has to be owned by its top team as well as employees across organizational levels. To do so, there has to be distinct effort to create constant communication around CSR and promote sustainability champions inside the company who will upload the company's support to a cause and be ambassador's of change. HSBC, for instance, has sustainability champions across our branches, businesses and group companies. who participate with great enthusiasm in a large number of volunteering activities. For instance, this World Environment Day, during week long celebrations, our employees clocked over 21,000 hours of volunteering.

### **Choose your Partners Well**

The key to a successful CSR practice is the manner in which companies engage with NGOs and how effectively this relationship is structured so as to deliver mutually beneficial outcomes. NGOs and corporates have hugely varying culture and contexts, management and operating practice and institutional priorities. A true association is one which respects these elements with a view to creating a win-win situation for business, NGO and the community.

### **Don't Re-invent the Wheel**

Many a times, corporate work on a cause with the explicit intention of talking more about it and working less, or in some cases only to prove the ownership of the cause, even if prior work has been demonstrated in the area. This strategy typically backfires since the lip service approach to cause and community will not escape the eyes of various stakeholders. There is indeed merit in looking at available best practices, emulating success stories and collaborating with idea originators and original cause-solution-experts to make a real impact.

### **Public-Private Partnership**

Corporate and NGOs may, at times, belittle the importance of public private partnership. There is a high degree of relevance in working with the government on social and environmental issues. By doing so, we not only complement tax payer's funds, in so far as their usage is directed towards a cause, but we are also able to work at the policy level and connect with government programmes on the ground, thus creating a commonality of goal and purpose.

### **Measure, Refine and Enhance**

The movement of CSR reporting is growing, albeit at a slow pace. While reporting as per GRI standards is a sound methodology to follow, many corporates find it difficult to devote the required resources and apply the necessary rigour, especially if their CSR portfolios are still evolving. It is critical to measuring the impact on the community, impact on employees and impact created by the company's presence at the bottom of pyramid markets. The methods may differ, but a small beginning has to be made.

### **Closing Remarks**

Today, when investors, regulators and citizens are asking for more accountability and transparency from corporate entities, businesses who have historically delivered on sustainability have a clear lead and are much more respected across stakeholders, compared to those corporate who have paid mere lip service to community issues.

Research has also shown that these companies have outperformed the stock market handsomely and have thus rewarded shareholders in the long term. For example, the HSBC Global Climate Benchmark Index, developed by our Global Research team, is a global reference index designed to reflect and track the stock market performance of key companies that are best placed to profit from the challenges presented by climate change. The performance of the benchmark has been tracked back to 2004 and has outperformed the MSCI World Index by around 70 percent.

Corporate Sustainability has thus become the mainstay of corporate strategy, employee engagement, brand ethos and regulatory approvals. Indeed shareholders and stock markets too are asking for community accountability and the investment in socially responsible funds is finding a growing fan following. Corporate philanthropy's evolution to corporate sustainability thus reflects the evolving manner in which corporate can make a meaningful difference to society

