

Barclays and HSBC

Battle of the banks

By Aleksandra Dobkowski-Joy and Kathee Rebernak

Reports from Barclays and HSBC show that both banks are on the money when it comes to non-financial reporting – although each could benefit from some small change

Barclays and HSBC Holdings, veteran reporters and financial service powerhouses, each strive to uphold their public personae as responsible citizens with their latest corporate responsibility reports. For the most part, the banks do quite well in documenting achievements and presenting sufficient data and analysis for readers to develop a good understanding of their respective strategies.

Barclays holds up especially well on sustainability integration, starting strong out of the gate with an excellent letter from chief executive John Varley. The letter outlines Barclays' years-long journey of gaining a deep understanding of the bank's long-term sustainability risks and opportunities. It further describes Barclays' current focus and action plans for the future.

HSBC stumbles in this area, however, as exemplified by a rather revealing statement on its "resolve to be a company that puts corporate responsibility on the same level as running a successful business". This and other awkward declarations raise questions of whether HSBC truly understands how integration of corporate responsibility into all aspects of business strategy contributes to value creation.

HSBC's report further raises eyebrows by prominently listing all of two challenges in an introductory highlights section (the first challenge is carbon dioxide emissions, the second is measuring corporate responsibility progress). Barclays demonstrates a more realistic approach by interspersing report narratives with commentary on the specific obstacles impeding success and including a helpful table on key corporate responsibility risks.

Kudos for context

One strong suit for both reporters is their attention to setting the sustainability and strategic context for their performance. Rather than reciting facts or parading endless case studies, each company carefully outlined stakeholder perceptions, environmental and social impacts, direct and

indirect economic repercussions, and other factors before presenting specific data points.

For example, Barclays introduces its discussion of consumer lending with a chart of the percentage of its total consumer debt portfolio corresponding to credit card borrowing. The bank acknowledges high public concern surrounding debt loads and the often-complicated terms of card borrowing. Barclays further admits the industry's own contributions to creating consumer debt problems by making it too easy to borrow and take out multiple bank cards. With this context firmly established, Barclays then describes its response to spiralling consumer-debt, including, for example, the use of clearer language and illustrative pay-back scenarios on customer bills to help consumers understand the ramifications of their borrowing decisions.

HSBC's report also discusses its role in consumer indebtedness. In a section entitled "Responsible finance: personal customers", HSBC addresses indebtedness in general before describing actions it has taken in response to the emerging US sub-prime mortgage crisis, such as better identifying high-risk portions of its lending portfolio and helping customers refinance adjustable-rate mortgages. Given the continuing dire consequences of this crisis for international money markets, HSBC should follow up in next year's report with an update on the effectiveness of these strategies from both a business and human perspective.

United on climate change

A broader view of context-setting is the question of whether the issues so artfully presented in the Barclays and HSBC reports are, in fact, material. Barclays does well here to inform readers of how it prioritises issues, and throws in as a bonus a full-page cheat sheet outlining how corporate responsibility issues covered in the report link directly to the bank's business strategy.

HSBC also seems to prioritise its issues fairly

Barclays admits the industry's own contributions to creating consumer debt problems by making it too easy to borrow and take out multiple bank cards



Corporate Responsibility
Report 2006
Responsible banking



Barclays: Snapshot

Follows GRI? In accordance with 2002 Guidelines, including financial sector supplements.

Assured? Yes.

Materiality analysis? Yes ("Setting the Right Priorities" section).

Goals? Yes, two-page spread showing 2006 goals, progress made, and 2007 commitments.

Targets? Yes (many are qualitative).

Stakeholder input? Yes.

Seeks feedback? Yes, but no contact names.

Key strengths:

Excellent context-setting; organisation of report into ten discrete topic areas.

Chief weaknesses: No indication of incorporation of environmental, social and governance factors into investment analysis.

Pleasant surprise:

Table of principal corporate responsibility risks.

HSBC has developed an energy sector policy that encourages clients to reduce and disclose greenhouse gas emissions

HSBC: Snapshot

Follows GRI? “Used” the 2002 guidelines, including financial sector supplements.

Assured? Partially.

Materiality analysis? Apparently not.

Goals? No.

Targets? No.

Stakeholder input?

Yes, but no specific feedback reported.

Seeks feedback? No, although contacts listed.

Key strengths: Frankness regarding climate change as a key challenge; strong reportage of easily comparable metrics.

Chief weaknesses: Dearth of goals or targets; no indication of incorporation of environmental, social and governance factors into investment analysis.

Pleasant surprise: Separate assurance on specific issues: Equator Principles and carbon neutrality project.

well. Without a statement of the company’s approach to determining materiality, however, readers cannot know for certain whether the company appropriately allocates the majority of space in the report to the most material issues.

Both companies make climate change a central touchpoint in their reports, showing the issue’s clear alignment with strategy and demonstrating a sense of urgency about acting to address this global problem. The reports are strikingly similar in their approach to the problem, claiming that “global warming is perhaps the most significant threat to maintaining a sustainable business” (Barclays) and “climate change is the single biggest environmental challenge facing the planet this century” (HSBC). Here, Barclays’ statement shows a deeper understanding of sustainability linkages to business results, whereas HSBC still relegates climate change primarily to the environmental arena.

HSBC goes on to disclose that carbon dioxide emissions are a key challenge. Accordingly, as part of its carbon finance strategy, HSBC has developed an energy sector policy that encourages clients to reduce and disclose greenhouse gas emissions. The bank also refuses financing to projects that fail to meet certain policy criteria. Barclays presents its own five-point climate change strategy that focuses on energy efficiency, green power purchase, carbon neutrality, innovative products and services, and policy debate. And both HSBC and Barclays offer what is one of the more interesting reasons for becoming “carbon neutral”: to understand the challenges faced by their own customers in reducing greenhouse gas emissions, and thus becoming more effective at sharing knowledge and creating solutions.

Balancing acts

Neither company yet applies the Global Reporting Initiative G3 Guidelines, although for purposes of comparability, this made the reports easier to analyse. Both firms should make the transition to the more rigorous G3 in the next reporting cycle.

Barclays claims to be “in accordance” with the guidelines but fails to explain its reasons for not reporting certain indicators, as is required for in-accordance status. Though HSBC merely mentions that it “used” the 2002 guidelines in report preparation, it fails to report on items that are now standard fare for veteran reporters, such as application of GRI principles to reporting. Moreover, HSBC omitted nearly half of the financial services sector supple-

ment indicators without any disclosure of its reasons for doing so.

For any company, implementing corporate responsibility requires a delicate balancing act between competing interests. The key is in acknowledging these conflicts and defining the rationale for the chosen path forward. For the most part, both Barclays and HSBC perform well in this regard. Two issues, however, stand out as inconsistent with the firms’ otherwise conscientious approaches.

The first matter relates to customer privacy. Both firms note that they share customer credit and behavioural data with other financial institutions to “improve lending practices”. Given the potentially inflammatory nature of this issue from a customer’s

perspective, it is quite surprising that both companies remain nearly silent on the issue of customer privacy. Barclays and HSBC should take more care to disclose privacy safeguards and explain in more detail how (or whether) this type of data sharing benefits their customers.

A troubling disconnect also lies between both firms’ attention to the sustainability of their operations and that of their own investments. While HSBC is a signatory to the United Nations Principles of Responsible Investment (UNPRI) and recently launched a socially responsible investment team to guide its clients, it seems not to incorporate those practices in its own investment practices. Barclays Global Investors, which has \$1.8 trillion in assets under management, is not a UNPRI signatory. Barclays further neglects to inform readers of whether any environmental, social or governance criteria are applied to its own money management activities.

Both the Barclays and HSBC reports demonstrate a high level of reporting competency and transparency, in particular with regard to corporate responsibility strategy, context, issues prioritisation, and ability to address the complexities of both company and sector. Next year, we hope to see the curtain pulled back even further, with more quantitative goals and targets, clear disclosure on internal investment practices, and bold debate around controversial issues. ■

Kathee Rebernak is chief executive of Framework:CR
krebernak@frameworkcr.com

Aleksandra Dobkowski-Joy is a principal at Framework:CR.
adjoy@frameworkCR.com
www.frameworkCR.com

