

## Working with HBOS

Product carbon footprinting in practice



HBOS is the first financial services company to be involved in product carbon footprinting and labelling. More important, it is the first company to footprint and label a service using the draft PAS 2050<sup>1</sup>. As such, it proves that the PAS approach to product carbon footprinting can be applied successfully to services as well as to physical products.

<sup>1</sup> BSI Publicly Available Specification (PAS) 2050 is based on the product carbon footprinting method originally developed by the Carbon Trust and trialled with Walkers, Boots and innocent. The Carbon Trust later co-sponsored, along with the UK Department for Environment, Food and Rural Affairs (Defra), the development of PAS 2050 by BSI British Standards.

# Company background

Formed in 2001 from the merger of Halifax and Bank of Scotland, HBOS is one of the largest financial services organisations in the UK. Its activities cover retail and corporate banking, insurance, investment and asset management. HBOS is among the largest savings and mortgage providers in the UK, and 2 out of every 5 UK households is an HBOS customer. The company employs 65,000 people in the UK and 73,500 worldwide.

Reducing its contribution to climate change is a key component of HBOS' corporate responsibility strategy. HBOS also sees opportunity in climate change mitigation – any cost savings it achieves through energy efficiency and waste reduction measures translate into a cost advantage relative to competitors.

## Why HBOS became involved

HBOS is committed to showing sector leadership to reduce GHG emissions. It has worked with the Carbon Trust since 2003 and reduced its own emissions by 7% between 2006 and 2007. Key drivers of this reduction were:

- Installing low-energy light bulbs in 80% of its 2,200 building sites.
- Introducing stronger energy efficiency standards for new buildings and new energy efficiency measures in older buildings.
- Launching a 'green miles' initiative to reduce employee travel.

Based on its efforts, HBOS has become a recognised leader in climate change mitigation, with several sustainability awards, including membership in the Global 100 Most Sustainable Companies and ranking as a Climate Leader by the Carbon Disclosure Project for the past four years.

HBOS wanted to build on this leadership position and become the first bank in Europe to carbon label a banking product. Working with the Carbon Trust, HBOS became the test case for the carbon footprinting method on a service, as opposed to a physical product. The PAS 2050 method provides a way of measuring emissions across the 'life cycle' of a savings account, all the way from opening the account through to making transactions to eventually closing the account, and thus helped HBOS identify carbon hot-spots and where to focus improvement efforts.

HBOS also wanted to use the Carbon Trust Carbon Reduction Label to provide a clear and simple way of communicating with customers about carbon emissions.

The Web Saver account was launched by Halifax in 2000 and made a logical test case as it is one of the bank's most popular savings accounts, with more than 1.1 million accounts<sup>2</sup>.

<sup>2</sup> HBOS 2008 Climate Change Report, [www.hbosplc.com](http://www.hbosplc.com)

## Calculating the carbon footprint of a service

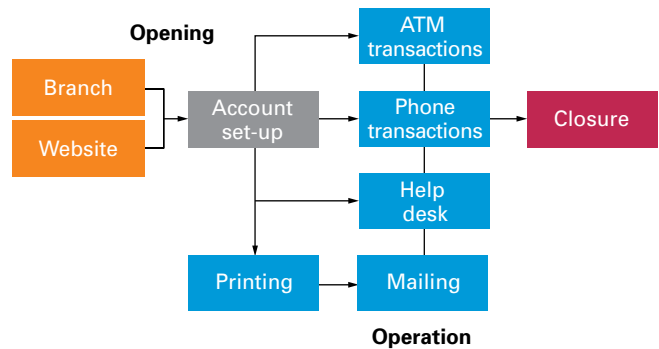
The footprint calculation included activities and materials involved in both the opening and subsequent operation of the account. This pilot therefore influenced the development of PAS 2050 as it required the consideration of situations in which there is a one-off opening process followed by a potentially indefinite period of operation.

Calculating the carbon footprint of a service is similar to the calculation for a physical product, with the following exceptions:

- Defining the 'product'.
- Determining the life cycle or product system boundary.

'Product' and 'functional unit' definition requires significant thought for services (as opposed to physical products where it is more straightforward). For example, should the emissions be expressed as 'per year of account operation', or 'for the (undefined) lifetime of the account' or 'per transaction' or 'per £ saved in the account'? In this case, 'per year of account operation' was chosen as it allowed HBOS to calculate a single standard number to use across all its Web Saver customers, regardless of how much they saved or how old their account was.

**Chart 1** Halifax Web Saver account process map



Setting the system boundary<sup>3</sup> for a service is more challenging than for a physical product. For example, it is much harder to differentiate between emissions associated with managing the product (e.g. call centre or operations centre emissions) from head-office emissions, which should be excluded. These considerations are critical for:

- Comparability<sup>4</sup> – using system boundaries from the customer's perspective make subsequent footprint calculations more readily comparable both within companies and across competitors.
- Data collection – system boundaries will determine what emissions will be included or excluded, and therefore what data needs to be collected.

HBOS and the Carbon Trust determined the Web Saver account life cycle to have the stages described in Chart 1.

<sup>3</sup> 'Setting the system boundary' is the process to define what activities, materials and energy should be included in the life cycle of the service.

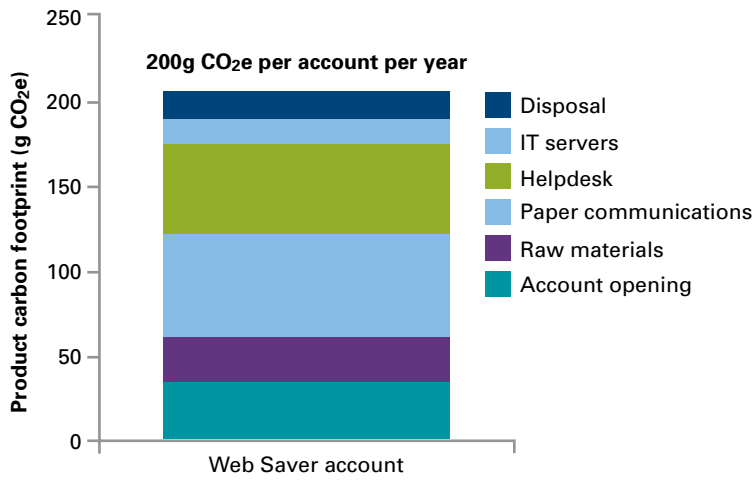
<sup>4</sup> True comparability can only be achieved by using consistent data sources, boundary assumptions and certification rules.

Most data was collected internally since the activities involved in the savings account's 'life cycle' are primarily owned and managed by HBOS. A number of suppliers were also approached, such as the ATM providers, printer, debit card suppliers and the service company that manages energy usage of ATMs and branches.

The footprint model was certified by the Carbon Trust's subsidiary Carbon Label Company to ensure compliance with the draft PAS methodology and yielded the footprint result shown in Chart 2.

The carbon footprint of the Web Saver account was calculated to be 204g per year of operation, rounded to 200g per the Code of Good Practice on Product Emissions and Reduction Claims. Opening the account generates 170g of CO<sub>2</sub>e, which equates to 34g CO<sub>2</sub>e when split over the five years an account typically stays open, and the ongoing running of the account generates 170g CO<sub>2</sub>e each year.

**Chart 2** Halifax Web Saver account carbon footprint



## Using the Carbon Reduction Label

The Web Saver Carbon Reduction Label has been placed on the Halifax Web Saver website, as shown in Chart 3.

The Carbon Trust Carbon Reduction Label communicates the account's footprint of 200g CO<sub>2</sub>e, as well as HBOS' commitment to reduce these emissions – the 'reduce it or lose it' clause within the Label.


Chart 3

The screenshot shows a web browser window displaying the Halifax website. The main content area features a section titled "Carbon Reduction Label for Web Saver". This section includes a graphic of a footprint with "200g CO<sub>2</sub>e per account" written below it. The text states: "The carbon footprint of this account is 200g per year and we have committed to reduce it." Below this, it explains that the footprint includes carbon emissions from opening the account and annual use, calculated over a 5-year period. A commitment is made to reduce these emissions within two years, with a "reduce it or lose it" clause. The Carbon Trust logo and its mission to develop a standard for measuring embodied greenhouse gas emissions are also mentioned. A link to "www.carbon-label.co.uk" is provided for more information.

The website navigation includes a search bar, "Personal Banking" and "Business Banking" tabs, and a menu with options like "Home", "Bank Accounts", "Credit Cards", "Loans", "Mortgages & Estate Agency", "Insurance", "Savings, Investments & Share Dealing", and "Travel". A sidebar on the left lists various savings-related services, and a right sidebar offers "Online Banking Sign In", "New User? Register", "Savings Selector & Calculator", and "Common Enquiries".

The website offers additional information to help educate consumers on the key drivers of the savings account's emissions, such as mailings, which enable consumers to play a role in reducing emissions too. Employees at local branches have been trained on the results of the footprinting process and what the Carbon Reduction Label means.

**Chart 4** Halifax Web Saver accounts' Carbon Reduction Label

	<p>The carbon footprint of this account is 200g per year and we have committed to reduce it</p>
	<p>This is the total carbon dioxide (CO2) and other greenhouse gases emitted in providing the account, including setup, ongoing use and closure</p>

## Achievements

The footprinting exercise uncovered some surprise sources of carbon emissions, showing the value of a product-level (rather than a corporate-level) footprinting analysis.

For example, ATM transactions constituted 13% of the average Web Saver account's carbon footprint. This was unexpected given that few Web Saver accounts even come with a debit card, and highlights the energy-intensive nature of ATM machines.

Other opportunities identified include:

- Reduce paper usage – HBOS had already reduced paper considerably, but the carbon footprinting exercise identified paper as a further opportunity for emissions reductions:
  - The company has pledged to reduce paper further through simple measures like two-sided printing.
- Check energy consumption of new equipment and service design – energy use is a key driver of service emissions:
  - To that end, HBOS is rolling out more efficient ATMs that use significantly less electricity – as much as 30% less – resulting in both energy cost savings and emissions reductions.
- Make energy use a criteria when designing data centres – HBOS has begun a major review of data centre practices to establish opportunities for energy and resource saving.
- Improve energy efficiency for helpdesks – HBOS is implementing a new programme to reduce energy use across all of its buildings, including helpdesks.

## Way forward

HBOS is currently assessing next steps for its carbon footprinting and labelling activity.

The company will continue to pursue the opportunities for energy savings identified through the footprinting exercise to reduce the energy costs and carbon emissions associated with Web Saver.

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**Our mission is to accelerate the move to a low carbon economy by working with organisations to reduce carbon emissions and develop commercial low carbon technologies.**

We do this through five complementary business areas:

**Insights** – explains the opportunities surrounding climate change

**Solutions** – delivers carbon reduction solutions

**Innovations** – develops low carbon technologies

**Enterprises** – creates low carbon businesses

**Investments** – finances clean energy businesses.

**[www.carbontrust.co.uk](http://www.carbontrust.co.uk)**

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ACT ON CO<sub>2</sub> is the Government's initiative to help individuals understand and reduce their carbon footprint. Visit <http://actonco2.direct.gov.uk> for more information.

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