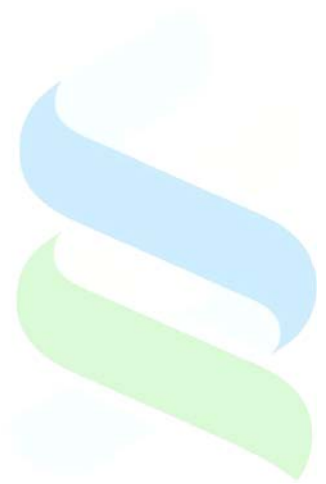


**SHIP BREAKING**

Standard  
Chartered



## **INTRODUCTION TO SECTOR AND ISSUE POSITION STATEMENTS**

Standard Chartered Bank (SCB) is a leading financial institution across Asia, Africa and the Middle East. With a deep presence in many markets, our future is tied to the successful social and economic development of these countries over the long term. Sustainable development is essential; for our clients, our communities and our shareholders.

We recognise that as a financial institution, the biggest impact we have on society and the natural environment is through the business activities of our clients. Our aspiration is to be a “Force for Good” and to initiate and support real changes in the markets in which we operate through our commitment to sustainable development.

Our long experience in emerging markets has taught us that reform takes time, and that positive change is best fostered in an environment of economic growth. Achieving sustainable development requires finding the right balance between economic, social and environmental concerns and is the collective responsibility of businesses, individuals and governments.

Our objective is to serve our clients commercially, while actively engaging with them and other stakeholders to work towards the implementation of sustainable business practices over a reasonable period of time. In so doing, we believe this will create competitive advantage for our clients, contribute to the development of local communities and play a part towards securing a better environment for future generations.

### **Sector and Issue Position Statements**

One of SCB’s guiding principles for sustainable development is to consider environmental and social issues in our business activities. In order for us to evaluate and, where necessary, mitigate the social and environmental risks associated with business decisions, we have developed the following position statements to provide guidance on our approach towards sectors with high potential for social or environmental impact.

These position statements set out standards and practices to be followed when we conduct our activities. They are key elements of our “Building a Sustainable Business” strategy and govern the financial services provided by SCB globally. As SCB is also a signatory to the Equator Principles, these position statements complement and reinforce our commitment to those principles.

- Child Labour
- Forestry and Palm Oil
- Mining and Metals
- Dams
- Biofuels
- Fossil-Fuelled Power Generation
- Climate Change
- Transportation of Hazardous Materials
- Ship Breaking
- Oil & Gas
- Tobacco
- Gaming and gambling
- Nuclear

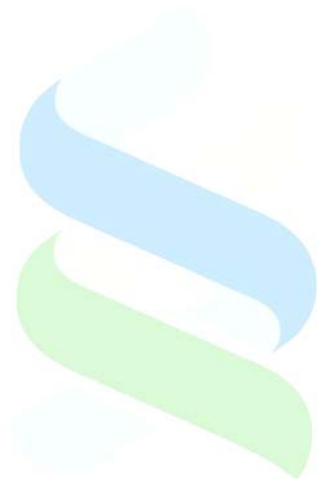
### **Training**

Our banking professionals are required to make reasoned, common sense judgements on environmental and social issues. SCB is committed to provide appropriate training for personnel to better understand the environmental and social risks associated with financing the various sectors highlighted above.

### **Engagement and feedback**

SCB welcomes all comments and feedback on our approach to Sector Position Statements. Should you wish to provide feedback please contact the Bank's Group Sustainability office at [Our.environment@standardchartered.com](mailto:Our.environment@standardchartered.com).

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## **SHIP BREAKING**

### **Statement of Commitment**

SCB is committed to promoting the recycling of end-of-life ships as part of the process of introducing new tonnage with more environmentally friendly designs, greater operating efficiency and a general reduction in marine risk. As part of our aspiration to be a “Force for Good”, SCB will work with our clients towards the implementation of best practices so that ship breaking can deliver economic benefits to host countries and communities, while avoiding, reducing and mitigating the environmental and social impacts of the industry.

### **Scope of the statement**

This position statement will apply to new and existing clients for all lending, debt capital markets activities, project finance, principal finance, and advisory work.

For the purposes of this statement, ship breaking covers the transfer of end-of-life ships, the development and operation of recycling facilities, including associated activities such as mooring, dismantling, and recovery of materials.

SCB adopted the Equator Principles in 2003, therefore all project finance transactions will be undertaken in accordance with both the Equator Principles<sup>(1)</sup> and this position statement.

### **Sector standard**

SCB clients in the ship breaking industry are expected to operate in accordance with the relevant international, regional and national laws. In jurisdictions where appropriate standards do not exist and/or potential environmental and social impacts are high, the relevant regional and international guidelines should be used as a benchmark of internationally accepted standards, such as the International Finance Corporation (IFC) General Environmental, Health, and Safety (EHS) Guidelines<sup>(2)</sup>.

It is the bank's policy not to provide financial assistance to operations that:

- Contravene the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal<sup>(3)</sup>;
- Involve ships with prevalent asbestos use and without documentation of its utilisation;
- Involve ships which are not certified gas free for hot work, or not in possession of a Green Passport, a document listing potentially hazardous materials present on the ship accompanying it throughout its operating life;
- Are located in or significantly affect sites featuring on the UNESCO World Heritage List<sup>(4)</sup>, unless the activities pre-date the UNESCO designation;
- Are located in or significantly affect wetlands of international importance, featuring on the Ramsar List<sup>(5)</sup>; and
- Significantly convert or degrade critical natural habitats.

Since the determination of critical natural habitat requires professional expertise and judgement, clients should retain suitably qualified external expert to provide assistance.

SCB recognises stakeholders' concerns relating to children working in ship breaking sites. *Please refer to SCB's policy on child labour on our website.*

SCB strongly encourages our clients to adhere to or work towards alignment with:

- The International Maritime Organization Guidelines on Ship Recycling<sup>(6)</sup>; *Please note that the IMO is working on the development of a new international Convention on the issue of ship recycling. Work on a final draft is expected to be completed by March 2008, and adoption of the new Convention could take place between February and April 2009.*
- The International Labour Organization (ILO) Safety and Health in Shipbreaking: Guidelines for Asian countries and Turkey<sup>(7)</sup>;
- The Basel Convention (Technical Guidelines for the Environmentally Sound Management of the Full and Partial Dismantling of Ships)<sup>(8)</sup>;
- Environmental management certification e.g. ISO 14001, and the standard for occupational health e.g. OHSAS 18001; or equivalent; and
- The United Nations Global Compact Framework<sup>(9)</sup>, outlining the principles on human rights, labour standards, the environment and anti-corruption.

### **Implementation and Compliance**

As part of SCB's commitment to support our clients in the maintenance of high standards of sustainable development, we endeavour to integrate environmental and social considerations into our business decisions, in all our markets.

We understand that some clients may not have met the standards set out above due to legacy assets. In such circumstances, we will expect our clients to have/develop a credible, documented time-bound action plan to achieve the standards.

### **Engagement and feedback**

SCB welcomes all comments and feedback on our approach to Sector Position Statements. Should you wish to provide feedback please contact the Bank's Group Sustainability office at [Our.environment@standardchartered.com](mailto:Our.environment@standardchartered.com).

In addition, should you be interested on the progress of the bank's implementation of its environmental policy, please refer to SCB's annual Sustainability Review<sup>(10)</sup>.

\* \* \* \* \*

## NOTES AND GLOSSARY

<sup>1</sup> **Equator Principles** are a benchmark for the financial industry to manage environmental and social issues in project finance and advisory transactions.

(<http://equator-principles.com>)

<sup>2</sup> The IFC's **Environmental, Health, and Safety Guidelines (EHS)** are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP). They contain the performance levels and measures that are normally acceptable to IFC and are generally considered to be achievable in new facilities at reasonable costs by existing technology.

(<http://www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines>)

<sup>3</sup> **Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal** is the most comprehensive global environmental treaty on hazardous and other wastes. It has 170 member countries (parties) and aims to protect human health and environment against the adverse effects resulting from the generation, management, transboundary movements and disposal of hazardous and other wastes.

(<http://www.basel.int/text/documents.html>)

<sup>4</sup> The **United Nations Educational, Scientific and Cultural Organization (UNESCO)** seeks to encourage the identification, protection and preservation of cultural and natural heritage around the world considered to be of outstanding value to humanity.

The **UNESCO World Heritage Site** is a specific site, such as a forest, mountain, lake, desert, monument, building, complex, or city that is considered to be of outstanding importance to the common heritage of humanity.

(<http://whc.unesco.org/en/list>)

<sup>5</sup> The **Ramsar Convention** is an international treaty for the conservation and sustainable utilisation of wetlands.

(<http://www.ramsar.org/sitelist.doc>)

<sup>6</sup> The **International Maritime Organization (IMO) Guidelines on Ship Recycling** gives guidance to all stakeholders in the ship recycling process. It recognises that environmental and worker protection rests with the recycling facilities themselves and with the regulatory authorities of the country in which they operate, however, it also acknowledges that ship owners and other stakeholders have a responsibility to address these issues.

([http://www.imo.org/includes/blastDataOnly.asp/data\\_id%3D11404/ResShiprecycling962.pdf](http://www.imo.org/includes/blastDataOnly.asp/data_id%3D11404/ResShiprecycling962.pdf))

<sup>7</sup> The **International Labour Organization (ILO) Safety and Health in Ship breaking: Guidelines for Asian countries and Turkey** provides guidance to ensure safe work in ship breaking within the framework of ILO's Decent Work Agenda.

(<http://www.oit.org/public/english/standards/relm/gb/docs/gb289/pdf/meshs-1.pdf>)

<sup>8</sup> The **Basel Convention (Technical Guidelines for the Environmentally Sound Management of the Full and Partial Dismantling of Ships)** provide information and recommendations on procedures, processes and practices and must be implemented to attain Environmental Sound Management (ESM) at such facilities.

([http://www.basel.int/meetings/cop/cop6/cop6\\_23e.pdf#annex](http://www.basel.int/meetings/cop/cop6/cop6_23e.pdf#annex))

<sup>9</sup> The **United Nations Global Compact** is a framework for business that is committed to aligning its operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

(<http://www.unglobalcompact.org/AboutTheGC/index.html>)

<sup>10</sup> Standard Chartered Sustainability Website

(<http://www.standardchartered.com/sustainability/index.html>)