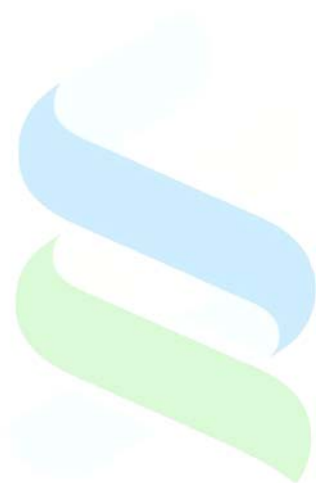


**OIL AND GAS**

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## **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

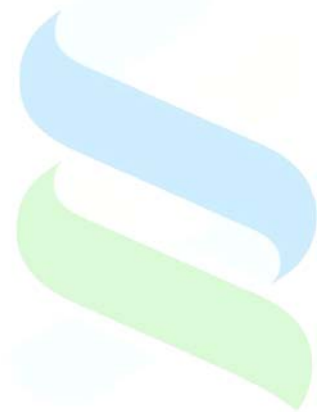
### **Training**

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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## **OIL AND GAS**

### **Statement of Commitment**

Oil and gas continue and will continue to play an important role in the overall energy mix. New oil and gas assets increasingly take place in more difficult operating environments, including deep offshore waters and remote locations, which may have adverse impacts on the environment, host communities and countries. As part of our aspiration to be a “Force for Good”, SCB will work with our clients to promote improvements in oil and gas production, processing and distribution to minimise the environmental and social impacts of these activities.

### **Scope of the statement**

This position statement will apply to all lending; debt capital markets activities, project finance, principal finance, and advisory work provided by the bank to new and existing clients in the oil and gas sector worldwide. For transactions where we provide financing for general corporate purposes or via a separate investment vehicle, we recognise that we have less influence over the use of funds.

For the purposes of this statement, the oil and gas sector covers exploration and production, transportation including pipelines and tankers, processing of oil and gas resources, storage and retail of gas and petroleum products, and decommissioning.

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

### **Sector standard**

SCB clients in the oil and gas sector 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 International Finance Corporation (IFC) Performance Standards<sup>(2)</sup> and IFC Environmental, Health and Safety (EHS) industry sector guidelines<sup>(3)</sup> on Offshore Oil and Gas Development, Onshore Oil and Gas Development, and Liquefied Natural Gas Facilities shall be used as a benchmark of internationally accepted standards.

It is the bank’s policy not to provide financial assistance to operations located in or significantly impacting:

- UNESCO World Heritage Sites <sup>(4)</sup>, unless the activities pre-date the UNESCO designation;
- Wetlands on the Ramsar List <sup>(5)</sup>; and
- 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.

In accordance with the revised phase-out schedule for single hull oil tankers, the bank will not provide financial assistance to the transportation of heavy grades of oil <sup>(6)</sup> in single-hull vessels starting in 2010. *For SCB’s policy on Transportation of Hazardous Materials, please refer to the position statement on our website.*

In the interim period, the bank prefers to work with clients that have procedures in place to prevent, minimise, and controls spills of oil from vessels, including:

- Operational certification of the ship according to applicable requirements depending on the purpose and capacity of the vessel;
- For oil tankers, following applicable requirements, including those related to double-hull design, and a phase-out timetable for existing single-hull tankers;
- Preparing and implementing spill prevention procedures for bunkering activities in port and at sea.

SCB strongly encourages our clients to seek continual improvement in environmental management, health and safety and social performance by:

- Integrating biodiversity considerations into the entire spectrum of oil and gas operations, from exploration to decommissioning, through application of the recommendations set forth in the Energy and Biodiversity Initiative <sup>(7)</sup>;
- Reducing flaring to minimise greenhouse gas emissions through support of the Global Gas Flaring Reduction Initiative <sup>(8)</sup>;
- Developing and implementing oil spill contingency plans and encouraging ratification of oil spill-related international conventions such as the International Convention on Oil Pollution Preparedness, Response and Cooperation, 1990 (OPRC Convention) <sup>(9)</sup>; and the conventions relating to liability and compensation, International Convention on Civil Liability for Oil Pollution Damage (CLC), 1992 <sup>(10)</sup>; and 1992 Fund Convention <sup>(11)</sup>;
- Maintaining the safety and security of their operations within an operating framework that respect human rights and fundamental freedoms, consistent with the Voluntary Principles on Security and Human Rights <sup>(12)</sup>;
- Aligning their operations and strategies with the principles on human rights, labour standards, the environment and anti-corruption as outlined in the United Nations Global Compact Framework <sup>(13)</sup>. This should include recognition of the rights of indigenous peoples and the risks to their livelihood;
- Achieving greater governance and transparency through support of the Extractive Industries Transparency Initiative <sup>(14)</sup>.

### **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>(15)</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 **Performance Standards** define the roles and responsibilities of companies for managing the social and environmental risks and impacts of their projects.

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

<sup>3</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>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 categories of heavy grades of oil are heavy fuel oil, heavy crude, used oil and bitumen, and tar.

<sup>7</sup> The **Energy and Biodiversity Initiative** is a partnership between energy companies and conservation organisations that developed a framework of best practices for integrating biodiversity conservation into upstream oil and gas development.

(<http://www.theebi.org>)

<sup>8</sup> The **Global Gas Flaring Reduction Partnership** aims to supplement and strengthen efforts already underway by mobilizing the petroleum industry, national governments, and development agencies in joint actions to reduce the flaring of gas.

(<http://www.worldbank.org/ggfr>)

<sup>9</sup> The **International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC)** is a global framework for international co-operation in combating major incidents or threats of marine pollution.

([http://www.imo.org/Conventions/contents.asp?topic\\_id=258&doc\\_id=682](http://www.imo.org/Conventions/contents.asp?topic_id=258&doc_id=682))

<sup>10</sup> The **International Convention on Civil Liability for Oil Pollution Damage** (CLC) Convention (CLC) was adopted to ensure that adequate compensation is available to persons who suffer oil pollution damage resulting from maritime casualties involving oil-carrying ships.

([http://www.imo.org/Conventions/contents.asp?doc\\_id=660&topic\\_id=256](http://www.imo.org/Conventions/contents.asp?doc_id=660&topic_id=256))

<sup>11</sup> The **International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage** (FUND), is under an obligation to pay compensation to States and persons who suffer pollution damage, if such persons are unable to obtain compensation from the owner of the ship from which the oil escaped or if the compensation due from such owner is not sufficient to cover the damage suffered.

([http://www.imo.org/Conventions/mainframe.asp?topic\\_id=256&dpc\\_id=661](http://www.imo.org/Conventions/mainframe.asp?topic_id=256&dpc_id=661))

<sup>12</sup> The **Voluntary Principles on Security and Human Rights** were developed to guide companies in balancing the needs for safety while respecting human rights and fundamental freedoms.

(<http://www.voluntaryprinciples.org>)

<sup>13</sup> The **United Nations Global Compact** is a framework for business that are committed to aligning their 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>14</sup> The **Extractive Industries Transparency Initiative (EITI)** is a coalition of governments, companies, civil society groups, investors and international organisations that aims to strengthen governance by improving transparency and accountability in the extractive sector.

(<http://www.eitransparency.org>)

<sup>15</sup> Standard Chartered Sustainability Website

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