

**CLIMATE CHANGE**

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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

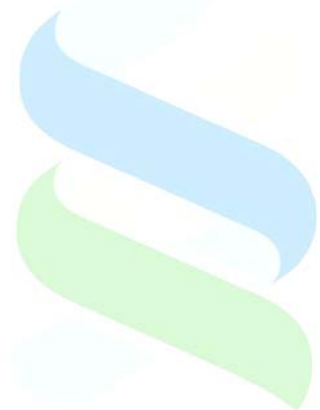
### **Training**

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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## **CLIMATE CHANGE**

Climate change is one of the greatest environmental challenges facing the world today. It has grave ramifications to the availability of natural resources and to our continued ability to provide for future generations. Impacts of climate change are likely to include disruption in food chains, rising sea-levels, erratic weather patterns, accelerated species extinction and widespread vector-borne diseases. Unless the issue is addressed, and mitigating actions taken, these phenomena would result in negative, and sometimes irreversible, consequences for the human society, global economy and the ecosystem.

### **Statement of Commitment**

SCB recognises that unless urgent public and private sector action is taken to reduce anthropogenic greenhouse gas (GHG) emissions, the human and economic costs of inaction will be significantly higher.

SCB's key markets are critical to climate change. Not only are there rich renewable resources available for exploitation, but also energy demands are growing rapidly and the infrastructure and the generation capacity are struggling to keep pace. SCB is committed to pursue the commercial opportunities associated with the reduction of their GHG footprint.

Our commitment, as part of our aspiration to be a "Force for Good", is to:

- Consider climate change risks and opportunities when we make investment or financial decisions;
- Transition our energy portfolio to low-emission, resource-efficient technologies;
- Encourage governments to take action to report and reduce GHG emissions; and
- Work with our clients to promote climate change awareness and support them towards the implementation of low emission strategies to reduce their environmental footprints.

*Note: For further information on SCB's comprehensive approach to Climate Change, please visit our Sustainability Website.*

### **Scope of the statement**

This position statement will apply to all financial services provided by the bank to new and existing clients worldwide.

SCB adopted the Equator Principles 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 are expected to operate in accordance with the relevant international, regional and national laws and regulations on greenhouse gas reduction and emissions.

Clients operating in United Nations Framework Convention on Climate Change (UNFCCC) "Annex 1" <sup>(1)</sup> countries are expected to comply with the relevant regional or national laws to implement greenhouse gas reductions under the Kyoto Protocol <sup>(2)</sup>.

In jurisdictions where appropriate standards do not exist and potential environmental and social impacts are high, the International Finance Corporation (IFC) Performance Standard 3 on Greenhouse Gas Emission <sup>(3)</sup> and IFC Environmental, Health and Safety Guidelines on Air Emissions and Ambient Air Quality <sup>(4)</sup> shall be used as a benchmark of internationally accepted standards.

SCB is committed to the Climate Principles <sup>(5)</sup> which we adopted in 2008. The Climate Principles guide financial services companies to develop the expertise, products and services necessary to equip staff, suppliers and clients to address the challenges of climate change, and transition to a low carbon economy.

SCB will *encourage its clients* to:

- Consider climate change risks and opportunities and where material to the client’s business performance integrate them into business development plans;
- Publish their GHG strategy, GHG emission inventories and set meaningful targets to reduce carbon emissions;
- Take part in voluntary initiatives regarding the disclosure and reduction of greenhouses gases, such as the Carbon Disclosure Project (CDP) <sup>(6)</sup> and application of the Greenhouse Gas Protocol (GHG Protocol) <sup>(7)</sup>;
- Strive to meet any voluntary agreements with regulators on GHG emission reduction targets or energy efficiency;
- Clearly define board and senior management responsibilities for climate change;
- Develop GHG mitigation programmes that increase energy efficiency and consider clean energy generation or procurement.

**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 sustainability strategy, please visit our Sustainability Website <sup>(8)</sup>.

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**NOTES AND GLOSSARY**



<sup>1</sup> The **United Nations Framework Convention on Climate Change (UNFCCC)** sets an overall framework for intergovernmental efforts to tackle the challenge posed by climate change. It recognizes that the climate system is a shared resource whose stability can be affected by industrial and other emissions of carbon dioxide and other greenhouse gases. The Convention enjoys near universal membership, with 191 countries having ratified it.

The **UNFCCC “Annex 1”** is a list of industrialised countries that have established GHG reduction targets.

(<http://unfccc.int/cop3/fccc/climate/annex1.htm>)

<sup>2</sup> The **Kyoto Protocol** commits industrialised countries to individual, legally-binding targets to limit or reduce their greenhouse gas emissions.

([http://unfccc.int/kyoto\\_protocol/items/2830.php](http://unfccc.int/kyoto_protocol/items/2830.php))

<sup>3</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>4</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>5</sup> The **Climate Principles** were facilitated by the Climate Group to govern the financial sector’s approach to climate change.

([www.theclimateprinciples.org](http://www.theclimateprinciples.org))

<sup>6</sup> The **Carbon Disclosure Project** is a secretariat for the world’s largest institutional investor collaboration on the business implications of climate change. It represents a process whereby many institutional investors collectively sign a single global request for disclosure of information on Green house Gas Emissions. More than 1,000 large corporations voluntarily report on their emissions through this web site, the largest registry of corporate greenhouse gas emissions in the world.

(<http://www.cdproject.net/>)

<sup>7</sup> The **Greenhouse Gas Protocol (GHG Protocol)** from the World Business Council for Sustainable Development is the most widely used international accounting tool for government and business to understand, quantify, and manage greenhouse gas emissions

(<http://www.ghgprotocol.org/templates/GHG5/layout.asp?MenuID=849>)

<sup>8</sup> Standard Chartered Sustainability Website

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