

DAMS

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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

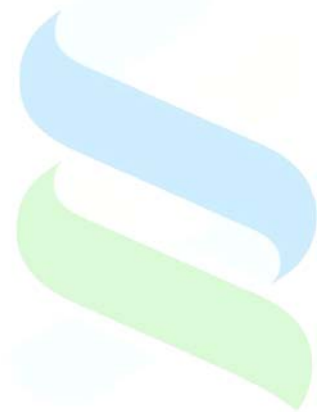
Training

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.

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Dams have, for many years, played a significant part in the social and economic development of mankind by providing usable, reliable water sources and power. Dams have been constructed to help manage available water resources so that people can have access to drinking water and enjoy economic growth fuelled by diverting water for power, industrial use, flood control, irrigation and navigation. The lakes and reservoirs created by constructing the dams have also brought about recreational benefits which in turn enhance tourism. We recognise that in achieving this, dams also result in permanent changes to the environment and in displacing populations and livelihoods.

Statement of Commitment

Our commitment is to work with our clients towards the implementation of best practices so that dams can continue to contribute to the delivery of water and energy benefits to society, but in an equitable and sustainable manner, addressing social and environmental impacts.

Scope of the statement

This position statement will apply to all debt and equity financing and advisory services provided by the Bank to new and existing customers for the explicit purpose of developing dams and related infrastructure.

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

Sector standard

SCB clients building dams are expected to operate in accordance with the relevant global, regional and national laws. In jurisdictions where appropriate standards do not exist and potential environmental and social impacts are high, the International Finance Corporation (IFC) Performance Standards ⁽²⁾ and IFC General Environmental, Health and Safety Guidelines (EHS) ⁽³⁾ shall be used as a benchmark of internationally accepted standards.

SCB will follow the World Commission on Dams (WCD) Framework for decision making ⁽⁴⁾. It is the bank's policy not to provide financial assistance to dams and related infrastructure projects:

- That do not conform to the WCD Framework for decision making;
- Located in, or significantly impacting:
 - UNESCO World Heritage Sites ⁽⁵⁾, unless the activities pre-date the UNESCO designation;
 - Wetlands on the Ramsar list ⁽⁶⁾; and
 - Critical Natural Habitats

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

SCB encourages its clients who are engaging in hydropower projects to operate in accordance with the sustainable development principles advocated by the International Hydropower Association ⁽⁷⁾. This includes adopting an internationally recognised environmental management system e.g. ISO 14001.

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.

In addition, should you be interested in the progress of the bank's implementation of its Sustainability strategy, please visit our Sustainability Website ⁽⁸⁾.

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NOTES AND GLOSSARY

¹ **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>)

² 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>)

³ 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>)

⁴ The **World Commission on Dams (WCD)** – was established in 1998 in response to the growing opposition to large dams. Its mandate was to: a) review the development effectiveness of large dams and assess alternatives for water resources and energy development; and b) develop internationally acceptable criteria, guidelines and standards for the planning, design, appraisal, construction, operation, monitoring and decommissioning of dams.

The **Dams and Development: A new framework for decision making** (2000) report provides a new framework for decision making on water and energy projects based on recognising the rights of, and assessing the risks to, all stakeholders.

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

⁵ 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>)

⁶ The **Ramsar Convention** is an international treaty for the conservation and sustainable utilisation of wetlands.

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

⁷ The **International Hydropower Association (IHA)** addresses the role of hydropower in meeting the world's growing water and energy needs as a clean, renewable and sustainable technology.

(http://www.hydropower.org/sustainable_hydropower/sustainability_guidelines.html)

⁸ Standard Chartered Sustainability Website
(<http://www.standardchartered.com/sustainability/index.html>)