

FORESTRY AND PALM OIL

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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

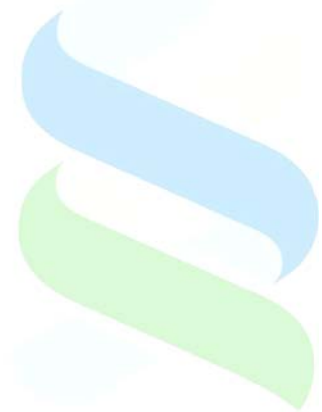
Training

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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Statement of Commitment

Forestry and palm oil are important industries to many of the economies and communities in which we operate. In some cases, operations in these sectors are not yet conducted on a sustainable basis and thus have considerable environmental and social impacts. Our commitment, as part of our aspiration to be a “Force for Good”, is to work with our clients towards the implementation of international best practices for sustainability.

Scope of the statement

This position statement will apply to all financial services provided by the bank to new and existing clients in the forestry and palm oil sectors worldwide.

For the purposes of this statement, the forestry sector includes:

- Upstream production companies (logging of trees in forest areas and plantations, including forestry equipment and forest conversion); and
- Downstream users (milling of logs for pulp, paper, sawn wood, plywood, or veneer)

For the purposes of this statement, the palm oil sector includes:

- Upstream production companies (crude palm oil mills and the plantations that supply them, including contract growers and other small holders); and
- Downstream users (refiners or traders)

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 currently follows the International Finance Corporation (IFC) Environmental, Health, and Safety (EHS) industry sector guidelines on Forestry and Plantation Crop Production ⁽²⁾ (2007).

In particular, it is the bank’s policy not to provide financial services in respect of:

- Commercial logging operations or the purchase of logging equipment for use in:
 - Primary Tropical Moist Forest ⁽³⁾;
 - High Conservation Value Forest (HCVF) ⁽⁴⁾, unless the Precautionary Principle is applied and conservation-based management plans which deliver preservation or enhancement of the high conservation values are implemented;
 - Critical Natural Habitats;
 - Logging operations that are in violation of local or national laws in respect of illegal logging;
 - Logging operations that include any species listed in Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), Appendix I ⁽⁵⁾;
- Companies which directly purchase, trade or process timber from the above sources;
- Companies which engage in illegal logging and the uncontrolled and/or illegal use of fire in their forestry or plantation operations (including the preparation of land for planting);

- Conversion of Primary Tropical Moist Forest or HCVF to plantation use.

Forest Stewardship Practices

SCB encourages our clients to:

- operate managed forests that are certified by the Forest Stewardship Council (FSC) or equivalent standard;
- demonstrate a credible path towards operating managed forests that are certified by the Forest Stewardship Council (FSC) or equivalent standard;
- process or trade in products that are FSC-certified or equivalent certification (with appropriate *chain of custody* or equivalent documentation)⁽⁶⁾.

Oil Palm and Timber Plantation Stewardship Practices

SCB encourages our clients to:

- undertake environmental and social impact assessments for all new plantations;
- demonstrate that they have commenced (in the case of palm oil plantations):
 - a credible process to become members of the Round Table for Sustainable Palm Oil (RSPO); and/or
 - implementation of the RSPO principles and criteria ⁽⁷⁾.

SCB will finance plantation projects on previously cleared forest land, only after five years have passed and only if no direct link to the original deforestation can be demonstrated.

Implementation and Compliance

We understand that due to the varying stages of political, economical and social development in the countries in which we operate, not all our clients may have met the standards set out in this statement.

As part of SCB's commitment to help our clients towards higher standards of sustainable development, our relationship managers (or an independent technical specialist where necessary) will work closely with clients who do not currently meet these standards, to develop a time-bound action plan for compliance and to monitor the client's progress against that plan.

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 on 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 **International Finance Corporation (IFC)** – is a member of the World Bank Group. It provides loans, equity, structured finance and risk management products, and advisory services to build the private sector in developing countries.
(<http://www.ifc.org>)

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>)

³ **Primary Forest** is defined as a relatively intact forest that has been essentially unmodified by human activity for the previous 60 to 80 years.

Tropical moist forest is generally defined as forest in areas that receive not less than 100 mm of rain in any month for two out of three years and have an annual mean temperature of 24 C or higher. Also included in this category, however, are some forests (especially in Africa) where dry periods are longer but high cloud cover causes reduced evapotranspiration.
(<http://www2.ifc.org/enviro/EnvSocialRev/Policies/Safeguard/Forestry/forestry.htm>)

⁴ **High Conservation Value Forests (HCVF)** – those forest areas containing or providing globally, regionally or nationally significant concentrations of biodiversity values; including rare, threatened or endangered ecosystems; providing basic nature services in critical situations (e.g. watershed protection, erosion control), and fundamental to meeting basic community needs and critical to traditional cultural identity.
(http://www.fsc.org/keepout/en/content_areas/77/134/files/FSC_STD_01_001_V4_0_EN_FS_C_Principles_and_Criteria.pdf)

⁵ The **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)** is an international agreement between governments aiming to ensure that international trade in specimens of wild animals and plants does not threaten their survival.
(<http://www.cites.org>)

⁶ The **Forest Stewardship Council (FSC)** – is an international network promoting responsible management of the world's forests. FSC principles and criteria are based on consultative processes that set international standards for responsible forest management.
(<http://www.fsc.org>)

⁷ The **Roundtable on Sustainable Palm Oil** (RSPO) – is an international organisation promoting the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue between its stakeholders.

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

⁸ Standard Chartered Bank – Sustainability Website

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