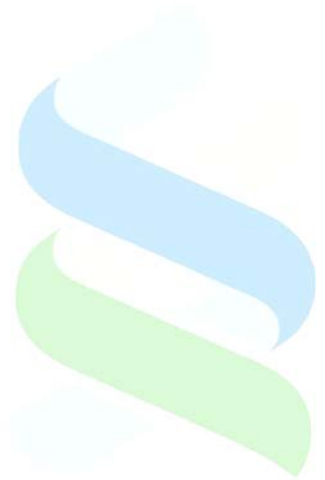


FOSSIL-FUELLED POWER GENERATION

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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

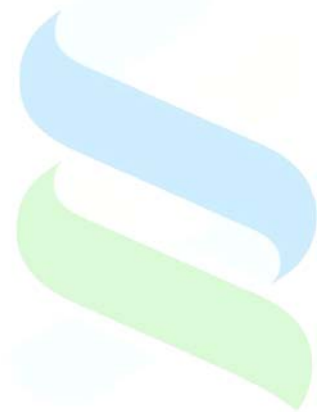
Training

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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FOSSIL-FUELLED POWER GENERATION

Although SCB recognizes climate change as one of the key environmental challenges of our time and fossil-fuelled power generation as the leading contributor of greenhouse gas (GHG) emissions; our experience in emerging markets has taught us that priorities in developing countries differ and often conflict. For those without any power, provision of low cost generation might be the most immediate priority. For those breathing polluted air, the immediate priority might be to eliminate ground air pollution. While fossil-fuelled power generation will continue to contribute to GHG emissions in the short-term, it needs to be undertaken within the global framework of emissions reduction.

Statement of Commitment

Our commitment is to work with our clients towards the implementation of best practices so that fossil-fuelled power plants can continue to contribute to the generation of electricity, but in an equitable and sustainable manner, addressing energy efficiency and promoting low-carbon technologies.

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 fossil-fuelled power generation, transmission and distribution worldwide.

For the purposes of this statement, fossil-fuelled power generation is defined as the process of producing power using coal, oil and natural gas.

This statement, however, *does not* set standards for coal, oil, and natural gas extraction, process, and transport. *For SCB's policies on Mining and Metals and Oil and Gas, please refer to the relevant sector position statements on our website.*

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 in the fossil-fuelled power generation 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 ⁽²⁾ and IFC Environmental, Health and Safety (EHS) ⁽³⁾ industry sector guidelines on Thermal Power (New Plants and Rehabilitation) [currently under review and expected to be published by the end of 2007], shall be used as a benchmark of internationally accepted standards.

It is the bank's policy not to provide financial assistance to operations in the electric power sector located in, or significantly impacting:

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

Recognising that fossil-fuelled power generation contributes to air pollution and climate change, SCB will only provide financial assistance to power generation plants that conduct their operations:

- In the European Union, in accordance with the requirements of the European Union Emissions Trading Scheme ⁽⁶⁾ and the Integrated Pollution Prevention and Control Directive ⁽⁷⁾, with reference to Best Available Techniques (BAT) and associated emissions levels for large combustion plants ⁽⁸⁾;
- In other Kyoto Protocol Annex I countries ⁽⁹⁾, in accordance with national and international laws regarding greenhouse gas reduction;
- In other United Nations Framework Convention on Climate Change ⁽¹⁰⁾ signatory countries and other countries not party to the Convention, in accordance with national strategies for addressing greenhouse gases; and
- Work towards alignment with the IFC EHS Guidelines, with particular reference to the IFC Guidelines on Air Emissions and Ambient Air Quality ⁽¹¹⁾ including the recommendations put forward for reduction and control of greenhouse gases.

Best Practices

SCB encourages our clients to move towards best practices of corporate responsibility and sustainable development and to seek continual improvement in environmental management, health and safety and social performance by:

- Implementing an environmental policy and management system to review, prevent or ameliorate adverse environmental impacts. This should include a greenhouse gas emissions management, measurement and disclosure, and reduction strategy.
- Taking part in voluntary initiatives regarding the disclosure and reduction of greenhouse gases, such as the Carbon Disclosure Project ⁽¹²⁾ and the Greenhouse Gas Protocol. ⁽¹³⁾
- Adopting lower carbon technologies, where technically and financially feasible.

Implementation and Compliance

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

We understand that some of our existing clients may not have met the standards set out above due to a number of factors, including 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

Standard Chartered 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 ⁽¹⁴⁾.

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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 **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>)

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

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

⁶ The **European Union Emission Trading Scheme (EU ETS)** commenced operation in 2005 as the largest multi-country, multi-sector Greenhouse Gas emission trading scheme worldwide.

(<http://ec.europa.eu/environment/climat/emission.htm>)

⁷ The **Integrated Pollution Prevention and Control (IPPC)** Directive is about minimising pollution from various industrial sources throughout the European Union.
(<http://ec.europa.eu/environment/ippc/index.htm>)

⁸ The European IPPC Bureau organises an exchange of information between Member States and the relevant industries concerning **Best Available Techniques (BAT)**, associated monitoring and developments in them. It produces BAT reference documents (BREFs) which Member States are required to take into account when determining best available techniques generally or in specific cases.
(<http://eippcb.jrc.es/pages/FActivities.htm>)

⁹ The **Kyoto Protocol** is an international agreement which builds on the United Nations Framework Convention on Climate Change and it sets legally binding targets and timetables for cutting the greenhouse gas emissions of industrialized countries.

Annex I countries refers to developed countries, who have accepted greenhouse gas emission reduction obligations and must submit an annual greenhouse gas inventory.
(http://unfccc.int/essential_background/kyoto_protocol/items/1678.php)

¹⁰ The **United Nations Framework Convention on Climate Change (UNFCC)** 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.
(http://unfccc.int/essential_background/convention/items/2627.php)

¹¹ The **IFC EHS Guidelines on Air Emissions and Ambient Air Quality** applies to projects that generate emissions to air at any stage of the project life-cycle. They provide an approach to the management of significant sources of emissions, including guidance for assessment and monitoring of impacts.
(<http://www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines>)

¹² The **Carbon Disclosure Project** is a secretariat for the world's largest institutional investor collaboration on the business implications of climate change. More than 1,000 large corporations voluntarily report on their emissions through this website, the largest registry of corporate greenhouse gas emissions in the world.
(<http://www.cdproject.net/aboutus.asp>)

¹³ 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>)

14 Standard Chartered Bank – Sustainability Website
(<http://www.standardchartere.com/sustainability/index.html>)