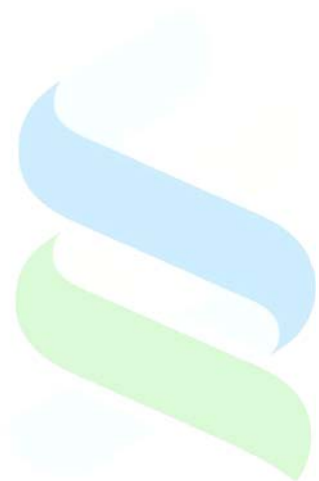


TOBACCO

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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

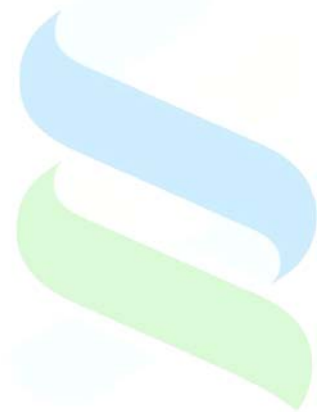
Training

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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Tobacco consumption is currently the single leading preventable cause of death in the world, resulting in the premature death of an estimated five million people a year ⁽¹⁾. We believe that each adult individual has the freedom to make an informed decision whether to smoke or not. However, we also believe in responsible marketing and advertising, and in the protection of adults and children from exposure to second-hand tobacco smoke.

Statement of Commitment

This position statement outlines our endeavours to encourage our clients in the sector towards responsible and sustainable development and forms an integral part of our good corporate citizenship.

As part of our aspiration to be a “Force for Good”, we endeavour to conduct our business with responsible clients, encouraging our clients to deploy effective market based solutions that take into account the social and environmental concerns that their businesses may have, creating sustainable value for their shareholders, employees, contractors, suppliers, customers, business partners and host communities.

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 involved in the tobacco sector worldwide.

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

- Upstream tobacco growers; and
- Downstream leaf traders and tobacco products manufacturers.

Tobacco products are products made entirely or partly from leaf tobacco as a raw material, which are intended to be smoked, sucked, chewed or snuffed.

SCB adopted the Equator Principles ⁽²⁾ 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 this 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 ⁽³⁾ and IFC General Environmental, Health and Safety (EHS) ⁽⁴⁾ industry sector guidelines on Plantation Crop Production shall be used as a benchmark of internationally accepted standards.

Best Practices

SCB encourages all our clients across the tobacco value chain to:

- Address the problem of child labour within the tobacco sector by committing not to employ any person deemed by local or international laws, conventions or regulations to be a child throughout the supply chain under their control. *For SCB's policy on Child Labour, please refer to the position statement on our website.*

- Participate in the initiative Eliminate Child Labour in Tobacco (ECLT) Foundation ⁽⁵⁾.
- Adhere to standards set by the International Labour Organization's (ILO) ⁽⁶⁾ International Program on the Elimination of Child Labour (IPEC) ⁽⁷⁾, and the UN Convention on the Rights of the Child (UNCRC) ⁽⁸⁾.

SCB encourages tobacco farmers to:

- Implement good agricultural practices and sustainable forestry practices when dealing with wood cured tobacco as per the International Tobacco Growers Association (ITGA) ⁽⁹⁾ principles.

SCB encourages tobacco manufacturers to:

- Participate in public education and awareness campaigns on the health hazards associated with smoking and provide accurate and clear health messages about the risks of tobacco consumption;
- Support legislation that bans tobacco advertising, promotion and sponsorship directed at minors;
- Support initiatives to decrease impact of second-hand smoke e.g. in workplaces, public transport, and indoor and outdoor public spaces;
- Disclose the contents, emissions, and ingredients of their tobacco products;
- Ensure that their tobacco product packaging includes a health warning and that deceptive labels are not used; and
- Take action against illicit trade in tobacco products, including smuggling and sale of tobacco to minors.

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 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

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 ⁽¹⁰⁾.

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NOTES AND GLOSSARY

¹ The **World Health Organisation (WHO)** is responsible for providing leadership on global health matters, shaping the health research agenda, setting norms and standards, articulating evidence-based policy options, providing technical support to countries and monitoring and assessing health trends.

(<http://www.who.int/tobacco/en>)

² **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>)

³ 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>)

⁴ 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>)

⁵ The **Eliminate Child Labour in Tobacco (ECLT) Foundation** is a partnership between the trade unions, the tobacco growers and the corporate sector to eliminate the use of child labour in the tobacco-growing sector.

(<http://www.eclt.org/index.html>)

⁶ The **International Labour Organization (ILO)** is devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.

(www.ilo.org)

⁷ The ILO's **International Program on the Elimination of Child Labour (IPEC)** has the overall goal of the progressive elimination of child labour.

(<http://www.ilo.org/childlabour>)

⁸ The **UN Convention on the Rights of the Child (UNCRC)** advocates for the protection of children's rights.

(<http://www.unicef.org/crc/>)

⁹ The **International Tobacco Growers Association (ITGA)** is a non-profit organisation with the objective of presenting the cause of tobacco farmers to the world.

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

¹⁰ Standard Chartered Sustainability Website

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