

WATER

Standard
Chartered



INTRODUCTION TO SECTOR AND ISSUE POSITION STATEMENTS

Standard Chartered 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 Standard Chartered’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 Standard Chartered globally. As Standard Chartered 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

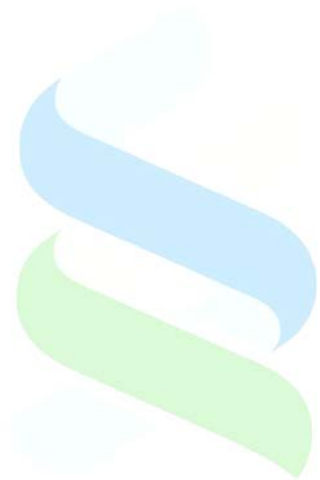
Training

Our banking professionals are required to make reasoned, common sense judgements on environmental and social issues. Standard Chartered 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

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.

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Our concern

Freshwater¹ is a limited resource and access to it represents one of the greatest environmental and social challenges facing the world today. Population growth, pollution, urbanisation and climate change are the main factors which exacerbate the problem. The issue is particularly heightened in Asia, Africa and the Middle East, where an estimated 2.8 billion people will be subject to severe water scarcity by 2025².

Competition for access to water is therefore going to intensify, potentially leading to conflicts in the use of water for power generation, farming, industrial and household needs. For example a hydropower dam intended to meet energy demand could come at the expense of fish populations and irrigation needs or could result in communities being displaced. The planting and irrigation of biofuels crops to provide an alternative source of energy could reduce water availability for the cultivation of edible crops.

Our key markets are already facing water challenges such as desertification, depletion of aquifers, pollution, droughts and floods. They are also significant exporters or importers of “virtual water”³ through the trade of water-intensive products. Therefore Standard Chartered is cognisant of water scarcity and quality as issues affecting its business.

There are two aspects to this: first the impacts Standard Chartered and its clients’ operations/assets have on water resources; and second the impact that water availability and quality have on the operations/assets of Standard Chartered and its clients.

Scope

This position statement applies group-wide. Commitments relating to our financing decisions apply to all financial services provided by the Bank, to all new and existing clients.

Our commitment

Standard Chartered recognises that unless urgent public and private sector action is taken to manage water scarcity and quality, the sustainable development of society and the economy will be negatively affected.

As bank we can contribute to addressing this issue by:

¹ Freshwater refers to naturally occurring water on the surface of the earth such as lakes, rivers and streams, and underground in aquifers and underground rivers. Freshwater is characterised by having low concentrations of dissolved salts. The term specifically excludes seawater and brackish water. This position statement specifically addresses freshwater related issues and does not address issues related to the marine environment. These issues are addressed through our standard environmental due diligence practice or through other industry specific position statements such as Oil & Gas or Mining & Metals. Research documents and industry jargon refers to “water” or “freshwater” interchangeably, therefore we will commonly use the term “water” throughout the position statement.

² Water- the real liquidity crisis” A special report by Standard Chartered Bank – 20th March 2009

<http://research.standardchartered.com/researchdocuments/Pages/ResearchArticle.aspx?&R=60920>

³ “Virtual water” also referred to as “embedded water” or “embodied water” refers to the amount of water required to produce a good from start to finish.

- Understanding water risks⁴ in our clients' operations and assets, as well as those in our own operations, and including them in our financing decisions;
- Identifying and capturing commercial opportunities related to the water sector; and
- Reducing the use of water by our buildings, employees, operations and supply chain.

To play our part in tackling this global issue, we will:

Manage Risks

1. Encourage our clients to achieve recognised international standards in water management

The standards cover:

- The International Finance Corporation (IFC) Performance Standards;
- The IFC General Environmental, Health and Safety (EHS) guidelines on Wastewater and Ambient Water Quality and Water Conservation; and
- The EHS industry sector guideline on Water and Sanitation.

If less stringent levels or measures are adopted, we will request that the client provide full and detailed justification to demonstrate that an alternate performance level is appropriate to specific projects or operational circumstances.

Standard Chartered adopted the Equator Principles in 2003, therefore all project finance and advisory transactions will be undertaken in accordance with both the Equator Principles and this position statement.

2. Incorporate water risks in our financing decisions

The collection, purification, distribution and treatment of water are energy intensive processes. For financial decisions on integrated water and power plant projects, we will consider the energy intensity of the process and associated GHG emissions. We will not finance desalination plants⁵, either as standalone projects or as associated facilities, when there are not appropriate measures to mitigate the adverse impacts related to the disposal of brine and/or abstraction of seawater.

⁴ Water risks refer to risks arising from potential lack of supply or limited or unreliable supply of water. It also refers to risks arising from potential pollution of water resources. Water related risks can affect a client's operation directly when water is an input to the production process, or if effluents result from the process. Or indirectly, when a client's supply chain is affected at some point by water related risks. For example the supply of electricity to a client can be affected if the electricity is generated by a coal or thermal or nuclear power station located in an area suffering from a drought.

⁵ Desalination plants affect the environment through their high energy requirement, the associated greenhouse gas (GHG) emissions, the disposal of brine (a highly concentrated waste product consisting of everything that was removed from the created water) and the impact of seawater withdrawal on the marine environment.

- 3. Expect our clients with significant water use or wastewater production, either directly or through their supply chain, to minimise their impact on water resources**

Clients in sectors such as irrigated farming, mining, food processing, beverage, pharmaceuticals, industrial metal production, forestry and paper, chemicals and technology hardware and equipment, will typically require a significant amount of water as direct input for their own operation; or have a supply chain with a significant amount of water embedded and wastewater produced. They may also require a significant amount of energy produced through hydroelectric facilities.

Identify commercial opportunities

- 4. Designate water as a specific research theme and produce ongoing research aimed at identifying commercial opportunities in areas such as water management, wastewater treatment and water recycling**
- 5. As part of our commitment to the Clinton Global Initiative, Standard Chartered will provide at least USD1 billion in financial services including debt, equity and advisory for water related projects with a project value of USD5 billion by 2012**

Engage with our stakeholders

- 6. Establish a water reduction target for our own operations where we have control of water facilities. On 2009 basis, we will achieve a 33% reduction to 1.125 kilolitres/m² per year by 2014, and a 70% reduction to 0.5 kilolitres/m² per year by 2019**
- 7. Develop projects locally to educate staff on water pollution and water conservation and that will deliver tangible benefits to the communities in which we operate**
- 8. Engage with governments on the challenges of water scarcity and quality, including risks and opportunities related to the long term sustainable management of their water resources**

Compliance

We understand that some clients may not have met the standards set out above due to legacy assets and activities. In such circumstances, we will expect our clients to have, or to develop, a credible, documented time-bound action plan to achieve the standards.